2021

Annual U.S. Disclosure Document

for the fiscal year ended September 30, 2021

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

The date of this 2021 Annual U.S. Disclosure Document is November 16, 2021.

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

Where information for the comparative periods has not been restated, as identified by footnotes or commentaries, the financial information presented for those periods is not comparable to the financial information presented in the 2021 fiscal year, and where relevant, the 2020 fiscal year.

This U.S. Disclosure Document is dated November 16, 2021. All references in this document to “the date of this U.S. Disclosure Document” are to November 16, 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 September 30, 2021, and the results of operations for the fiscal year then ended. All financial information disclosed in this U.S. Disclosure Document relates to the Group.

Attached to this U.S. Disclosure Document as Annex A are the following extracts of ANZ’s 2021 Annual Report, as prepared by the Company and filed with the Australian Securities Exchange (“ASX”) in accordance with its rules:

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

Attached to this U.S. Disclosure Document as Annex B are the following extracts of ANZ’s 2020 Annual Report, as prepared by the Company and filed with the ASX in accordance with its rules:

- The 2020 Remuneration Report of the Group;
- The 2020 Financial Report of the Group (comprising the financial statements, notes to the financial statements and directors’ declaration) (hereafter referred to as the “2020 Financial Report”); and
- The Independent Auditor’s Report on the audit of the 2020 Financial Report.

Attached to this U.S. Disclosure Document as Annex C are the following documents prepared by the Company and filed with the ASX in accordance with its rules:

- The 2020 Financial Report of the Company (comprising the financial statements, notes to the financial statements and directors’ declaration); and
- The Independent Auditor’s Report on the audit of the 2020 Financial Report of the Company.

FORWARD-LOOKING STATEMENTS

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

Such statements and opinions constitute "forward-looking statements" for the purposes of the *United States ("U.S.") Private Securities Litigation Reform Act of 1995*. Any forward-looking statements or opinions made in this U.S. Disclosure Document speak only as 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 2021 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 and future outbreaks of other communicable diseases or pandemics;
- changes in political and general business and economic conditions, including disruption in regional or global, credit and capital markets;
- competition in the markets in which the Group operates;
- changes in the real estate markets in Australia, New Zealand or other markets where the Group does business;
- sovereign risk events that may destabilize global financial markets;
- market risk events;
- changes in exchange rates;
- the planned discontinuation of the London Interbank Offered Rate ("LIBOR") and developments affecting other benchmark rates;
- our ability to complete, integrate or separate and process acquisitions and divestments;
- credit risk;
- challenges in managing the Group's capital base, 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;
- liquidity and funding risk events;
- changes in the valuation of some of the Group's assets and liabilities;
- changes to the Group's accounting policies and their application;
- regulatory changes or a failure to comply with laws, regulations or policies;
- litigation and contingent liabilities;
- significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions;
- changes in monetary policies;
- the impact of 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);
- human capital risk, relating to the inability to attract, develop, motivate and retain the Group's people to meet current and future business needs;
- reputational risk events, including as a result of operational failures and regulatory compliance failures;
- conduct-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;
- risk associated with the models that the Group relies on for material business decisions;
- the impact of future climate-related and geological events, plant, animal and human diseases, and other extrinsic events;
- the effectiveness of our risk management framework;
- risks associated with lending to customers that could be directly or indirectly impacted by climate risk; and
- various other factors beyond our control.

BASIS OF PREPARATION

The summary of condensed consolidated income statements and selected ratios for the fiscal years ended September 30, 2021, 2020, 2019, 2018, and 2017, and the summary of condensed consolidated balance sheets and selected ratios as of September 30, 2021, 2020, 2019, 2018, and 2017, have been derived from the Group's financial statements. The 2021 Financial Report is contained within ANZ's 2021 Annual Report (extracts of which, including the 2021 Financial Report, are attached to this U.S. Disclosure Document as part of Annex A). The 2020 Financial Report is contained within ANZ's 2020 Annual Report (extracts of which, including the 2020 Financial Report, are attached to this U.S. Disclosure Document as part of Annex B).

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

Amounts in this U.S. Disclosure Document are presented in Australian Dollars ("$", "AUD" or "A$") unless otherwise stated. Amounts reported in United States Dollars ("USD", "US$" or "U.S. dollars") have been translated at the September 30, 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$0.7228 = 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 continues to cause major disruptions to community health and economic activities with wide-ranging impacts across many business sectors in Australia, New Zealand and globally.

During the 2021 fiscal year, the spread of the Delta variant resulted in new and extended lockdowns in Sydney, Melbourne and Auckland. The Group continues to offer support to our customers to assist in counteracting the impact of COVID-19. While customer loan repayment deferral support was provided as a result of the recent lockdowns, they were less significant when compared to those provided in the 2020 fiscal year. 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.

The ramifications of the COVID-19 pandemic remain uncertain and it is difficult to predict the ongoing impact or duration of the pandemic and relaxation of restrictions. In preparing the financial statements of the Group and the Company included in this U.S. Disclosure Document for the year ended September 30, 2021, the Group has made various accounting estimates for future events based on forecasts of economic conditions which reflect expectations and assumptions as at September 30, 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 $567 million pre-tax in the 2021 fiscal year (2020 fiscal year: $2,738 million charge). The credit impairment release in the 2021 fiscal year was primarily driven by the release of allowance for collectively assessed ECL largely reflecting the impact of an improved economic outlook relative to the outlook as of September 30, 2020, together with improvements in portfolio mix.

The impact of the COVID-19 pandemic on our accounting estimates is discussed further in Note 1 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

ACCOUNTING STANDARDS ADOPTED DURING THE 2021 FISCAL YEAR

On April 1, 2021, the Group early adopted 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 Offered Rate ("IBOR") to a risk-free rate ("RFR"), including the effects of changes to contractual cash flows or hedging relationships. The adoption of Interest Rate Benchmark Reform – Phase 2 did not have a material impact on the Group. Details of the impact of IBOR reform on the Group are disclosed in Note 1 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

DISCONTINUED OPERATIONS

The Group completed the sale of its aligned dealer groups ("ADGs") business to IOOF Holdings Limited ("IOOF") on October 1, 2018, its life insurance business to Zurich Financial Services Australia ("Zurich") on May 31, 2019 and its OnePath pensions and investments ("OnePath P&I") business to IOOF on January 31, 2020.

The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective. The financial results after transaction completion primarily relate to residual operational costs on separation and part recovery based on the respective Transition Service Agreements.

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

The information presented in the summary of condensed consolidated income statements set forth in Section 1 and otherwise disclosed in this U.S. Disclosure Document and selected ratios for the fiscal years ended September 30, 2021, 2020, 2019, 2018 and 2017 show discontinued operations separately from continuing operations in the "Profit/(Loss) after income tax from discontinued operations" line item.

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

Condensed Consolidated Income Statement	Years ended September 30					
	2021 USD M[1]	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Interest income	**14,116**	**19,529**	24,426	31,077	30,327	29,120
Interest expense	**(3,880)**	**(5,368)**	(10,377)	(16,738)	(15,813)	(14,245)
Net interest income	**10,236**	**14,161**	14,049	14,339	14,514	14,875
Other operating income	**2,356**	**3,259**	3,588	4,446	5,470	4,523
Operating income	**12,592**	**17,420**	17,637	18,785	19,984	19,398
Operating expenses	**(6,542)**	**(9,051)**	(9,383)	(9,071)	(9,401)	(8,967)
Profit before credit impairment and income tax	**6,050**	**8,369**	8,254	9,714	10,583	10,431
Credit impairment (charge)/release[2]	**410**	**567**	(2,738)	(794)	(688)	(1,198)
Profit before income tax	**6,460**	**8,936**	5,516	8,920	9,895	9,233
Income tax expense	**(1,992)**	**(2,756)**	(1,840)	(2,609)	(2,784)	(2,874)
Profit after income tax from continuing operations	**4,468**	**6,180**	3,676	6,311	7,111	6,359
Profit/(Loss) after income tax from discontinued operations	**(12)**	**(17)**	(98)	(343)	(695)	62
Profit for the period	**4,456**	**6,163**	3,578	5,968	6,416	6,421
Profit attributable to non-controlling interests	**(1)**	**(1)**	(1)	(15)	(16)	(15)
Profit attributable to shareholders of the Company	**4,455**	**6,162**	3,577	5,953	6,400	6,406

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 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.*

	Years ended September 30					
	2021 USD[1]	2021	2020	2019	2018	2017
Selected ratios						
Other operating income as a percentage of operating income - including discontinued operations	**19.0%**	**19.0%**	20.1%	24.7%	27.7%	26.6%
Net interest margin - including discontinued operations (%)	**1.64%**	**1.64%**	1.63%	1.75%	1.87%	1.99%
Operating expense to operating income ratio - including discontinued operations (%)	**52.3%**	**52.3%**	54.5%	50.2%	49.6%	46.6%
Dividends on ordinary shares ($M)[2]	**2,116**	**2,928**	2,922	4,481	4,585	4,609
Earnings per fully paid ordinary share (cents) including discontinued operations						
Basic	**156.9**	**217.1**	126.4	210.0	221.6	220.1
Diluted	**148.1**	**204.9**	118.0	201.9	212.1	210.8
Earnings per fully paid ordinary share (cents) from continuing operations						
Basic	**157.4**	**217.7**	129.8	222.1	245.6	218.0
Diluted	**148.5**	**205.4**	121.1	213.0	234.2	208.8
Ordinary share dividend payout ratio including discontinued operations (%)[3]	**65.3%**	**65.3%**	47.6%	76.2%	72.1%	73.4%
Dividend per ordinary share (cents) including discontinued operations	**103**	**142**	60	160	160	160

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Dividends paid to ordinary equity holders of the Company during the corresponding fiscal year.*
3. *The ordinary dividend payout ratio calculation is based on the following dividend payments:*

	2021 $M	2020 $M	2019 $M	2018 $M	2017 $M
Interim	1,992	709	2,267	2,317	2,349
Final	2,030*	994	2,268	2,295	2,350
Total	4,022*	1,703	4,535	4,612	4,699

** Based on the proposed final dividend announced on October 28, 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[1]

	As of September 30					
	2021 USD M[2]	**2021 $M**	**2020 $M**	**2019 $M**	**2018 $M**	**2017 $M**
Shareholders' equity excluding non-controlling interests	**46,017**	**63,665**	61,287	60,783	59,265	58,959
Subordinated debt[3]	**18,272**	**25,279**	21,061	16,586	15,908	17,710
Unsubordinated debt	**54,770**	**75,775**	98,607	113,105	105,271	90,263
Deposits and other borrowings	**537,081**	**743,056**	682,333	637,677	618,150	595,611
Gross loans and advances	**458,084**	**633,764**	622,074	618,767	608,380	584,091
Less: Individually assessed provision for credit impairment	**(481)**	**(666)**	(851)	(790)	(894)	(1,136)
Less: Collectively assessed provision for credit impairment	**(2,442)**	**(3,379)**	(4,130)	(2,719)	(2,023)	(2,662)
Less: Loans and advances held for sale	**-**	**-**	-	-	(999)	(5,962)
Net loans and advances	**455,161**	**629,719**	617,093	615,258	604,464	574,331
Total assets[4]	**707,518**	**978,857**	1,042,286	981,137	943,182	897,326
Net assets[4]	**46,025**	**63,676**	61,297	60,794	59,405	59,075
Risk weighted assets[5]	**300,747**	**416,086**	429,384	416,961	390,820	391,113
Capital adequacy ratios[5]:						
Common Equity Tier 1	**12.3%**	**12.3%**	11.3%	11.4%	11.4%	10.6%
Tier 1	**14.3%**	**14.3%**	13.2%	13.2%	13.4%	12.6%
Tier 2	**4.1%**	**4.1%**	3.3%	2.1%	1.9%	2.2%
Total capital ratio	**18.4%**	**18.4%**	16.4%	15.3%	15.2%	14.8%
Number of ordinary shares on issue (millions)	**2,823.6**	**2,823.6**	2,840.4	2,834.6	2,873.6	2,937.4

	Years ended September 30					
	2021 USD[2]	**2021**	**2020**	**2019**	**2018**	**2017**
Selected ratios						
Profit attributable to the shareholders of the Company as a percentage of:						
Average total assets[6]	**0.59%**	**0.59%**	0.34%	0.61%	0.68%	0.70%
Average ordinary shareholders' equity excluding non-controlling interests[6]	**9.9%**	**9.9%**	5.9%	10.0%	10.9%	11.0%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[6]	**6.0%**	**6.0%**	5.7%	6.1%	6.3%	6.3%

1. *Balance sheet amounts and ratios include assets and liabilities reclassified as held for sale from continuing and discontinued operations in the 2019, 2018 and 2017 fiscal years.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2021 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *For the composition of subordinated debt refer to Note 16 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).*
4. *During the 2021 fiscal year, a change was made to the legal arrangements for the settlement of derivative transactions with a central clearing counterparty which resulted in the reduction of derivative financial assets by $55.1 billion and collateral paid of $0.1 billion, which was offset by a corresponding decrease in derivative financial liabilities of $55.2 billion.*
5. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority ("APRA") Basel 3 methodology (refer to pages 13 and 77).*
6. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA - INCLUDING DISCONTINUED OPERATIONS

	As of September 30			
	2021 USD M[1]	2021 $M	2020 $M	2019 $M
Gross impaired assets				
Impaired loans[2]	1,119	1,549	2,001	1,711
Restructured items[3]	257	355	254	267
Non-performing commitments and contingencies[2]	44	61	204	51
Total gross impaired assets	**1,420**	**1,965**	**2,459**	**2,029**
Allowance for expected credit losses[4]				
Individually assessed provision - impaired loans	481	666	851	791
Individually assessed provision - non-performing commitments and contingencies	15	21	40	23
Collectively assessed provision	3,033	4,195	5,008	3,376
Total allowance for expected credit losses	**3,529**	**4,882**	**5,899**	**4,190**
Total gross loans and advances[5]	**458,085**	**633,764**	**622,074**	**618,767**
Credit risk weighted assets[6]	247,558	342,498	360,037	358,106
Collectively assessed provision as a percentage of credit risk weighted assets[6]	1.22%	1.22%	1.39%	0.94%
Gross impaired assets as a percentage of gross loans and advances	0.31%	0.31%	0.40%	0.33%
Individually assessed provision as a percentage of gross impaired assets	35.0%	35.0%	36.2%	40.1%
Individually assessed provision for impaired loans as a percentage of impaired loans	43.0%	43.0%	42.5%	46.2%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[5]	0.8%	0.8%	0.9%	0.7%
Credit risk weighted assets[6]	1.4%	1.4%	1.6%	1.2%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 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 commitments - 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 13 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 September 30, 2021, the Group had total assets of $978.9 billion and shareholders' equity excluding non-controlling interests of $63.7 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as of September 30, 2021 and first in New Zealand[2] as of September 30, 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 September 30, 2021, ANZBGL had a market capitalization of $79.5 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 year ended June 30, 2021; National Australia Bank results announcement for the fiscal year ended September 30, 2021; Westpac Banking Corporation results announcement for the fiscal year ended September 30, 2021.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending June 30, 2021.*
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; by providing excellent services, tools and insights that engage and retain customers and positively change their behavior.

In particular, we want to help customers:

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

We will achieve our strategy through:

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

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

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 September 30, 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, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third party brokers.
- Commercial and Private Bank provides a full range of banking products and financial services, including asset financing, across the following customer segments: medium to large commercial customers, small business owners and high net worth individuals and family groups, in addition to financial planning services provided by salaried financial planners and investment lending secured by approved securities.

Institutional

The Institutional division services governments, global institutional and corporate customers via the following business units:

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

New Zealand

The New Zealand division comprises the following business units:

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

Pacific

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

TSO and Group Centre

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

RECENT DEVELOPMENTS

On October 22, 2021, a Group fund that owns 19% of the shares in Cashrewards Limited announced it would make an off-market takeover offer to acquire the remaining 81% of the shares, for approximately $80 million. The offer is subject to a number of conditions and completion remains uncertain.

Except as disclosed above, there have been no significant developments since September 30, 2021 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As of September 30, 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 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 September 2021 (released October 29, 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 Reserve Bank of New Zealand ("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 September 30, 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 September 30, 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 market's 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 Basel Committee on Banking Supervision ("BCBS") under a framework that is commonly known as "Basel 3".

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

Effective 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 Additional Tier 1 ("AT1") and Tier 2 securities and transitional arrangements for existing AT1 and Tier 2 securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions as well as changes that have resulted from the Financial System Inquiry ("FSI") as described below.

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

Liquidity

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

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

A key component of this framework is the Liquidity Coverage Ratio ("LCR") that was implemented in Australia on 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 was established as a solution to a High Quality Liquid Assets ("HQLA") shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set at least annually by APRA. In September 2021, APRA wrote to ADIs to advise that APRA and the RBA consider there to be sufficient HQLA for ADIs to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022. From January 1, 2021, ANZBGL's CLF is A$10.7 billion (2020 calendar year end: A$35.7 billion). Consistent with APRA's requirement, ANZ's CLF will decrease to zero through equal reductions on January 1, April 30, August 31 and December 31, 2022. This reduction will be managed as part of ANZ's funding plans over this period.

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 124% as of September 30, 2021 (September 30, 2020: 124%).

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

Capital Management and Liquidity within APRA's Regulations

For further details of the Group's capital management and liquidity see "Liquidity and capital resources - 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 Banking Executive Accountability Regime ("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, including ANZ New Zealand, and to provide APRA with accountability statements for each of these senior executives or directors, detailing that individual's roles and responsibilities;
- where ANZBGL's registered senior executives and directors do not meet accountability obligations, APRA is empowered to disqualify those individuals as senior executives or directors without a court order (but subject to a right of administrative review in accordance with Part VI of the Banking Act);
- ANZBGL is obliged to set remuneration policies for directors and senior executives consistent with 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.

On October 28, 2021, the Australian Government introduced the *Financial Accountability Regime Bill 2021* ("Bill") into Parliament, which is intended to establish the Financial Accountability Regime ("FAR"). FAR was developed in response to recommendations made by the Royal Commission and is intended to extend and replace the BEAR by establishing an accountability framework for certain entities in the banking, insurance and superannuation industries that are regulated by APRA, and persons who hold certain positions or have certain responsibilities within those entities. As with BEAR, FAR will apply to all of the operations of ANZBGL however as distinct from BEAR, any insurers or licensed superannuation trustees within the Group will be designated as accountable entities under FAR, alongside ANZBGL, and regulated directly by its provisions. FAR will be jointly administered by APRA and ASIC.

If the Bill is passed by Parliament in its current form, FAR will be implemented in stages for in-scope entities within the Group, commencing with ANZBGL from July 1, 2022 and the Group and certain senior personnel will be subject to, or impacted by, new or heightened accountability obligations. For example, FAR will require ANZBGL to take reasonable steps to:

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

Under FAR, ANZBGL and certain senior personnel may be subject to substantial penalties for failing to comply with FAR obligations.

If FAR is implemented in its proposed form, any insurers or licensed superannuation trustees within the Group will be required to comply with FAR from July 1, 2023.

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 the COVID-19 pandemic, APRA provided guidance on capital management, including as to its expectations in relation to dividends. 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

The RBNZ has released new bank capital adequacy requirements for registered banks in New Zealand, which are set out in the Banking Prudential Requirements ("BPR") documents. The new framework is being implemented in stages during a transition period from October 2021 to July 2028.

The key requirements for ANZ New Zealand are as follows:

- ANZ New Zealand's Tier 1 capital requirement will increase to 16% of risk-weighted assets ("RWA"), of which up to 2.5% can be in the form of AT1 capital. ANZ New Zealand's total capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 capital.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties. Tier 2 capital must consist of long-term subordinated debt.
- As an internal ratings-based ("IRB") approach accredited bank, ANZ New Zealand's RWA outcomes will be increased to approximately 90% of what would be calculated under the Basel Standardized Measurement Approach ("standardized approach"). This will be achieved by applying an 85% output floor for credit risk RWA and increasing the credit risk RWA scalar from 1.06 to 1.20.

The net impact on the Group is expected to be an increase in required CET1 capital of approximately $1 billion between September 30, 2021 and the end of the transition period in 2028 (based on the Group's September 30, 2021 balance sheet). This amount could vary over time subject to changes to capital requirements in ANZ New Zealand (for example, from RWA growth or management buffer requirements), potential dividend payments and the final form of implementation of APRA's prudential standard *APS111 Capital Adequacy: Measurement of Capital* ("APS111").

See "Supervision and Regulation – New Zealand – New Zealand Regulatory Developments – Bank capital adequacy 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.

Due to changes outlined in the BPR documents, from January 1, 2022 there will be a 12.5% reduction in the regulatory capital recognition of ANZ New Zealand's existing Additional Tier 1 capital instruments, including its NZ$500 million of mandatory convertible perpetual subordinated securities ("Capital Notes"). As a result, in June 2021, ANZ New Zealand determined that a Regulatory Event had occurred, meaning that ANZ New Zealand may choose to redeem the Capital Notes at its discretion (subject to certain conditions, including approval from the RBNZ and APRA). At the date of this U.S. Disclosure Document, no decision has been made on whether ANZ New Zealand will redeem the Capital Notes and holders of the Capital Notes should not expect that to occur.

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

Capital Requirements – Unquestionably Strong

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 this 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 are expected to be implemented from January 1, 2023. Key aspects of ARPA's 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") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the 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, 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.

Further updates were made by APRA in June and July 2021 with regard to the capital reforms. APRA provided more details around the timing of implementation of the capital reforms and updates to RWA calibration, with no substantive changes to the key policy objectives as outlined in their December 2020 proposals. 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 September 30, 2021, this represents an incremental increase in the total capital requirement of approximately A$3.7 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 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 finalized changes to APRA's capital regulations (contained in APS111) will affect the measurement of ADI exposures. As a result, 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 August 2021, APRA released the final version of APS111, which will come into effect on January 1, 2022. The most material change from the current APS111 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.

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 required 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 required Level 2 CET1 capital ratio arising from these changes. The implementation date is January 1, 2022.

In November 2020, APRA announced, that until the new APS111 is 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 August 2021, APRA finalized its revisions to APS111, which changes 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"* from the implementation date of January 1, 2022.

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.

In addition, APRA has confirmed that, from 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 the COVID-19 pandemic

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

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 September 30, 2021, ANZ had drawn $20.1 billion under the RBA's TFF. The TFF closed to drawdowns on June 30, 2021.

In March 2020, APRA announced, among other matters:

- a temporary adjustment to its expectations for ADIs to meet the "unquestionably strong" bank capital 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; and
- a temporary exemption for banks from having to treat eligible small business loans and home loans, which were 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 time from March 2020, and in July 2020, APRA allowed an extension of the exemption to March 31, 2021. Subsequent to this, and in response to renewed COVID-19 outbreaks in Australia, APRA announced, in July 2021, the re-introduction of regulatory support for banks offering temporary loan repayment deferrals to eligible borrowers impacted by the COVID-19 pandemic. This temporary prudential treatment was applicable for eligible loans granted a repayment deferral of up to three months from July 8, 2021 to September 30, 2021. The loan deferral arrangements (and associated capital treatment) were subject to ADIs undertaking an appropriate credit assessment to ascertain if an extension or new deferral was appropriate for the particular borrower given their circumstances. There has not been any further extension of the loan deferral arrangements after September 30, 2021.

The ACCC has recently re-authorized the Australian Banking Association and participating member banks (including ANZBGL) to co-operate to provide relief packages for individuals and businesses affected by the COVID-19 pandemic until June 30, 2022.

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 activities, regulators continue to monitor the effect of the COVID-19 pandemic and 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. The COVID-19 pandemic resulted in the Australian Government and State and Territory Governments enacting many measures to combat the spread of the virus and economic impacts. The Australian Government and State and Territory Governments imposed wide ranging restrictions, including suspensions and limitations of, or advice against, travel, events and meetings and many other normal activities, and have undertaken substantial and costly monetary and fiscal interventions. The Australian Government and State and Territory 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 the COVID-19 pandemic has been, and is expected to 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* undertaken in 2018 (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, and the Australian Government has committed to take action in respect of all of the recommendations.

The Australian Government has since been focusing on implementing the recommendations, with it and the Australian regulators having addressed a number of these recommendations to date.

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;
- the introduction of a compensation scheme of last resort; and
- the proposed replacement of the BEAR with the FAR, which will be jointly administered by ASIC and APRA and will impose higher penalties for entities than the BEAR. For further information, see “Supervision and Regulation - Australia - Banking Executive Accountability Regime” above.

In February 2019, ANZBGL announced 16 commitments responding to a number of the Royal Commission's recommendations. These commitments include, among other matters, commitments relating to remediation, remuneration, accountability, culture and governance and regulators. ANZBGL continues to implement other recommendations of the Royal Commission, and to engage with the Australian Government, its regulators and industry as part of their implementation process.

Actions taken in connection with the recommendations of the Royal Commission could impact the Group's Position.

Following the Royal Commission, there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The 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.

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

Payments Policy

On August 30, 2021, the Australian Government released the final report of a review into the Australian payments system. The report makes 15 recommendations concerning how payments policy is set in Australia and the powers that the Australian Government would have to implement that policy. The Australian Treasury will consult on the recommendations ahead of the Australian Government finalizing a response. The impact of the recommendations on ANZBGL, if any, is not yet clear.

Self-assessment into frameworks and practices

On May 1, 2018, APRA noted that all regulated financial institutions would benefit from conducting a self-assessment into their frameworks and practices in relation to governance, culture and accountability and that, for large financial institutions such as the Group, APRA will be seeking written assessments that have been reviewed and endorsed by their boards. APRA made these indications in light of the issues that were identified in the final report relating to the prudential inquiry into another major ADI, which was established to examine the frameworks and practices in relation to the governance, culture and accountability within that ADI group. ANZBGL submitted its written self-assessment to APRA on 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.

In October 2021, APRA increased the minimum interest rate buffer it expects ADIs to use when assessing the serviceability of home loan applications, from at least 2.5% to at least 3% over the loan interest rate. APRA indicated that its decision reflects growing financial stability risks from ADIs' residential mortgage lending. APRA indicated that:

- the current environment for residential mortgage lending is underscored by very low interest rates with the residential property market experiencing increasing housing prices;
- household debt levels remain high relative to income levels, both historically and internationally; and
- it is likely that the rate of household credit growth will exceed income growth for the foreseeable future, further adding to household debt levels.

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. This bill is not yet in effect.

Changes in classifications for residential mortgage loans

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

Classification of residential mortgage loans may change due to:

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

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

Other

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

Sections 102.6 and 102.7 of the Australian Criminal Code

Under Sections 102.6 and 102.7 of the Australian Criminal Code (contained in the *Criminal Code Act 1995* of Australia) (“Criminal Code Act”), a person commits a criminal offence if the person intentionally receives funds from, makes funds available to, collects funds for or on behalf of, or provides support or resources to a terrorist 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.

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 whom the RBNZ considers are best placed to exercise that responsibility - the directors and management.

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

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposures, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published half-yearly disclosure statements and monthly reporting submitted privately to the RBNZ. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting the senior management of registered banks;
- using crisis management powers available to it under the 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 prudential capital 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 will change from 2022 as a result of the RBNZ's capital reforms, although some aspects of the RBNZ's capital reforms commenced during 2021, including the new eligibility criteria for capital instruments. See "New Zealand Regulatory Developments - Bank capital adequacy requirements" below for further information.

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

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. 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 the COVID-19 pandemic 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 made various changes to ANZ New Zealand's Conditions of Registration in response to the COVID-19 pandemic, including the following in April 2020:

- 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 the RBNZ's *Outsourcing Policy* ("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) ease the restriction on the payment of dividends mentioned above, allowing ANZ New Zealand to pay up to 50% of its earnings as dividends to its shareholder. 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).

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). On June 17, 2021, ANZ New Zealand determined that a Regulatory Event had occurred for each of its existing AT1 capital instruments. This means that ANZ New Zealand may choose to redeem each of its existing AT1 capital instruments, including the Capital Notes, at its discretion (subject to certain conditions, including approval from the RBNZ and APRA). At the date of this U.S. Disclosure Document, no decision has been made on whether ANZ New Zealand will redeem the Capital Notes, and holders of Capital Notes should not expect that to occur.

The New Zealand Government has also implemented a Small Business Cash Flow Loan Scheme, under which the New Zealand Inland Revenue Department ("IRD") provides loans of up to NZ$100,000 to assist small businesses impacted by the COVID-19 pandemic. The loans are low-interest, and interest will not be charged if a loan is fully repaid 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. Businesses are required to declare that they are a viable business and that they will use the money for core business operating costs.

The RBNZ implemented an up to NZ$100 billion Large-scale Asset Purchase ("LSAP") programme, under which it purchases New Zealand Government bonds, New Zealand Government Inflation-Indexed Bonds and Local Government Funding Agency bonds, on the secondary market and injects cash into the banking system. The LSAP programme aims to provide further support to the New Zealand economy, build confidence, and keep interest rates low. The LSAP programme increases the amount of money circulating in the New Zealand banking system available to banks, including ANZ New Zealand, as deposits. The RBNZ halted additional purchases under the LSAP programme in July 2021.

The RBNZ also implemented the Funding for Lending Programme ("FLP") which 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 is 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. The FLP runs until June 6, 2022 for the initial allocations, and until December 6, 2022 for the additional allocations.

The New Zealand Government also introduced a Leave Support Scheme and Short-Term Absence Payments to help businesses pay their employees who need to self-isolate as a result of COVID-19 and cannot work from home. Wage Subsidy Schemes have also been made available from time to time to help employers adversely affected by the COVID-19 pandemic lockdowns to continue to pay their staff and protect jobs.

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 New Zealand Government also made a number of tax reforms to provide relief to businesses. 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 published its Financial Statements of the Government of New Zealand for the Year Ended 30 June 2021 ("FSGNZ 2021") in September 2021. The FSGNZ 2021 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"). The initial support package and CRRF were allocated to initiatives, including the Wage Subsidy Scheme and subsequent extensions, costs associated with managed isolation facilities and purchasing of vaccines. As at June 30, 2021, NZ$4.7 billion of the CRRF remained unallocated. In September 2021, the New Zealand Government announced that the CRRF would be increased by an additional NZ$7.0 billion, with a further NZ$3.0 billion available to spend from amounts previously allocated from the CRRF but not spent.

Bank capital adequacy requirements

The RBNZ has released new bank capital adequacy requirements for registered banks in New Zealand, which are set out in the BPR documents. The new framework is being implemented in stages during a transition period from October 2021 to July 2028. The key requirements for ANZ New Zealand are set out below.

- 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 ("D-SIB") 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 September 30, 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 approach 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 September 30, 2022.

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

Since September 30, 2018, CET1 capital has increased by NZ$3.9 billion to NZ$13.0 billion at September 30, 2021 and total capital has increased by NZ$4.5 billion to NZ$16.4 billion, in preparation for these changes and due to the RBNZ's COVID-19 related dividend restrictions.

Material non-compliance with Conditions of Registration

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

Material non-compliance with conditions of registration

Condition of registration 1B – non-compliance with BS2B

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 17 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.

As at September 30, 2021, 16 of these models had been submitted to the RBNZ for approval, with four of these approved. Nine models were approved in October 2021. The final model is expected to be submitted before the end of 2021. The four remaining unapproved models and the initial dates of non-compliance are:

- Bank rating - 2008 (submitted to RBNZ)
- Project and structured finance - 2009 (submitted to RBNZ)
- Commercial property: hotels - 2011 (submitted to RBNZ)
- Commercial property: special purpose asset investment - 2011 (to be submitted).

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.

An updated model compendium was submitted to the RBNZ in April 2021, and is now compliant.

Other matters relevant to the conditions of registration

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

Section 95 Reviews

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

ANZ New Zealand is committed to implementing the recommendations and addressing the issues raised by the Reviews, including a broader program of improving ANZ New Zealand's processes covered by those Reviews.

In mid-2021, ANZ New Zealand obtained external interim reviews of the remediation activities being undertaken in respect of the Reviews. The external reviewer reported that ANZ New Zealand has made significant progress to address non-compliance issues and improvement areas identified by the Reviews.

The program of work for the Attestation Review has been completed. The final external review of the remediation activities for the Attestation Review is expected to be completed in December 2021.

The program of work for the Capital Adequacy Review is expected to be completed in December 2021. The final external review of the remediation activities for the Capital Adequacy Review is underway.

Loan calculator remediation and loan information litigation

In June 2017, ANZ New Zealand self-reported a problem with a loan calculator to the New Zealand 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 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 now complete. In September 2021, a representative proceeding on behalf of a class of plaintiffs was brought against ANZ New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of the loan calculator problem. ANZ New Zealand is defending the allegations.

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.

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 *Financial Markets Conduct Act 2013* ("FMCA") and amended the *Financial Service Providers (Registration and Dispute Resolution) Act 2008* ("FSP Act"). 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 Financial Market Authority ("FMA") and from March 17, 2023 it must hold 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 Reserve Bank Act will be replaced with two separate pieces of legislation which will implement the decisions from this review:

- The *Reserve Bank of New Zealand Act 2021* is expected to fully commence in July 2022, replacing parts of the Reserve Bank Act that relate to the RBNZ's high-level objectives, powers, functions, governance and funding arrangements. Among other things, the Reserve Bank of New Zealand Act 2021 will:
    - establish a new statutory governance board responsible for all decision-making, except decisions made by the Monetary Policy Committee (a transitional board will operate until the new governance board begins its role);
    - transform the role of RBNZ Governor to that of Chief Executive, who will be a member of the new governance board;
    - introduce an overarching financial stability objective of protecting and promoting the stability of New Zealand's financial system (in addition to the economic objectives and central bank objective); and
    - require the Minister of Finance to issue a financial policy remit that the governance board must have regard to.
- The *Deposit Takers Act* will integrate the two different legislative frameworks for deposit taking institutions (banks and NBDTs) and establish the deposit insurance scheme. Until the Deposit Takers Bill is enacted, the current regulatory framework for banks will continue under the Reserve Bank Act, which will be renamed the Banking (Prudential Supervision) Act 1989. The New Zealand Government has made an in-principle decision that the RBNZ should have a power to write down or convert to equity unsecured liabilities. This statutory bail-in would not apply to existing fixed-term debt instruments but would only apply to such instruments issued after the date that the Deposit Takers Act or any relevant regulations enter into force. An exposure draft of a Deposit Takers Bill is expected to be provided to the public for consultation in December 2021, with implementation of the deposit insurance scheme expected in 2023.

FMA and RBNZ conduct and culture review

Following the establishment of the Australian Royal Commission, 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 the 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.

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 will continue to provide regular progress updates on its conduct and culture plan to the FMA.

RBNZ breach disclosure and reporting regime

In January 2021, the RBNZ implemented a 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. From March 2021, a materiality threshold applies to the disclosure of breaches of a bank's conditions of registration in their disclosure statements.

Proposed conduct regulations for financial institutions

The *Financial Markets (Conduct of Institutions) Amendment Bill* ("FMCIA Bill") is expected to be passed in 2022. 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 publish a summary of the fair conduct program; 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.

Amendments to the Credit Contracts and Consumer Finance Act 2003

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 December 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 some of the responsible lending principles and how they calculate credit and default fees. This change takes effect on December 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 December 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. However, as a result of the COVID-19 pandemic, the commencement of the remaining provisions of the CCLA Act and new regulations will now occur on December 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

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

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

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

The findings from the BS13 Thematic Review are also intended to provide input into a forthcoming review of BS13. ANZ New Zealand has provided the RBNZ with a remediation plan to address the individual feedback ANZ New Zealand received and undertaken the required materiality assessment. ANZ New Zealand continues to work with the RBNZ to address the findings of 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 will be published for public consultation.

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 notify is an offence subject to a fine of up to NZ$10,000 per breach;
- the ability for the Commissioner to issue compliance notices and data access notices, with a fine of up to NZ$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 also enables class actions to be brought to the Human Rights Tribunal for “interferences with privacy”. Damages at that Tribunal are capped at NZ$350,000 in respect of each individual of the class.

The Privacy Act affects the handling of personal information ANZ New Zealand receives from customers and counterparties. ANZ New Zealand has implemented processes and controls to ensure compliance with the privacy obligations.

RBNZ consultation on debt serviceability and loan-to-value ratio restrictions

In June 2021, the RBNZ announced that its shared memorandum of understanding on macro-prudential policy with the Minister of Finance will be updated to include debt serviceability restrictions, on the condition that its implementation is designed to avoid impact, as much as possible, to first home buyers. Potential debt serviceability restrictions include debt-to-income limits which restrict lending to borrowers based on the ratio of their total debt to total income, and interest rate floors which set a minimum test interest rate that banks may use in their serviceability assessments. The RBNZ has stated that any decision to implement debt serviceability restrictions will be preceded by a full public consultation process, expected to commence in November 2021, and regulatory impact assessment.

In May 2020, the RBNZ temporarily removed loan-to-value ratio (“LVR”) restrictions for residential mortgage lending. However, following an acceleration in the New Zealand housing market and the continuing rise in the risk of a housing price correction, the pre-COVID-19 LVR restrictions were reinstated and have subsequently been tightened:

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

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.

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

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps and security-based swaps, require the central execution and clearing of standardized OTC derivatives on regulated trading platforms and clearing houses, set limits on the size of positions in certain types of derivatives, require the reporting of transaction data to regulated swap data repositories, 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. While ANZBGL is not a registered security-based swap dealer with the U.S. Securities and Exchange Commission ("SEC"), it may register at such time as it is required or that it considers appropriate. In addition, other affiliated entities within the Group could become subject to swap 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 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.

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

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

The discussion above reflects proposed U.S. regulations that eliminate withholding on certain gross proceeds payments and delay the effective date for withholding on payments from sources outside the United States. The U.S. Treasury Department has indicated that taxpayers may rely on the proposed regulations. The discussion assumes that the regulations will be 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 if the Group does not provide such information in compliance with the applicable rules and regulations. Moreover, even if the Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

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

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

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

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

OTHER REGULATORS

The Group has 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 counter-terrorism financing legislation and regulations under the local laws of all the countries in which it operates.

RISK FACTORS

Introduction

The Group's activities are subject to risks, including risks arising from the coronavirus ("COVID-19") pandemic, 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 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 spread of COVID-19, for example, in July 2021, the Greater Sydney region of NSW was placed into a protracted lockdown. In addition, although globally and domestically COVID-19 vaccines are being deployed, there are uncertainties associated with the long-term effectiveness of such vaccines and the success of nationwide vaccination programs. The uncertainties of the COVID-19 pandemic have also increased as a result of the recent spread of new strains of the virus, such as the "Delta variant". Further variants may develop that require different government responses and greater restrictions to those adopted to date. Consequently, the duration, severity and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses 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 and shipping); tourism and travel (including accommodation, food and beverage); entertainment; education; retail; and property (particularly shopping malls and hotels). See Notes 1 and 17 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Despite initial concerns about the negative impacts of the COVID-19 pandemic and the threat of a long-term recession, most commercial property markets in the Group's core property markets have been resilient in large part due to government stimulus, record low interest rates and strong investor interest (debt and equity) seeking long-term defensive assets. However, some segments of the economy have experienced more direct and ongoing consequences from the COVID-19 pandemic (e.g. with respect to mobility and tourism) and in these segments cash flows have been impaired and are more volatile, which has impacted serviceability and asset valuations. Furthermore, a highly competitive commercial construction sector, coupled with COVID-19 related supply chain disruption and labor mobility constraints could result in a decline in profit margins, and could also, impact contractors' and sub-contractors' cash flows, working capital needs and liquidity, which may present a completion risk to the Group's commercial property development financing activities.

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. For example, 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 17 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A). 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. While 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 and is expected to continue, to have a significant impact on the global economy and global markets, as well as on the economies of Australia and New Zealand. Travel restrictions, border controls, social distancing measures, quarantine protocols and other containment measures have contributed, and may continue to contribute, to restricted economic activity in Australia, New Zealand and elsewhere around the world and suppress demand for commodities, interrupt the supply chain for industries, dampen consumer confidence and suppress business earnings and growth prospects, all of which could contribute to ongoing volatility in global financial markets.

Many countries have, at times, 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, such as due to the emergence of new variants, of the virus.

Governments have responded, and some 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 COVID-19 pandemic. While such stimulus measures do not prevent the decrease in economic activity stemming from the widespread movement restrictions aimed at stalling the spread of the virus, they have contributed to economic recovery when restrictions were eased. There may also be further fluctuations in economic activity when economic support policies are withdrawn.

The Australian and New Zealand governments and their agencies pursued (and may continue to pursue) policies to promote lending by financial institutions. These actions may support providers that compete with the Group. Given the importance of a functioning and competitive banking sector, and the Australian and New Zealand Governments' 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 the financial services sector will remain a focus area for the Australian and New Zealand governments. 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.

A deterioration of public finances of sovereigns in response to the COVID-19 pandemic combined with pre-existing sovereign risk may lead to further increased volatility and widening credit spreads. In March 2020 there was a substantial impact to market liquidity across most asset classes as market volatility significantly increased. While this level of market volatility has not been repeated since, there is still uncertainty surrounding any future impact on financial markets. The Group's assessment of its valuation of assets and liabilities considers internal and external information, which includes assessing the ongoing impact of the COVID-19 pandemic, 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 the COVID-19 pandemic which may affect the recoverability of the Group's assets in future periods.

The COVID-19 pandemic 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 resulted in the adoption of the virtual working environment as "business as usual" and the Group has focused on the well-being of staff given the pressures of working from home including the risk of ongoing impacts of the COVID-19 pandemic and potential impacts that it may have on employee mental well-being, including the ability to perform duties and operational activities appropriately. Conduct risk, however, may be heightened because of remote working through its impact on employees' behavior and/or the Group's systems and processes (or through its impact on the Group's ability to monitor such matters). The risk of customer harm over the next twelve months is likely to be shaped by the economic and social impact of the pandemic, and a prioritized area of focus for the Group is mitigating the risk of unfair treatment of borrowers, including those in financial difficulties. As the economy begins to move towards recovery and governments' or the Group's COVID-19 related support measures are wound back, individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

In addition, the COVID-19 pandemic has also increased geopolitical risk. Continuing tensions between countries, including between Australia and China, 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 Position or its ability to execute its strategic initiatives. See risk factor 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 ongoing ramifications of the COVID-19 pandemic remain highly uncertain and, as of the date of this U.S. Disclosure Document, it is difficult to predict the further spread or duration of the COVID-19 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 the COVID-19 pandemic.

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

Actions taken by regulators in response to the COVID-19 pandemic have impacted, and may continue to impact, the Group. As an example, in Australia, APRA revised its guidance for ADIs on capital management (including capital distributions) and, in New Zealand, the RBNZ made the decision to restrict the payment of dividends on ordinary shares by New Zealand incorporated registered banks during the period of economic uncertainty caused by the COVID-19 pandemic.

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 region, the United Kingdom ("UK"), Europe and the United States (the "Relevant Jurisdictions").

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

Global political conditions that impact the global economy have led to, and may continue to result in extended periods of increased political and economic uncertainty and volatility in the global financial markets, which could adversely affect the Group's Position. Relatively recent examples of events that have affected (and may continue to affect) global political conditions include the UK ceasing to be a member of the European Union ("EU") and the European Economic Area 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 and New Zealand's significant trading partners and allies.

Following the end of the Brexit transition period on December 30, 2020, aspects of the relationship between the UK and the EU have been governed by the EU-UK Trade and Cooperation Agreement (the "TCA"). The TCA came into effect on May 1, 2021, following its provisional application. The TCA sets out a number of preferential arrangements in areas such as trade in goods and in services, digital trade and intellectual property, but many matters pertaining to the provision of financial services, remain uncertain. There are a number of remaining uncertainties regarding, among other things, post-Brexit protocols and arrangements among the parties involved.

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

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

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

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. Should any of these occur, the Group's Position could be materially adversely affected.

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

The markets in which the Group operates are highly competitive and could become more competitive in the future. Competition 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 in those markets.

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

- entities that the Group competes with, including those outside of Australia and New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, because those lower levels of regulation may give them a lower cost base and/or the ability to attract employees that the Group would otherwise seek to employ;
- digital technologies and business models are changing customer 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, or may not competitively be able, 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 and profitability in the financial services sector over the medium term due to funding cost and provision increases, further declines in or persistence of 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.

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 metropolitan east coast Australian regions 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 and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position"), property prices in Australia have risen again in the most recent fiscal year.

Similarly, in New Zealand residential property prices have steadily increased with median prices increasing to a record high in October 2021. In response, the New Zealand Government has introduced a range of initiatives aimed at limiting further price increases, such as mandating that the RBNZ consider the impact on housing when making monetary and financial policy decisions; creating a NZ$3.8 billion fund to accelerate housing supply in the short to medium term by investing in infrastructure like roads and pipes to homes; extending the "bright-line" test (which is akin to a capital gains tax on investment property if sold within 10 years from date of purchase, previously 5 years); the removal of interest deductibility from October 1, 2021 for residential property investors who hold their investments (acquired on or after March 27, 2021) on capital account as well as phasing out its application on existing residential investments (with concessions for businesses and for "new builds"); and pledging to help Kāinga Ora (the Crown entity responsible for housing and communities) borrow an additional NZ$2 billion to increase land acquisitions to boost housing supply. These measures, are intended to moderate the rate of New Zealand residential property price increases.

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 UK, China, Europe, Australia and New Zealand. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises.

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.

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 the 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 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 the Group's 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 UK'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 implement replacement alternative benchmark rates, there are loans, mortgages, securities, derivatives and other financial instruments which remain linked to the LIBOR benchmark. Any failure to successfully implement replacement benchmark rates and execute effective transitional arrangements to address LIBOR discontinuation could result in disruption in the financial markets, suppress capital markets activities and give rise to litigation claims. In addition, financial markets, particularly the trading market for LIBOR-based obligations, may in general be adversely affected by the planned discontinuation of LIBOR, 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.

The Group is party to loans, securities, derivatives and other financial instruments that 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. Progress is being made by the Group on the amendment of these types of instruments. In some cases, it may not be possible to amend the relevant terms of LIBOR-linked instruments. The potential legal, regulatory and other consequences if this occurs are uncertain. In any event, implementation of existing fallback provisions or changes made on any other basis may, for example, alter the amounts payable under the relevant instrument, its value and its liquidity, and may result in a mismatch between such instrument and any related contract (such as a hedging agreement). In addition, the process of taking the necessary action with regard to this large volume of contracts prior to the end of calendar year 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, the Euro Interbank Offered Rate ("EURIBOR")). Any such reforms may cause the relevant benchmarks to perform differently than in the past, or the reforms made to the rate may have other consequences which cannot be fully anticipated.

If a benchmark 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. Completion of this transaction, which remains subject to satisfaction of one or more conditions, is expected to occur during the first half of calendar year 2022.

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.

While the risk of credit-related losses has increased as a result of the impact of the COVID-19 pandemic, the risk of credit-related losses may further increase as a result of a number of factors, including a deterioration in the financial condition of the economies in which the Group or its customers or counterparties operate, a sustained high level of unemployment in the markets in which the Group or its customers or counterparties operate, 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 and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position";

- industries exposed to the unwinding of government stimulus packages and/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, commercial 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. The residential development sector is experiencing supply chain issues, increased costs and labor mobility issues. Earnings for hotel accommodation and certain retail sectors are still being impacted by reduced mobility and the extent of longer-term implications for some offices remains uncertain due to the shift to remote working arrangements;
- industries 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, floods, storms and drought), and transition risk (e.g. industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on climate-related risks, see risk factor 29 “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 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 UK and the countries in the Asia Pacific region. The Group is required by its primary regulator, APRA, and the RBNZ for the ANZ New Zealand Group, to maintain adequate regulatory capital.

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

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

APRA and the RBNZ have implemented prudential standards to accommodate Basel 3. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, that seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations have had or will have their intended effect. These regulations, together with risks arising from any regulatory changes (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 reform 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.

On April 12, 2021, Fitch Ratings ("Fitch") revised the outlook on ANZBGL and ANZ New Zealand to stable from negative and affirmed ANZBGL's and ANZ New Zealand's 'A+' long-term and 'F1' short term issuer default rating. Further, on June 7, 2021, S&P Global Ratings ("S&P") revised its outlook on the long-term ratings on Australia and its outlook on the long-term issuer credit rating for ANZBGL and ANZ New Zealand to stable from negative (having previously revised it to negative from stable on April 9, 2020). S&P also affirmed Australia's 'AAA' long-term and 'A-1+' short-term unsolicited sovereign credit ratings and ANZBGL's and ANZ New Zealand's 'AA-' long-term and 'A-1+' short-term issuer credit ratings.

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

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

In response to the economic impact of the COVID-19 pandemic, 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, which require that various financial instruments, including derivative instruments, assets and liabilities classified as fair value through other comprehensive income, and certain other assets and liabilities (as per Note 18 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) 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 fair values 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.

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

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

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.

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

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

The ongoing COVID-19 pandemic also has the potential to complicate the Group's dealings with its regulators in a number of ways. In particular, disruptions to the Group's business, operations, third party contractors and suppliers resulting from the COVID-19 pandemic may increase the risk that the Group will not be able to satisfy its regulatory obligations or processes and/or address outstanding issues, potentially increasing the prospect of a regulator taking adverse action against the Group. 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 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:

- In August 2021, APRA released the final prudential standard APS111 "Capital Adequacy: Measurement of Capital" ("APS111"). The most material change from APRA's revision 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 investment as at September 30, 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 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 RWA by January 2024. Based on the Group's capital position as at September 30, 2021, this represents an incremental increase in the total capital requirement of approximately A$3.7 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 RWA. 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 the COVID-19 pandemic, 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, 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") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - Improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardized approach; and
  - Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%.
- APRA has indicated in their proposals a decrease in RWA, but this would be offset by the increased capital allocation to regulatory buffers. APRA has also indicated that, as ADIs are currently meeting the "unquestionably strong" benchmarks, it is not APRA's intention to require ADIs to raise additional capital. Accordingly, APRA has therefore sought to calibrate the proposed capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing "unquestionably strong" capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.
- Further updates were made by APRA in June and July 2021 in regards to the capital reforms. APRA provided more details around the timing of implementation of the capital reforms and updates to RWA calibration, with no substantive changes to the key policy objectives as outlined in their December 2020 proposals.
- In response to the COVID-19 pandemic, 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 calendar year 2021, 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.
- In July 2021, APRA has also announced the regulatory support for banks offering temporary financial assistance to borrowers impacted by the COVID-19 pandemic. For these eligible borrowers, ADIs will not need to treat a repayment deferral as a loan restructuring or the period of deferral as a period of arrears. This temporary prudential treatment was applicable for eligible loans granted a repayment deferral of up to three months from July 8, 2021 to September 30, 2021.
- The RBNZ has released new capital adequacy requirements for New Zealand banks, which are set out in the BPR documents and are being implemented in stages during a transition period from October 2021 to July 2028. The net impact on the Group is expected to be an increase in required CET1 capital of approximately A$1.0 billion between September 30, 2021 and the end of the transition period in 2028 (based on the Group's September 30, 2021 balance sheet). This amount could vary over time subject to changes to capital requirements for ANZ New Zealand (for example, RWA growth, management buffer requirements), potential dividend payments and the final form of APS111 implementation.
- Additionally, under changes outlined in the BPR documents, from January 1, 2022 there will be a 12.5% reduction in the regulatory capital recognition of ANZ New Zealand's existing Additional Tier 1 capital instruments, including its Capital Notes. As a result, ANZ New Zealand has determined that a Regulatory Event (as defined in the deed poll for the Capital Notes dated February 23, 2015 as amended and restated on June 26, 2019) has occurred in respect of the Capital Notes. The occurrence of a Regulatory Event means that ANZ New Zealand may choose to redeem the Capital Notes at its discretion. A redemption of the Capital Notes is subject to certain conditions, including approval from the RBNZ and APRA. No decision has been made on whether ANZ New Zealand will redeem the Capital Notes and holders of Capital Notes should not expect that to occur.
- In March 2021, the RBNZ announced that its restrictions on dividends put in place in April 2020 would be eased. The updated restrictions allow ANZ New Zealand to pay up to 50% of its earnings as dividends to its shareholder. This restriction will remain in place until July 1, 2022, at which point the

RBNZ intends to remove the restrictions completely, subject to no significant worsening in economic conditions. Further, in March 2021, the RBNZ announced that it would remove the restrictions on redemption of non-CET1 capital instruments. However, as the restriction was in place in May 2020, ANZ New Zealand was not permitted to redeem its Capital Notes on the optional exchange date (May 25, 2020) and did not exercise its option to convert in May 2020. Refer above for discussion on the Capital Notes.

Recalibration of ASIC's Regulatory Priorities

ASIC announced on March 23, 2020, that it will focus its regulatory efforts on challenges created by the COVID-19 pandemic. 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 consultations, 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 the COVID-19 pandemic, 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 the COVID-19 pandemic. In May 2020, ASIC announced that it would defer the commencement date of the mortgage broker best interests duty and remuneration reforms and the design and distribution obligations by six months to January 1, 2021, and October 5, 2021, respectively.

In August 2021, ASIC released its Corporate Plan for 2021 through 2025, which outlines ASIC's vision to achieve a fair, strong and efficient financial system for all Australians, through four external strategic priorities: (i) promoting economic recovery, including through better and more efficient regulation, facilitating innovation, and targeting regulatory and enforcement action to areas of greatest harm; (ii) reducing risk of harm to consumers exposed to poor product governance and design, and increased investment scam activity in a low-yield environment; (iii) supporting enhanced cyber resilience and cyber security among ASIC's regulated population, in line with the whole-of-government commitment to mitigating cyber security risks; and (iv) driving industry readiness and compliance with standards set by law reform initiatives (including the Financial Accountability Regime, reforms in superannuation and insurance, breach reporting, and the design and distribution obligations). ASIC also stated it intends to take regulatory action during this period to achieve its vision and that its work over the next four years will center on: changing behaviors to drive good consumer and investor outcomes; acting against misconduct to maintain trust and integrity in the financial system; promoting strong and innovative development of the financial system; and helping Australians to be in control of their financial lives. ASIC also released its new Statement of Intent in response to the Australian Government's Statement of Expectations. The Statement of Intent covers: support for economic goals and COVID-19 pandemic recovery; regulatory co-operation; stakeholder engagement and guidance; use of regulatory tools; and governance.

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 Australian Government has stated that it remains focused on completing the implementation of the remaining recommendations. Following the Royal Commission, there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The 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 Australian and New Zealand financial services sectors. 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. Increased scrutiny by ACCC may result in an associated increase in costs for the Group in addition to adversely impacting the Group's ability to grow through the implementation of potential acquisitions which may in turn, have a negative impact on the Group's Position.

Product Laws, Regulations and Inquiries

There remains a strong focus on the suitability of products offered by financial services providers, including the Group. Regulatory policy development and monitoring of responsible consumer lending has increased significantly, and continues to drive the review of, and changes to, business practices. If any additional changes in law, regulation or policy are implemented, as a result of the development and monitoring of responsible consumer lending, such changes may impact the manner in which the Group provides consumer lending services in the future that may in some respects adversely affect the Group's operations in this area and consequently, the Group's Position. ASIC published updated regulatory guidance on responsible lending laws in December 2019. In December 2020, the Australian 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 came 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 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 the 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. On October 28, 2021, the Australian Government introduced *the Financial Accountability Regime Bill 2021* into Parliament. 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 (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 is conducting 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. ANZBGL has appeared twice before the Standing Committee on Trade and Investment Growth in connection with the inquiry. The Australian Senate Select Committee on Australia as a Technology and Financial Centre is considering a range of issues concerning technology and Australian financial services, including the 'debanking' of fintechs by Australian banks. 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".

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. An independent review of the Australian Banking Code is underway with a final report due in November 2021. The report is expected to include recommendations on which provisions should be designated 'enforceable', pursuant to the Financial Services Royal Commission recommendation to allow certain industry code provisions to be deemed as 'enforceable code provisions' (the breach of which would attract civil penalties). ASIC is required to approve any changes made to the Australian Banking Code.

Open Banking Laws

Open Banking is part of a new consumer data right ("CDR") in Australia that came into effect in August 2019. The CDR gives customers access to and control over their data and establishes and seeks to improve consumers' ability to compare and switch between products and services. 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 23 December 2020, the Australian Government released the report of the Inquiry into Future Directions of the Consumer Data Right. The report contains 100 recommendations for the expansion of the CDR 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 Australian Government this may lead to a further increase in competition. The Australian Government announced it will respond to the report in calendar year 2021. The Australian Treasury is also conducting a strategic assessment of the CDR.

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.

Payments Policy

There are a number of Government bodies considering issues relating to the regulation of payments in Australia. On August 30, 2021, the Australian Government released the final report of a review into the Australian payments system. The report makes 15 recommendations concerning how payments policy is set in Australia and the powers that Government would have to implement that policy. The Australian Treasury is expected to consult on the recommendations ahead of a response being finalized by the Australian Government. The RBA separately conducted a review of retail payments regulation and released its conclusions paper in October 2021. The Parliamentary Joint Committee on Corporations and Financial Services is also conducting an inquiry into mobile payment and digital wallet financial services. The impact of this work on ANZBGL, if any, is not yet clear.

Outside of Australia:

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed, or have implemented, significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), proposed changes to RBNZ's mortgage lending standards, proposed conduct regulations for financial institutions under the Financial Markets (Conduct of Institutions) Amendment Bill, the 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, funding and profitability, cost structures, and the cost and access to credit for its customers and the wider economy. This in turn may adversely affect the Group's Position.

Other Offshore Developments

Other offshore regulatory developments include changes to financial regulations in the United States, changes to senior executive accountability in Singapore, Hong Kong, and the UK, 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 the Singapore Interbank Offered Rate ("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 "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" 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 33 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

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 September 30, 2021 in respect of the matters outlined in Note 33 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Note 33 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;
- New Zealand loan information 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 "designated service" to a customer, such as opening a bank account or providing a loan). AUSTRAC continues to publicly 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. In August 2021, the High Court of New Zealand handed down judgment in a civil case commenced by the RBNZ against a New Zealand retail bank for breaches of the New Zealand AML/CTF legislation, imposing a penalty of NZ$3.5 million. The breaches concerned failures in the bank's risk assessment processes and maintenance of its AML/CTF program. This was the first civil case brought by the RBNZ. In addition, in August 2021, the RBNZ issued a formal warning to the New Zealand branch of a major Australian bank for failing to report prescribed transactions as required by the AML/CTF legislation. The formal warning relates to approximately 7,800 reports of outgoing international wire transfers.

While the COVID-19 pandemic continues to evolve at different paces in many of the jurisdictions in which the Group operates, close monitoring of the levels and types of financial crimes continues across the Group. To date, the most notable impact has been the changing types of scams with criminals targeting vulnerable customers using the COVID-19 pandemic as a cover, 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 from the COVID-19 pandemic. On November 3, 2020, the RBA cut the cash rate target to a historic low rate of 0.1%, in response to the ongoing effect of the COVID-19 pandemic on the Australian economy. The RBNZ also cut the New Zealand Official Cash Rate to a record low of 0.25% in March 2020, although this was subsequently increased to 0.50% in October 2021. Continued 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. Regulators around the world continue to mature their compliance framework and have a strong focus on enforcement of financial penalties, alongside other more general tax risk framework implications which may result in additional reputational damage in the event of failures. Accordingly, compliance with global customer tax transparency regimes continues 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 boarder 'justified trust' ramifications and 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 have turned their focus from the initial establishment of the CRS to the effectiveness of FI implementation. This tightening of the regulatory focus can lead to significant negative experience for affected customers (including unilateral account blocking and closure, and potential direct customer penalties), 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, natural disasters and the COVID-19 pandemic have resulted in challenges for staff access to systems, tools and information, and have impacted the delivery of the Group's regulatory obligations on requisite timeframes, including mandatory FATCA and CRS regulatory reporting, customer follow-up strategies, resolution and action of regulatory recommendations, as well as continuous improvement activities required to achieve the zero rate of error expected by regulators. The Group's global taxation obligations in relation to the enterprise's own tax lodgments and payments may similarly be impacted. While some level of leniency from global regulators is anticipated, there is still 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 24 "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 26 "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 27 "Risks associated with information security including cyber-attacks, may adversely affect the Group's Position");
- conduct and culture risks (see risk factor 25 "Conduct risk events may adversely affect the Group's Position");
- damage to physical assets;
- execution, delivery and process management (for example, processing errors or data management failures); and
- financial crime (see 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").

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, the Group must also maintain "operational risk capital" reserves in the event future operational events occur.

COVID-19 related challenges have resulted in a number of changes to how the Group undertakes its operations including adapting to remote working arrangements. The Group always follows the direction of the relevant government authority regarding permitted places of work. Depending on the environment, this might mean all staff work remotely, or staff are permitted to work from the office under defined workplace occupancy restrictions. 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 the Group's systems and service availability, which could affect the Group's 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. Human Capital Risk, which relates to the inability to attract, develop, motivate and retain the Group's people to meet current and future business needs, could result in poor financial and customer outcomes and reduce the ability of the Group to deliver against customer and other stakeholders' expectations

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

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

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

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

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

While impacts of the COVID-19 pandemic are ongoing, and the longer-term financial and non-financial effects are yet to be fully 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.

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

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

Conduct risks include:

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

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".

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

In addition, the Group must implement and integrate new technology systems, most notably Cloud technologies, into the existing technology landscape to ensure that the Group's technology environment is cost-effective and can support evolving customer requirements. Inadequate implementation and integration of these systems, incorrect assessments of the risks they pose or improper management of the supply chain for new technologies may adversely affect the Group's Position.

This risk factor should be read in conjunction with risk factor 27 "Risks associated with information security including cyber-attacks, may adversely affect the Group's Position" as information security breaches and cyber-attacks have the potential to result in the disruption of information technology systems.

27. 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.

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

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

Environmental, social and governance risks

29. 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.

Parts of Australia are prone to, and have recently experienced, extreme climate events such as severe drought conditions, bushfires in 2019/2020, and severe flooding in 2021. The impact of these events can be widespread, extending beyond primary producers to customers of the Group who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities. The impact of these losses on the Group may be exacerbated by a decline in the value and liquidity of assets held as collateral, which may impact the Group's ability to recover its funds when loans default.

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.

New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions the Group engages in certain activities or offer certain products.

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

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

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

The Group seeks to continuously improve its risk management frameworks. It has implemented, and regularly reviews, its risk management policies and allocates additional resources across the Group to manage and mitigate risks (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 reputational damage, and failing to comply with regulatory obligations, which could adversely affect the Group's Position.

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

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

The risks associated with climate change are subject to increasing regulatory, political and societal focus, including in Australia and New Zealand. APRA has released a draft prudential practice guide that is designed to assist regulated entities (including the Group) in managing climate-related risks and opportunities as part of their existing risk management and governance frameworks. APRA is also conducting its first climate vulnerability assessment in calendar year 2021 to (i) assess banks' potential financial exposure to climate risk; (ii) understand how banks may adjust business models and implement management actions in response to different scenarios; and (iii) foster improvement in climate risk management capabilities. Similarly, the RBNZ is increasing its focus on climate change and in October 2021 released its Climate Change Report 2021. The Climate Change Report 2021 outlines the RBNZ's approach to climate change, including future actions to further incorporate climate change into stress testing and embed climate change into supervisory frameworks, data collection and internal planning. The *Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021* will require ANZBGL and ANZ New Zealand, as 'climate reporting entities', to annually prepare, seek independent assurance for and make public disclosures on the management of, and effects of climate change to their business, in accordance with climate-related disclosure standards, to be issued by the New Zealand External Reporting Board. 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, which may adversely affect the Group's Position. The risk to the Group from credit-related issues with the Group's customers could result directly from climate-related events, and indirectly from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain.

CURRENCY OF PRESENTATION AND EXCHANGE RATES

Currency of presentation

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$0.7228 = A$1.00, the Noon Buying Rate on September 30, 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 September 30			Years ended September 30		
	2021	2020	2019	2021	2020	2019
Chinese Renminbi	**4.6568**	4.8453	4.8126	**4.8903**	4.7462	4.8360
Euro	**0.6209**	0.6061	0.6175	**0.6287**	0.6052	0.6235
Pound Sterling	**0.5357**	0.5539	0.5491	**0.5492**	0.5314	0.5512
Indian Rupee	**53.481**	52.473	47.737	**55.310**	49.729	49.651
Indonesian Rupiah	**10,314**	10,595	9,578	**10,766**	9,803	10,071
Japanese Yen	**80.616**	75.059	72.816	**80.689**	73.018	77.343
Malaysian Ringgit	**3.0162**	2.9593	2.8277	**3.0988**	2.8563	2.9153
New Taiwan Dollar	**20.060**	20.591	20.960	**21.115**	20.290	21.803
New Zealand Dollar	**1.0473**	1.0802	1.0794	**1.0661**	1.0600	1.0572
Papua New Guinean Kina	**2.5270**	2.4858	2.2971	**2.6347**	2.3258	2.3758
United States Dollar	**0.7202**	0.7110	0.6754	**0.7512**	0.6773	0.7034

For the 2021 fiscal year, 32% of ANZ's operating income was derived from the New Zealand and Asia Pacific, Europe & America ("APEA") geographic regions (2020 fiscal year: 33%; 2019 fiscal year: 35%; 2018 fiscal year: 34%; 2017 fiscal year: 33%). Refer to Note 8 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for a breakdown of total operating income by geographical location.

Operating income from the APEA and New Zealand geographic regions is denominated principally in the currencies outlined in the table below. Movements in foreign currencies against the Australian Dollar can therefore affect 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]

Years ended September 30	2021	2020	2019	2018	2017
Chinese Renminbi	3%	-2%	-3%	-4%	8%
Euro	4%	-3%	-2%	-7%	4%
Pound Sterling	3%	-4%	-2%	-6%	17%
Indian Rupee	11%	0%	-2%	1%	2%
Indonesian Rupiah	10%	-3%	-5%	4%	2%
Japanese Yen	11%	-6%	-8%	-1%	3%
Malaysian Ringgit	8%	-2%	-5%	-7%	9%
New Taiwan Dollar	4%	-7%	-4%	-3%	-2%
New Zealand Dollar	1%	0%	-3%	2%	-1%
Papua New Guinean Kina	13%	-2%	-4%	2%	7%
United States Dollar	11%	-4%	-7%	0%	3%

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

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

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

OPERATING AND FINANCIAL REVIEW

The following is a discussion of the statutory profit presented in the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) and 2020 Financial Report (attached to this U.S. Disclosure Document as part of Annex B) prepared under AASs (refer to "Section 1: Key Information - Basis of Preparation" for a description of AASs).

ANZ's results for the past three fiscal 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	
	Years ended September 30		Years ended September 30	
Statutory Profit Impact	**2021 $M**	**2020 $M**	**2021 $M**	**2020 $M**
UDC	**-**	(7)	**-**	79
New Zealand legacy insurance portfolio	**13**	-	**-**	-
ANZ Share Investing	**(251)**	-	**-**	-
Profit/(Loss) before income tax	**(238)**	(7)	**-**	79
Income tax benefit/(expense) and non-controlling interests	**-**	-	**-**	(22)
Profit/(Loss) from continuing operations	**(238)**	(7)	**-**	57

- **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 before and after tax of $7 million in the 2020 fiscal year 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**

  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 during the 2021 fiscal year.

- **ANZ Share Investing**

  The Group reclassified its ANZ Share Investing business as held for sale during the March 2021 fiscal half as the Group continued its simplification strategy. As a result 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.

  On September 16, 2021, the Group announced it had reached an agreement to transition customers from its ANZ Share Investing platform to a CMC Markets-branded platform over the next 12 to 18 months. The agreement did not result in any further gain or loss to the Group as the business had been remeasured to its fair value less costs to sell. The revenue received from share investing activities is not material.

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.

	Years ended September 30	
Statutory Profit Impact	**2021 $M**	**2020 $M**
Operating income	**(142)**	(174)
Operating expenses	**(185)**	(209)
Profit/(Loss) before income tax	**(327)**	(383)
Income tax benefit/(expense) and non-controlling interests	**106**	104
Profit/(Loss) from continuing operations	**(221)**	(279)

- **Litigation settlements**

  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, and recognized expenses of $48 million after tax in relation to the settlement and related costs during the 2021 fiscal year. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval.

- **Restructuring**

  The Group recognized restructuring expenses of $92 million after tax in the 2021 fiscal year (2020 fiscal year: $115 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**

	Years ended September 30	
Statutory Profit Impact	**2021 $M**	**2020 $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 2021 fiscal year. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

AmBank goodwill impairment

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 during the 2021 fiscal year. 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's ("PT Panin") transition adjustment was recognized through opening retained earnings to align accounting policies. During the 2020 fiscal year, 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**

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

  The Group completed impairment assessments of carrying values as at September 30, 2021 and determined that no adjustment to carrying values was necessary.

- **Accelerated software amortization**

  The Group amended the application of its software amortization policy during the 2020 fiscal year 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 2020 fiscal year. This had no impact to CET1 capital as it resulted in an equivalent reduction in capital deductions.

- **Goodwill write-off**

  The Group wrote off goodwill of $77 million after tax previously held in the Pacific and New Zealand divisions during the 2020 fiscal year:

  - 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 2020 fiscal year.
  - 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 2020 fiscal year.

  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 in the 2020 fiscal year as the 2019 comparatives were prepared under the previous lease accounting standard ("AASB 117"). The ongoing AASB 16 impacts for the 2020 fiscal year are now presented on a consistent basis to the 2021 fiscal year. The residual lease-related item of $34 million after tax in the 2020 fiscal year relates to non-recurring items recognized in the 2020 fiscal year. The 2019 comparatives continue to be prepared under the previous AASB 117.

Large/Notable items - continuing operations

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

	2021 Fiscal Year						2020 Fiscal Year									
	Large/notable items included in continuing statutory profit						Large/notable items included in continuing statutory profit									
	Gain/(Loss) on sale from divestments $M	Customer remediation $M	Litigation settlements $M	Restruc-turing $M	Asian associate items $M	Total $M	Gain/(Loss) on sale from divestments $M	Divested business results $M	Customer remediation $M	Goodwill write-off $M	Restruc-turing $M	Lease-related items[1] $M	Accelerated software amortisation $M	Asian associate impairments $M	Asian associate items $M	Total $M
Statutory Profit Impact																
Net interest income	-	(86)	-	-	-	**(86)**	-	134	(106)	-	-	-	-	-	-	**28**
Other operating income	(238)	(56)	-	-	(347)	**(641)**	(38)	2	(68)	-	-	-	-	(815)	(68)	**(987)**
Operating income	(238)	(142)	-	-	(347)	**(727)**	(38)	136	(174)	-	-	-	-	(815)	(68)	**(959)**
Operating expenses	-	(185)	(69)	(127)	-	**(381)**	(6)	(34)	(209)	(77)	(161)	(50)	(197)	-	-	**(734)**
Profit/(Loss) before credit impairment and income tax	(238)	(327)	(69)	(127)	(347)	**(1,108)**	(44)	102	(383)	(77)	(161)	(50)	(197)	(815)	(68)	**(1,693)**
Credit impairment (charge)/ release	-	-	-	-	-	**-**	-	(23)	-	-	-	-	-	-	-	**(23)**
Profit/(Loss) before income tax	(238)	(327)	(69)	(127)	(347)	**(1,108)**	(44)	79	(383)	(77)	(161)	(50)	(197)	(815)	(68)	**(1,716)**
Income tax benefit/(expense) and non-controlling interests	-	106	21	35	-	**162**	10	(22)	104	-	46	16	59	-	2	**215**
Profit/(Loss) from continuing operations	(238)	(221)	(48)	(92)	(347)	**(946)**	(34)	57	(279)	(77)	(115)	(34)	(138)	(815)	(66)	**(1,501)**

1. Comparative numbers have been restated to remove the recurring impact of the new lease accounting standard (“AASB 16”) adopted on October 1, 2019 as the comparative periods are now presented on a consistent basis to the 2021 fiscal year.

GROUP INCOME STATEMENT INFORMATION

	Years ended September 30		
	2021 $M	**2020 $M**	**2019 $M**
Net interest income	**14,161**	14,049	14,339
Other operating income	**3,259**	3,588	4,446
Operating income	**17,420**	17,637	18,785
Operating expenses	**(9,051)**	(9,383)	(9,071)
Profit before credit impairment and income tax	**8,369**	8,254	9,714
Credit impairment (charge)/release	**567**	(2,738)	(794)
Profit before income tax	**8,936**	5,516	8,920
Income tax expense	**(2,756)**	(1,840)	(2,609)
Non-controlling interests	**(1)**	(1)	(15)
Profit after income tax from continuing operations	**6,179**	3,675	6,296
Profit/(Loss) after income tax from discontinued operations	**(17)**	(98)	(343)
Profit after income tax	**6,162**	3,577	5,953

Group results - continuing operations

Comparison of 2021 with 2020

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

- Net interest income increased $112 million (+1%) driven by a 1 basis point ("bps") increase in net interest margin. The increase in net interest margin was driven by deposit margin management across all divisions, favorable wholesale funding costs and a reduction in lower margin Markets average interest earning assets as a result of lower reverse repurchase agreements. This was partially offset by growth in lower yielding liquid assets and the impact of low interest rates on earnings on capital and replicating deposits. Average interest earning assets increased $0.8 billion driven by higher central bank balances, higher liquid assets, and home lending growth across the New Zealand and Australia Retail and Commercial divisions. This was partially offset by a decrease in Institutional lending, lower reverse repurchase agreements and the impact of foreign currency translation movements. The decreases in interest income and interest expense were driven by the decline in the cash rate and bank bill swap rate since March 2020. Refer to "Analysis of Major Income and Expense Items" on pages 55 and 56 for further details on key movements.
- Other operating income decreased $329 million (-9%) driven by a decrease of $754 million in Markets other operating income following normalization of financial market conditions and the impact of surplus system liquidity, a decrease in share of associates' profit of $331 million, a loss of $251 million associated with the disposal of ANZ Share Investing, unfavorable unrealized mark-to-market movements on revenue and expense hedges of $188 million, and a decrease in net fee and commission income driven by lower volume-related fees due to the impact of the COVID-19 pandemic. This was partially offset by the impairment of Asian associates of $815 million in the 2020 fiscal year, favorable unrealized mark-to-market movements on economic hedges of $279 million, and favorable adjustments to loans measured at fair value. Refer to "Analysis of Major Income and Expense Items" on pages 57 and 58 for further details on key movements.
- Operating expenses decreased $332 million (-4%) driven by accelerated software amortization charges of $197 million, goodwill impairment of $77 million and lease-related items of $50 million, all in the 2020 fiscal year, $34 million of lower restructuring expenses and productivity benefits, partially offset by higher investment spend and a litigation settlement of $69 million. Refer to "Analysis of Major Income and Expense Items" on page 59 for further details on key movements.
- Credit impairment charges decreased $3,305 million driven by a decrease of $2,540 million in collectively assessed credit impairment charges reflecting an improved economic outlook together with improvements in portfolio mix, and a decrease of $765 million in individually assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 60 and 61 for further details on key movements.

Comparison of 2020 with 2019

Profit after income tax from continuing operations decreased $2,621 million (-42%) compared with the 2019 fiscal year mainly due to:

- Net interest income decreased $290 million (-2%) largely due to lower interest rates and competitive pressures resulting in a 13 basis point decrease in the net interest margin, partially offset by 6% growth in average interest earning assets. The lower net interest margin reflects lower earnings on capital, customers switching to principal and interest home loans in Australia and from variable to fixed loans in both Australia and New Zealand, a higher proportionate growth in the lower margin Institutional business and the impacts of growth in liquid assets due to increased system liquidity, partially offset by favorable short-term funding costs and growth in at-call deposits. The increase in average interest earning assets reflects the impact of foreign currency translation movements and the growth in the Institutional banking portfolio, increases in average trading and investment securities and increases in average cash and other liquid assets. Refer to “Analysis of Major Income and Expense Items” on pages 55 and 56 for further details on key movements.
- Other operating income decreased $858 million (-19%) primarily due to a $815 million of impairment of AmBank and PT Panin, a $171 million decrease reflecting the net impact from divestments, a $278 million decrease in net fee and commission income, a $107 million decrease in share of associates’ profit, a $79 million decrease due to widening credit spread impacts on loans measured at fair value in the Institutional division and unfavorable unrealized mark-to-market movements on economic hedges of $5 million. This was partially offset by higher Markets other operating income of $598 million and favorable unrealized mark-to-market movements on revenue and expense hedges of $25 million. Refer to “Analysis of Major Income and Expense Items” on pages 57 and 58 for further details on key movements.
- Operating expenses increased $312 million (+3%) primarily due to accelerated amortization of $197 million due to a change in application of the software amortization policy, a change in accounting treatment associated with the new leasing standard (AASB 16; comparatives not restated), higher restructuring charges of $84 million, goodwill write-off of $77 million in Pacific and New Zealand, higher personnel expenses driven by higher regulatory compliance spend in the New Zealand and Australia Retail and Commercial divisions, wage inflation and higher investment spend offset by lower customer remediation charges of $164 million within operating expenses and productivity benefits. Refer to “Analysis of Major Income and Expense Items” on page 59 for further details on key movements.
- Credit impairment charges increased $1,944 million due to higher collectively assessed credit impairment charges of $1,701 million, primarily as a result of the forward-looking assessments of the impacts of the COVID-19 pandemic driven by the deterioration in the economic outlook as well as management adjustments to recognize the risk of credit quality deterioration expected to emerge as COVID-19 stimulus and support programs ease, and higher individually assessed credit impairment charges of $243 million, primarily due to a small number of new single named impairments. Refer to “Analysis of Major Income and Expense Items” on pages 60 and 61 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.

	Years ended September 30		
Group	**2021 $M**	**2020 $M**	**2019 $M**
Net interest income[1]	**14,161**	14,049	14,339
Average interest earning assets[2,3]	**863,691**	862,882	813,219
Average deposits and other borrowings[2,3]	**712,540**	679,336	638,380
Net interest margin (%)	**1.64**	1.63	1.76

	Years ended September 30		
Net interest margin by major division	**2021 $M**	**2020 $M**	**2019 $M**
Australia Retail and Commercial			
Net interest margin (%)[1]	**2.58**	2.59	2.59
Average interest earning assets[3]	**310,071**	305,953	311,944
Average deposits and other borrowings[3]	**242,598**	215,816	203,781
Institutional			
Net interest margin (%)[1]	**0.81**	0.76	0.82
Average interest earning assets[3]	**385,645**	420,052	373,926
Average deposits and other borrowings[3]	**297,527**	313,625	286,372
New Zealand			
Net interest margin (%)[1]	**2.33**	2.26	2.33
Average interest earning assets[3]	**123,162**	121,030	117,461
Average deposits and other borrowings[3]	**98,161**	91,542	86,608

1. *Includes large/notable items of -$86 million for the 2021 fiscal year (2020 fiscal year: $28 million; 2019 fiscal year: $51 million). Also includes the major bank levy of -$346 million for the 2021 fiscal year (2020 fiscal year: -$406 million; 2019 fiscal year: -$363 million).*
2. *Average balance sheet amounts include assets and liabilities reclassified as held for sale from continuing operations in the 2019 fiscal year.*
3. *Averages are calculated using predominantly daily averages.*

Comparison of 2021 with 2020

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

Net interest margin (+1 bps)

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

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

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

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

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

Comparison of 2020 with 2019

The decrease in net interest income of $290 million (-2%) was driven by:

Net interest margin (-13 bps)

- Wholesale funding and deposits pricing (+1 bps): favorable short term funding costs, partly offset by deposit margin compression.
- Asset pricing (-2 bps): competition in home lending in Australia Retail and Commercial.
- Asset and deposit mix (-4 bps): unfavorable product mix from the impacts of customer switching from interest only to principal and interest home loans in Australia, as well as customers switching from variable to fixed home loans in Australia and New Zealand, and lower unsecured lending in Australia Retail and Commercial, along with unfavorable divisional lending mix from a higher proportion of Institutional lending. This was partly offset by favorable deposit mix from growth in at-call deposits.
- Liquidity (-3 bps): predominantly the growth in liquid assets, driven by an increase in system liquidity.
- Impact of rates net of repricing (-4 bps): the impact of central bank rate cuts on low rate deposits, earnings on capital and replicated deposits, net of repricing.
- Markets Balance Sheet activities (0 bps): neutral impact year on year.
- Large/notable (-1 bps): the impact of large and notable movements year on year.

Average interest earning assets (+$49.7 billion or +6%)

- Average net loans and advances (+$18.1 billion or +3%): increase primarily driven by growth in Institutional lending and the impact of foreign currency translation movements.
- Average trading and investment securities (+$13.5 billion or +12%): increase primarily driven by higher liquid assets and trading securities in Markets, and the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$18.1 billion or +17%): increase primarily driven by higher central bank cash balances, higher collateral balances and the impact of foreign currency translation movements.

Average deposits and other borrowings (+$41.0 billion or +6%)

- Average deposits and other borrowings (+$41.0 billion or +6%): increase driven by growth in deposits in all divisions, but particularly in Institutional division, and the impact of foreign currency translation movements.

Other operating income - continuing operations

	Years ended September 30		
	2021 $M	**2020 $M**	**2019 $M**
Net fee and commission income[1]	**2,063**	2,215	2,493
Markets other operating income	**1,130**	1,884	1,286
Share of associates' profit/(loss)[1]	**(176)**	155	262
Economic hedges[2]	**110**	(169)	(164)
Revenue and expense hedges[3]	**(137)**	51	26
Other[1,4]	**269**	(548)	543
Total other operating income from continuing operations[5]	**3,259**	3,588	4,446
Markets income			
Net interest income	**841**	770	491
Other operating income	**1,130**	1,884	1,286
Total Markets income	**1,971**	2,654	1,777

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.*
5. *Includes charges associated with customer remediation of -$56 million for the 2021 fiscal year (2020 fiscal year: -$68 million; 2019 fiscal year: -$71 million).*

Comparison of 2021 with 2020

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

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

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

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

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

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

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

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

Economic hedges (+$279 million)

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

Revenue and expense hedges (-$188 million)

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

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

Other (+$817 million)

- $815 million increase driven by the impairment of PT Panin ($220 million) and AmBank ($595 million) in the 2020 fiscal year.
- $116 million increase in the TSO and Group Centre division driven by higher realised gains on economic hedges against foreign currency denominated revenue streams ($91 million) which offset net unfavorable foreign currency translations elsewhere in the Group.
- $63 million increase in the Institutional division driven by favorable adjustments to loans measured at fair value in Corporate Finance.
- $38 million increase in the Australia Retail and Commercial division driven by an increase in net insurance income and a gain on disposal of the offsite ATM network.
- $38 million increase driven by a loss on sale of UDC in the 2020 fiscal year.
- $238 million decrease driven by the loss on reclassification of ANZ Share Investing to held for sale ($251 million) in the Australia Retail 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 2020 with 2019

Other operating income decreased by $858 million (-19%). Key factors affecting the result were:

Net fee and commission income (-$278 million or -11%)

- $153 million decrease in the Australia Retail and Commercial division primarily driven by lower credit card and international transaction volumes due to the impact of the COVID-19 pandemic and fee removals.
- $93 million decrease in the New Zealand division primarily driven by the reduction or removal of fees and lower volume related fee income and fee waivers due to the impact of the COVID-19 pandemic.
- $52 million decrease in the Institutional division driven by lower merchant transaction fees and loan syndication fees due to the impact of the COVID-19 pandemic.
- $20 million increase due to lower customer remediation in the September 2020 full year, partially offset by the loss of income from divested businesses.

Markets income (+$877 million or +49%)

- $566 million increase in Franchise Trading across all asset classes primarily attributable to increased customer sales flow and improved trading conditions, particularly in International, along with favorable derivative valuation adjustments.
- $259 million increase in Balance Sheet trading driven by decreasing funding costs and increasing value of high quality liquid assets.
- $52 million increase in Franchise Sales due to COVID-19 related customer demand for hedging solutions.

Share of associates' profit/(loss) (-$107 million or -41%)

- $68 million decrease due to the Group's equity accounted share of PT Panin's transition adjustment on its adoption of AASB 9 *Financial Instruments* in 2020.
- $39 million decrease in profits from associates of which $24 million relates to AmBank and $10 million relates to PT Panin.

Economic hedges (-$5 million or -3%)

- For the 2020 fiscal year, the majority of the $169 million loss on economic hedges relates to fair value movements of funding related swaps, principally from narrowing basis spreads on AUD/USD and NZD/USD currency pairs and the strengthening of the AUD against the USD.
- For the 2019 fiscal year, the majority of the $164 million loss on economic hedges relates to fair value movements of funding related swaps, principally from narrowing basis spreads on AUD/USD and NZD/USD currency pairs partially offset by the weakening of both the AUD and the NZD against the USD.

Revenue and expense hedges (+$25 million)

- For the 2020 fiscal year, the gain of $51 million on revenue and expense hedges relates to fair value movements, mainly due to the strengthening of the AUD against the USD.
- For the 2019 fiscal year, the gain of $26 million on revenue and expense hedges relates to fair value movements, mainly due to the strengthening of the AUD against the NZD.

Other (-$1,091 million)

- $815 million decrease due to the impairment of PT Panin of $220 million and AmBank of $595 million.
- $171 million decrease due to gains on sale ($136 million) from One Path Life NZ, Cambodia JV and Paymark in the 2019 fiscal year, a loss on sale ($7 million) from UDC in the 2020 fiscal year and the impact of loss of income from divested business results ($28 million).
- $79 million decrease in Institutional division due to widening credit spread impacts on loans measured at fair value.
- $38 million decrease in Australia Retail and Commercial division due to lower net insurance revenues of $23 million and lower income from foreign cash services of $15 million.
- $34 million increase in TSO and Group Centre division due to higher realized gains on economic hedges against foreign currency denominated revenue streams. These offset net unfavorable foreign currency translations elsewhere in the Group.
- $16 million increase due to the gross up of sublease income on adoption of the new leasing standard (comparatives not restated), partially offset by higher customer remediation in the 2020 fiscal year.

Operating expenses - continuing operations

	Years ended September 30		
	2021 $M	2020 $M	2019 $M
Personnel[1]	**4,946**	4,878	4,765
Premises	**705**	789	795
Technology[1]	**1,588**	1,824	1,534
Restructuring	**127**	161	77
Other[1]	**1,685**	1,731	1,900
Total operating expenses from continuing operations[1]	**9,051**	9,383	9,071
Full time equivalent staff from continuing operations	**39,684**	37,506	37,588
Average full time equivalent staff from continuing operations	**38,043**	37,728	37,480

1. *Includes customer remediation expenses of $185 million for the 2021 fiscal year (2020 fiscal year: $209 million; 2019 fiscal year: $373 million) allocated across Personnel, Technology and Other expenses.*

Comparison of 2021 with 2020

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

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

Comparison of 2020 with 2019

Operating expenses increased by $312 million (+3%):

- Personnel expenses increased $113 million (+2%) largely driven by higher investment spend in the New Zealand and Australia Retail and Commercial divisions, higher customer remediation costs ($80 million), wage inflation and adverse foreign currency translation movements. This was partially offset by lower variable remuneration and lower business as usual expenses, including reduced employee leave balances.
- Premises expense decreased $6 million (-1%) largely driven lower premises expense in our International network, partially offset by a change in accounting treatment associated with the new leasing standard (comparatives not restated).
- Technology expenses increased $290 million (+19%) largely as a result of accelerated amortization of $197 million due to a change in application of the software amortization policy, a change in accounting treatment associated with the new leasing standard (comparatives not restated), an increase in investment spend and customer remediation ($13 million).
- Restructuring expenses increased $84 million largely relating to business and distribution channel changes in the Australia Retail and Commercial division.
- Other expenses decreased $169 million (-9%) largely due to lower customer remediation ($257 million) and lower travel expenses, partially offset by higher investment spend and goodwill write-off of $77 million in the Pacific and New Zealand divisions.

Credit risk - continuing operations

The impact and duration of the COVID-19 pandemic 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 are 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 14 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) 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 the COVID-19 pandemic 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.

During the September 2021 half, the spread of the Delta variant resulted in new and extended lockdowns in Sydney, Melbourne and Auckland. While customer loan repayment deferral support was provided as a result of the recent lockdowns, they were less significant when compared to those provided in the previous fiscal year.

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

For 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 significant increases in credit risk ("SICR") for these loans.

Credit impairment charge/(release)

	Years ended September 30		
	2021 $M	**2020 $M**	**2019 $M**
Collectively assessed			
Australia Retail and Commercial	**(621)**	1,051	7
Institutional	**(159)**	373	10
New Zealand	**(61)**	248	12
Pacific	**15**	45	(12)
TSO and Group Centre	**3**	-	-
Total collectively assessed	**(823)**	**1,717**	**17**
Individually assessed			
Australia Retail and Commercial	195	596	705
Institutional	70	321	(12)
New Zealand	(15)	97	75
Pacific	6	7	11
TSO and Group Centre	-	-	(2)
Total individually assessed	**256**	**1,021**	**777**
Total credit impairment charge/(release)			
Australia Retail and Commercial	(426)	1,647	712
Institutional	(89)	694	(2)
New Zealand	(76)	345	87
Pacific	21	52	(1)
TSO and Group Centre	3	-	(2)
Total credit impairment charge/(release)	**(567)**	**2,738**	**794**

Credit impairment charge/(release), cont'd

	Collectively assessed				Individually assessed			
	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
2021 Fiscal Year								
Australia Retail and Commercial	(168)	(419)	(34)	**(621)**	611	(416)	**195**	**(426)**
Institutional	(103)	(49)	(7)	**(159)**	145	(75)	**70**	**(89)**
New Zealand	2	(40)	(23)	**(61)**	55	(70)	**(15)**	**(76)**
Pacific	(3)	4	14	**15**	13	(7)	**6**	**21**
TSO and Group Centre	3	-	-	**3**	-	-	**-**	**3**
Total	(269)	(504)	(50)	**(823)**	824	(568)	**256**	**(567)**
2020 Fiscal Year								
Australia Retail and Commercial	228	805	18	**1,051**	965	(369)	**596**	**1,647**
Institutional	203	178	(8)	**373**	451	(130)	**321**	**694**
New Zealand	20	190	38	**248**	147	(50)	**97**	**345**
Pacific	4	37	4	**45**	12	(5)	**7**	**52**
TSO and Group Centre	-	-	-	**-**	-	-	**-**	**-**
Total	455	1,210	52	**1,717**	1,575	(554)	**1,021**	**2,738**
2019 Fiscal Year								
Australia Retail and Commercial	(35)	(26)	68	**7**	1,173	(468)	705	**712**
Institutional	27	(13)	(4)	**10**	55	(67)	(12)	**(2)**
New Zealand	1	10	1	**12**	131	(56)	75	**87**
Pacific	(4)	(6)	(2)	**(12)**	16	(5)	11	**(1)**
TSO and Group Centre	-	-	-	**-**	(1)	(1)	(2)	**(2)**
Total	(11)	(35)	63	**17**	1,374	(597)	777	**794**

Comparison of 2021 with 2020

- The collectively assessed credit impairment charge decreased $2,540 million driven by decreases across the Australia Retail and Commercial (-$1,672 million), Institutional (-$532 million) and New Zealand (-$309 million) divisions. Collectively assessed credit impairment provision increased substantially in the 2020 fiscal year driven by the forward-looking impacts of the COVID-19 pandemic. Improvement in the economic outlook together with improvements in portfolio mix resulted in collectively assessed credit impairment provision releases in the 2021 fiscal year.
- The individually assessed credit impairment charge decreased by $765 million (-75%) driven by decreases across the Australia Retail and Commercial (-$401 million), Institutional (-$251 million), and New Zealand (-$112 million) divisions. The decrease in the Australia Retail and Commercial division was driven by lower impairments as the underlying flows remained subdued due to the impact of various COVID-19 support initiatives. The decrease in the Institutional division was driven by a number of impairments in the 2020 fiscal year. The decrease in the New Zealand division was driven by lower transitions to impairment and the write-back of a large Agri customer.

Comparison of 2020 with 2019

- The collectively assessed credit impairment charge increased by $1,700 million primarily driven by a $1,044 million increase in the Australia Retail and Commercial division, a $363 million increase in the Institutional division and a $236 million increase in the New Zealand division. The significant increases across all divisions were due to forward-looking assessments of the impacts of the COVID-19 pandemic driven by the deterioration in the economic outlook as well as management adjustments to recognize the risk of credit quality deterioration expected to emerge as COVID-19 stimulus and support programs ease.
- The individually assessed credit impairment charge increased by $244 million primarily due to a single name impairment in the Institutional division. This was partially offset by improved delinquencies in the Australia Retail portfolios combined with ongoing lower portfolio growth in the unsecured portfolio, and lower provisions in the commercial portfolio.

Allowance for expected credit losses[1]

	As of September 30		
	2021 $M	2020 $M	2019 $M
Collectively assessed			
Australia Retail and Commercial	**2,225**	2,845	1,795
Institutional	**1,346**	1,513	1,169
New Zealand	**526**	570	374
Pacific	**95**	80	38
TSO and Group Centre	**3**	-	-
Total collectively assessed	**4,195**	5,008	3,376
Individually assessed			
Australia Retail and Commercial	**406**	610	558
Institutional	**195**	158	160
New Zealand	**63**	102	72
Pacific	**23**	21	24
TSO and Group Centre	**-**	-	-
Total individually assessed	**687**	891	814
Allowance for ECL			
Australia Retail and Commercial	**2,631**	3,455	2,353
Institutional	**1,541**	1,671	1,329
New Zealand	**589**	672	446
Pacific	**118**	101	62
TSO and Group Centre	**3**	-	-
Total allowance for ECL	**4,882**	5,899	4,190

	Collectively assessed				Individually assessed	
As of September 2021	Stage 1 $M	Stage 2 $M	Stage 3 $M	Total $M	Stage 3 $M	Total $M
Australia Retail and Commercial	430	1,467	328	**2,225**	406	**2,631**
Institutional	949	373	24	**1,346**	195	**1,541**
New Zealand	154	317	55	**526**	63	**589**
Pacific	18	48	29	**95**	23	**118**
TSO and Group Centre	3	-	-	**3**	-	**3**
Total	1,554	2,205	436	**4,195**	687	**4,882**
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
TSO and Group Centre	-	-	-	-	-	-
Total	1,820	2,704	484	5,008	891	5,899
As of September 2019						
Australia Retail and Commercial	370	1,082	343	1,795	558	2,353
Institutional	872	257	40	1,169	160	1,329
New Zealand	152	182	40	374	72	446
Pacific	18	9	11	38	24	62
TSO and Group Centre	-	-	-	-	-	-
Total	1,412	1,530	434	3,376	814	4,190

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 September 30		
	2021 $M	**2020 $M**	**2019 $M**
Gross impaired assets			
Impaired loans[1]	**1,549**	2,001	1,711
Restructured items[2]	**355**	254	267
Non-performing commitments and contingencies[1]	**61**	204	51
Gross impaired assets	**1,965**	2,459	2,029
Individually assessed provisions			
Impaired loans	**(666)**	(851)	(791)
Non-performing commitments and contingencies	**(21)**	(40)	(23)
Net impaired assets	**1,278**	1,568	1,215
Gross impaired assets by division			
Australia Retail and Commercial	**1,041**	1,634	1,468
Institutional	**704**	434	265
New Zealand	**164**	347	245
Pacific	**56**	44	51
Gross impaired assets	**1,965**	2,459	2,029
Gross impaired assets by size of exposure			
Less than $10 million	**1,289**	1,713	1,593
$10 million to $100 million	**222**	339	247
Greater than $100 million	**454**	407	189
Gross impaired assets	**1,965**	2,459	2,029

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 2021 with 2020

- Gross impaired assets decreased $494 million (-20%) driven by decreases across the Australia Retail and Commercial (-$593 million) and New Zealand (-$183 million) divisions, partially offset by an increase in the Institutional ($270 million) division. 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 the impact of various COVID-19 support initiatives. The decrease in the New Zealand division was driven by upgrade of a large Agri customer and a number of Agri asset sales. The increase in the Institutional division was driven by impairments of a small number of well secured single name exposures in the 2021 fiscal year.

Comparison of 2020 with 2019

- Gross impaired assets increased $430 million (21%) driven by the Institutional division ($169 million), Australia Retail and Commercial division ($166 million) and New Zealand division ($102 million). The increase in the Institutional division primarily relates to impairments on a small number of single name exposures primarily in the March 2020 half. The Australia Retail and Commercial division increase was driven by home loans with a combination of the implementation of a more market responsive collateral valuation methodology and impairments as 90 days past due exposures increased in the March 2020 half, combined with impairments on a small number of single name exposures in the commercial portfolio. The increase in New Zealand was driven by impairments on a small number of single name commercial exposures.

The Group's individually assessed provision coverage ratio on impaired assets was 35.0% at September 30, 2021 (September 30, 2020: 36.2%; September 30, 2019: 40.1%).

New impaired assets

	As of September 30		
	2021 $M	**2020 $M**	**2019 $M**
New impaired assets			
Impaired loans[1]	**1,306**	2,488	1,927
Restructured items[2]	**309**	70	42
Non-performing commitments and contingencies[1]	**117**	231	38
Total new impaired assets	**1,732**	2,789	2,007
New impaired assets by division			
Australia Retail and Commercial	**882**	1,645	1,631
Institutional	**664**	768	78
New Zealand	**144**	361	278
Pacific	**42**	15	20
Total new impaired assets	**1,732**	**2,789**	**2,007**

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 2021 with 2020

- New impaired assets decreased $1,057 million (-38%) driven by the Australia Retail and Commercial (-$763 million), New Zealand (-$217 million) and Institutional (-$104 million) divisions. The decrease in the Australia Retail and Commercial division was due to the underlying delinquency flows remaining subdued due to the impact of various COVID-19 support initiatives. The decrease in the New Zealand division was driven by the new impairment of a large Agri customer in the 2020 fiscal year. The decrease in the Institutional division was driven by the higher impairment volumes in September 2020.

Comparison of 2020 with 2019

- New impaired assets increased $782 million (+39%) with increases in Institutional division ($690 million) related to a small number of impairments of single name exposures. New Zealand division increases ($83 million) related to a small number of impairments of single name exposures in the commercial portfolio.

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 loans that are past due 90 days or more, that are well secured and continue to accrue interest, or loans that are past due 90 days or more and are portfolio managed (typically unsecured personal loans and credit cards) that can be held on an accrual basis (continuing to accrue interest) for up to 180 days.

	As of September 30		
	2021 $M	**2020 $M**	**2019 $M**
Australia Retail and Commercial	**2,567**	3,307	3,409
Institutional	**19**	9	4
New Zealand	**357**	486	309
Pacific	**120**	40	17
TSO and Group Centre	**2**	2	5
Total accruing loans - past due 90 days or more	**3,065**	3,844	3,744

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 2021 with 2020

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

Comparison of 2020 with 2019

- The accruing loans - past due 90 days or more increased by $100 million (+3%) primarily driven by portfolio deterioration in the New Zealand division home loan ($177 million) and Australia small business ($65 million) portfolios. This was offset by a decrease in the Australia Retail and Commercial division home loans ($127 million).

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 17 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Income tax expense - continuing operations

	Years ended September 30		
	2021 $M	2020 $M	2019 $M
Income tax expense	2,756	1,840	2,609
Effective tax rate	30.8%	33.4%	29.2%
Australian corporate tax rate	30.0%	30.0%	30.0%

Comparison of 2021 with 2020

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

Comparison of 2020 with 2019

- The effective tax rate increased from 29.2% to 33.4%. The increase of 420 bps is primarily due to the non-tax deductible impairment of investments in AmBank and PT Panin (+444 bps) in the 2020 fiscal year.

CONDENSED BALANCE SHEET INFORMATION - INCLUDING DISCONTINUED OPERATIONS

	As of September 30		
	2021 $B	2020 $B	2019 $B
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**168.0**	129.7	100.3
Trading and investment securities	**127.8**	144.3	126.9
Derivative financial instruments	**38.7**	135.3	120.7
Net loans and advances	**629.7**	617.1	615.3
Assets held for sale	**-**	-	1.8
Other	**14.7**	15.9	16.1
Total assets	**978.9**	1,042.3	981.1
Liabilities			
Settlement balances owed by ANZ / Collateral received	**23.1**	31.5	18.8
Deposits and other borrowings	**743.1**	682.3	637.7
Derivative financial instruments	**36.0**	134.7	121.0
Liabilities held for sale	**-**	-	2.1
Debt issuances	**101.1**	119.7	129.7
Other	**11.9**	12.8	11.0
Total liabilities	**915.2**	981.0	920.3
Total equity	**63.7**	61.3	60.8

Comparison of 2021 with 2020

- Cash / Settlement balances owed to ANZ / Collateral paid increased $38.3 billion (+30%) driven by an increase in balances with central banks, partially offset by decreases in reverse repurchase agreements, collateral paid and the impact of foreign currency translation movements.
- Trading and investment securities decreased $16.5 billion (-11%) driven by a decrease in liquid assets in Markets.
- Derivative financial assets and liabilities decreased $96.6 billion (-71%) and $98.7 billion (-73%) respectively driven by a reduction following a change in legal arrangements for the settlement of derivative transactions with a central clearing counterparty (reduction of $55.1 billion in derivative assets and $55.2 billion in derivative liabilities), and the impact of market rate movements.
- Net loans and advances increased $12.6 billion (+2%) driven by increases across the New Zealand (+$8.2 billion) and Australia Retail and Commercial (+$1.9 billion) divisions reflecting home loan growth, and the impact of foreign currency translation movements.
- Settlement balances owed by ANZ / Collateral received decreased $8.4 billion (-27%) driven by decreases in collateral received and cash clearing account balances.
- Deposits and other borrowings increased $60.8 billion (+9%) driven by increases in customer deposits across the Australia Retail and Commercial (+$17.9 billion), Institutional (+$17.6 billion) and New Zealand (+$3.9 billion) divisions, an increase in commercial paper (+$16.5 billion) and certificates of deposit (+$5.2 billion), a further $8.1 billion drawdown of the RBA TFF and a $1.2 billion drawdown of the RBNZ FLP and Term Lending Facility ("TLF"), and the impact of foreign currency translation movements. This was partially offset by decreases in deposits from banks and repurchase agreements (-$10.0 billion).
- Debt issuances decreased $18.6 billion (-16%) driven by lower senior debt issuances which were partially replaced by the further drawdown of the TFF, which is classified in Deposits and other borrowings.

Comparison of 2020 with 2019

- Cash / Settlement balances owed to ANZ / Collateral paid increased $29.4 billion (+29%) driven by an increase in balances with central banks, increased overnight inter-bank deposits, and an increase in short term reverse repurchase agreements, partially offset by foreign currency translation movements.
- Trading and investment securities increased $17.4 billion (+14%) driven by an increase in liquid assets, partially offset by the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $14.6 billion (+12%) and $13.7 billion (+11%) respectively as interest rate and foreign exchange movements resulted in higher derivative volumes and fair values, particularly in interest rate and foreign exchange swap products.
- Net loans and advances increased $1.8 billion (+0%), driven by growth in home loans in the Australia Retail and Commercial division (+$10.1 billion) and New Zealand division (+$4.4 billion), partially offset by lower credit volumes in other products as a result of the ongoing impacts of the COVID-19 pandemic on the Institutional (-$4.1 billion) and Australia Retail and Commercial (-$1.6 billion) divisions, higher credit provisions (-$1.5 billion) as a result of the ongoing impacts of the COVID-19 pandemic, the sale of the UDC business in New Zealand division in September 2020 (-$3.4 billion) and foreign currency translation movements.
- Deposits and other borrowings increased $44.6 billion (+7%) driven by increased customer deposits in the Australia Retail and Commercial division (+$26.6 billion), Institutional division (+$11.8 billion), and New Zealand division (+$7.8 billion) and drawdown of the RBA TFF (+$12 billion). This was partially offset by a reduction in certificates of deposit (-$4.0 billion), commercial paper issued (-$2.7 billion) and the impact of foreign currency translation movements.
- Debt issuances decreased $10.0 billion (-8%) driven by lower senior debt issuances. Funding was partially replaced by the TFF, which is classified in Deposits and other borrowings.

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”.

During the 2021 fiscal year, the New Zealand division reorganized its business units from Retail and Commercial to Personal and Business respectively to better meet the needs of our customers. Comparative amounts have not been restated as the impact is not considered material.

The presentation of divisional results has also been impacted by the following structural changes during the 2021 fiscal year, and 2020 fiscal year comparatives have been restated. 2019 fiscal year comparatives have not 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 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.

2021 Fiscal Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other Items[1] $M	Group $M
Net interest income	7,989	3,105	2,870	96	101	-	**14,161**
Other operating income	889	1,878	469	65	(15)	(27)	**3,259**
Operating income	8,878	4,983	3,339	161	86	(27)	**17,420**
Operating expenses	(4,024)	(2,447)	(1,325)	(144)	(1,111)	-	**(9,051)**
Profit/(Loss) before credit impairment and income tax	4,854	2,536	2,014	17	(1,025)	(27)	**8,369**
Credit impairment (charge)/release	426	89	76	(21)	(3)	-	**567**
Profit/(Loss) before income tax	5,280	2,625	2,090	(4)	(1,028)	(27)	**8,936**
Income tax (expense)/benefit and non-controlling interests	(1,663)	(738)	(582)	1	217	8	**(2,757)**
Profit/(Loss) after income tax from continuing operations	3,617	1,887	1,508	(3)	(811)	(19)	**6,179**
Balance Sheet							
Net loans and advances	341,233	158,231	128,466	1,771	18	-	**629,719**
Other external assets	2,778	270,759	3,766	1,984	69,851	-	**349,138**
External assets	344,011	428,990	132,232	3,755	69,869	-	**978,857**
Customer deposits	252,504	239,628	97,719	3,767	(35)	-	**593,583**
Other external liabilities	8,978	144,416	24,280	131	143,793	-	**321,598**
External liabilities	261,482	384,044	121,999	3,898	143,758	-	**915,181**

2020 Fiscal Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other Items[1] $M	Group $M
Net interest income	7,916	3,182	2,731	109	111	-	**14,049**
Other operating income	1,161	2,649	473	84	(664)	(115)	**3,588**
Operating income	9,077	5,831	3,204	193	(553)	(115)	**17,637**
Operating expenses	(4,091)	(2,558)	(1,435)	(205)	(1,094)	-	**(9,383)**
Profit/(Loss) before credit impairment and income tax	4,986	3,273	1,769	(12)	(1,647)	(115)	**8,254**
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	**(2,738)**
Profit/(Loss) before income tax	3,339	2,579	1,424	(64)	(1,647)	(115)	**5,516**
Income tax expense and non-controlling interests	(1,002)	(725)	(407)	2	259	32	**(1,841)**
Profit/(Loss) after income tax from continuing operations	2,337	1,854	1,017	(62)	(1,388)	(83)	**3,675**
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**

2019 Fiscal Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other Items[1] $M	Group $M
Net interest income	8,092	3,080	2,736	128	303	-	**14,339**
Other operating income	1,347	2,192	580	104	467	(244)	**4,446**
Operating income	9,439	5,272	3,316	232	770	(244)	**18,785**
Operating expenses	(4,074)	(2,667)	(1,286)	(150)	(894)	-	**(9,071)**
Profit/(Loss) before credit impairment and income tax	5,365	2,605	2,030	82	(124)	(244)	**9,714**
Credit impairment (charge)/release	(712)	2	(87)	1	1	1	**(794)**
Profit/(Loss) before income tax	4,653	2,607	1,943	83	(123)	(243)	**8,920**
Income tax expense and non-controlling interests	(1,458)	(779)	(544)	(24)	112	69	**(2,624)**
Profit/(Loss) after income tax from continuing operations	3,195	1,828	1,399	59	(11)	(174)	**6,296**
Balance Sheet[2]							
Net loans and advances	331,871	164,526	116,729	2,120	12	-	**615,258**
Other external assets	4,350	346,094	3,690	1,403	8,511	-	**364,048**
External assets	336,221	510,620	120,419	3,523	8,523	-	**979,306**
Customer deposits	208,005	217,259	83,387	3,546	(385)	-	**511,812**
Other external liabilities	9,610	230,917	25,794	140	139,949	-	**406,410**
External liabilities	217,615	448,176	109,181	3,686	139,564	-	**918,222**

1. *Includes 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 trade. Refer to Note 8 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for further information.*
2. *Balance Sheet amounts exclude assets and liabilities held for sale from discontinued operations.*

Australia Retail and Commercial - continuing operations

	Years ended September 30		
Australia Retail and Commercial	**2021 $M**	**2020 $M**	**2019 $M**
Net interest income	**7,989**	7,916	8,092
Other operating income	**889**	1,161	1,347
Operating income	**8,878**	9,077	9,439
Operating expenses	**(4,024)**	(4,091)	(4,074)
Profit before credit impairment and income tax	**4,854**	4,986	5,365
Credit impairment (charge)/release	**426**	(1,647)	(712)
Profit before income tax	**5,280**	3,339	4,653
Income tax expense and non-controlling interests	**(1,663)**	(1,002)	(1,458)
Profit after income tax	**3,617**	2,337	3,195
Consisting of:			
Retail	**2,510**	1,880	2,132
Commercial and Private Bank	**1,107**	457	1,063
Profit after income tax	**3,617**	2,337	3,195
Balance Sheet			
Net loans and advances	**341,233**	339,381	331,871
Other external assets	**2,778**	3,663	4,350
External assets	**344,011**	343,044	336,221
Customer deposits	**252,504**	234,594	208,005
Other external liabilities	**8,978**	9,220	9,610
External liabilities	**261,482**	243,814	217,615
Risk weighted assets	**163,793**	166,662	162,060
Average gross loans and advances[1]	**345,954**	334,965	338,785
Average deposits and other borrowings[1]	**242,598**	215,816	203,781
Ratios			
Return on average assets	**1.04%**	0.69%	0.94%
Net interest margin	**2.58%**	2.59%	2.59%
Operating expenses to operating income	**45.3%**	45.1%	43.2%
Operating expenses to average assets	**1.16%**	1.22%	1.20%
Individually assessed credit impairment charge/(release)	**195**	596	705
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**0.06%**	0.18%	0.21%
Collectively assessed credit impairment charge/(release)	**(621)**	1,051	7
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.18%)**	0.31%	0.00%
Gross impaired assets	**1,041**	1,634	1,468
Gross impaired assets as a % of GLA	**0.30%**	0.48%	0.44%
Total full time equivalent staff	**14,480**	14,078	13,903

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 2021 with 2020

Profit after income tax increased by $1,280 million (+55%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending due to COVID-19 lockdown impacts and a decrease in commercial lending.
- Net interest margin decreased 1 bps driven by unfavorable lending mix from stronger growth in lower margin fixed rate home loans, deposit margin compression and lower earnings on capital. This was mostly offset by deposit and asset repricing benefits, favorable funding deposit mix due to strong deposit growth, and lower funding costs.
- Other operating income decreased $272 million (-23%) 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 $67 million (-2%) driven by productivity benefits, lower restructuring expenses, and lease-related items and accelerated amortization in the prior year. This was partially offset by higher investment spend and customer remediation.
- Credit impairment charges decreased $2,073 million driven by a collectively assessed credit impairment release reflecting an improved economic outlook, and lower individually assessed credit impairment charge as the underlying flows remained subdued due to the impact of various COVID-19 support initiatives.

Comparison of 2020 with 2019

Profit after income tax decreased by $858 million (-27%).

Key factors affecting the result were:

- Lending volumes increased in the September 2020 half driven by home loan growth, partially offset by lower consumer demand for unsecured borrowing and increased customer repayments following fiscal and regulatory stimulus and a lower interest rate environment.
- Net interest margin was flat as the headwinds from official cash rate decreases on low customer rate deposits and earnings on capital, unfavorable lending mix from proportionately more growth in lower margin home loans compared to higher margin unsecured lending were offset by home loan repricing benefits, lower funding costs and a favorable deposit mix impact.
- Other operating income decreased $186 million (-14%) driven by lower credit card and international transaction volumes driven by COVID-19 impacts and fee removals.
- Operating expenses increased $17 million driven by higher investment spend, higher restructuring expenses, additional charges for lease-related items, accelerated amortization due to changes in application of the software policy and inflationary increases being offset by productivity benefits and lower remediation expenses.
- Credit impairment charges increased $935 million driven by collectively assessed credit impairment charges resulting from the forecast economic impacts of the COVID-19 pandemic.

Institutional - continuing operations

Institutional	2021 $M	2020 $M	2019 $M
	Years ended September 30		
Net interest income	**3,105**	3,182	3,080
Other operating income	**1,878**	2,649	2,192
Operating income	**4,983**	5,831	5,272
Operating expenses	**(2,447)**	(2,558)	(2,667)
Profit before credit impairment and income tax	**2,536**	3,273	2,605
Credit impairment (charge)/release	**89**	(694)	2
Profit before income tax	**2,625**	2,579	2,607
Income tax expense and non-controlling interests	**(738)**	(725)	(779)
Profit after income tax	**1,887**	1,854	1,828
Consisting of:			
Transaction Banking	**436**	285	695
Corporate Finance	**843**	419	736
Markets	**630**	1,168	469
Central Functions	**(22)**	(18)	(72)
Profit after income tax	**1,887**	1,854	1,828
Balance Sheet			
Net loans and advances	**158,231**	157,634	164,526
Other external assets	**270,759**	391,862	346,094
External assets	**428,990**	549,496	510,620
Customer deposits	**239,628**	223,288	217,259
Other external liabilities	**144,416**	256,745	230,917
External liabilities	**384,044**	480,033	448,176
Risk weighted assets	**172,041**	186,502	181,088
Average gross loans and advances[1]	**151,597**	177,252	156,676
Average deposits and other borrowings[1]	**297,527**	313,625	286,372
Ratios			
Return on average assets	**0.37%**	0.32%	0.38%
Net interest margin	**0.81%**	0.76%	0.82%
Net interest margin (excluding Markets)	**1.86%**	1.78%	2.05%
Operating expenses to operating income	**49.1%**	43.9%	50.6%
Operating expenses to average assets	**0.48%**	0.45%	0.56%
Individually assessed credit impairment charge/(release)	**70**	321	(12)
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**0.05%**	0.18%	(0.01%)
Collectively assessed credit impairment charge/(release)	**(159)**	373	10
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.10%)**	0.21%	0.01%
Gross impaired assets	**704**	434	265
Gross impaired assets as a % of GLA	**0.44%**	0.27%	0.16%
Total full time equivalent staff	**5,332**	5,291	5,468

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 2021 with 2020

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

Key factors affecting the result were:

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

Comparison of 2020 with 2019

Profit after income tax increased by $26 million (+1%).

Key factors affecting the result were:

- Average lending volumes increased against the prior period. Customer deposits increased in Transaction Banking, partially offset by decreases in the other businesses.
- Net interest margin (excluding the Markets business) decreased 27 bps mainly due to the impact of low interest rates on deposit margins.
- Other operating income increased $457 million (+21%) mainly due to higher Markets income, partly offset by lower volume related fee income in the transaction banking business with a subdued international trade environment.
- Operating expenses decreased $109 million (-4%) as a result of lower personnel costs, lower discretionary spend, lower property charges and lower remediation expenses, partly offset by accelerated amortization due to changes in application of the software capitalization policy and additional charges for lease related items.
- Credit impairment charges increased $696 million due to higher collectively assessed credit impairment charge, resulting from the forecast economic impacts of the COVID-19 pandemic, and an increase in individually assessed credit impairment charges in Transaction Banking.

New Zealand - continuing operations

Table reflects NZD for New Zealand.

AUD results shown on page 75.

	Years ended September 30		
New Zealand	**2021 NZD M**	**2020 NZD M**	**2019 NZD M**
Net interest income	**3,060**	2,895	2,892
Other operating income	**499**	501	613
Operating income	**3,559**	3,396	3,505
Operating expenses	**(1,413)**	(1,520)	(1,360)
Profit before credit impairment and income tax	**2,146**	1,876	2,145
Credit impairment (charge)/release	**81**	(366)	(92)
Profit before income tax	**2,227**	1,510	2,053
Income tax expense and non-controlling interests	**(620)**	(431)	(574)
Profit after income tax	**1,607**	1,079	1,479
Consisting of:			
Personal	**978**	673	934
Business	**631**	402	542
Central Functions	**(2)**	4	3
Profit after income tax	**1,607**	1,079	1,479
Balance Sheet			
Net loans and advances	**134,537**	125,981	125,991
Other external assets	**3,944**	4,522	3,983
External assets	**138,481**	130,503	129,974
Customer deposits	**102,336**	98,304	90,004
Other external liabilities	**25,428**	25,133	27,841
External liabilities	**127,764**	123,437	117,845
Risk weighted assets	**74,524**	71,348	70,727
Average gross loans and advances[1]	**131,363**	128,358	124,264
Average deposits and other borrowings[1]	**104,651**	97,032	91,565
Net funds management income	**225**	219	222
Funds under management	**39,043**	35,223	34,145
Average funds under management	**36,687**	34,809	31,610
Ratios			
Return on average assets	**1.19%**	0.82%	1.16%
Net interest margin	**2.33%**	2.26%	2.33%
Operating expenses to operating income	**39.7%**	44.8%	38.8%
Operating expenses to average assets	**1.05%**	1.15%	1.07%
Individual credit impairment charge/(release)	**(17)**	103	79
Individual credit impairment charge/(release) as a % of average GLA[2]	**(0.01%)**	0.08%	0.06%
Collective credit impairment charge/(release)	**(64)**	263	13
Collective credit impairment charge/(release) as a % of average GLA[2]	**(0.05%)**	0.20%	0.01%
Gross impaired assets	**173**	374	265
Gross impaired assets as a % of GLA	**0.13%**	0.30%	0.21%
Total full time equivalent staff	**7,060**	6,679	6,121

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 75.

Comparison of 2021 with 2020

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

Key factors affecting the result were:

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

Comparison of 2020 with 2019

Profit after income tax decreased by NZD 400 million (-27%).

Key factors affecting the result were:

- Lending ended flat against the prior period impacted by the sale of UDC at the end of the year. Customer deposit volumes grew across all portfolios while funds under management increased during the period.
- Net interest margin decreased 7 bps mainly due to lower interest rates compressing deposit margins.
- Other operating income decreased NZD 112 million (-18%) primarily driven by fee changes and lower volume related fee income and fee waivers due to the impact of the COVID-19 pandemic.
- Operating expenses increased NZD 160 million (+12%) due to higher investment spend on compliance projects, goodwill write-off related to the Bonus Bonds business, accelerated amortization due to changes in application of the software policy, and increased restructuring charges.
- Credit impairment charges increased NZD 274 million driven by additional collectively assessed credit impairment charges, resulting from the forecast economic impacts of the COVID-19 pandemic.

New Zealand - continuing operations

Table reflects AUD for New Zealand.

NZD results shown on page 73.

New Zealand	2021 $M	2020 $M	2019 $M
	Years ended September 30		
Net interest income	**2,870**	2,731	2,736
Other operating income	**469**	473	580
Operating income	**3,339**	3,204	3,316
Operating expenses	**(1,325)**	(1,435)	(1,286)
Profit before credit impairment and income tax	**2,014**	1,769	2,030
Credit impairment (charge)/release	**76**	(345)	(87)
Profit before income tax	**2,090**	1,424	1,943
Income tax expense and non-controlling interests	**(582)**	(407)	(544)
Profit after income tax	**1,508**	1,017	1,399
Consisting of:			
Personal	**917**	635	883
Business	**591**	378	513
Central Functions	**-**	4	3
Profit after income tax	**1,508**	1,017	1,399
Balance Sheet			
Net loans and advances	**128,466**	116,625	116,729
Other external assets	**3,766**	4,186	3,690
External assets	**132,232**	120,811	120,419
Customer deposits	**97,719**	91,004	83,387
Other external liabilities	**24,280**	23,266	25,794
External liabilities	**121,999**	114,270	109,181
Risk weighted assets	**71,161**	66,049	65,527
Average gross loans and advances[1]	**123,216**	121,096	117,537
Average deposits and other borrowings[1]	**98,161**	91,542	86,608
Net funds management income	**211**	207	210
Funds under management	**37,280**	32,608	31,633
Average funds under management	**34,412**	32,839	29,900
Ratios			
Return on average assets	**1.19%**	0.82%	1.16%
Net interest margin	**2.33%**	2.26%	2.33%
Operating expenses to operating income	**39.7%**	44.8%	38.8%
Operating expenses to average assets	**1.05%**	1.15%	1.07%
Individual credit impairment charge/(release)	**(15)**	97	75
Individual credit impairment charge/(release) as a % of average GLA[2]	**(0.01%)**	0.08%	0.06%
Collective credit impairment charge/(release)	**(61)**	248	12
Collective credit impairment charge/(release) as a % of average GLA[2]	**(0.05%)**	0.20%	0.01%
Gross impaired assets	**164**	347	245
Gross impaired assets as a % of GLA	**0.13%**	0.30%	0.21%
Total full time equivalent staff	**7,060**	6,679	6,121

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

Funding - including discontinued operations

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

$10.7 billion of term wholesale debt with a remaining term greater than one year as of September 30, 2021 was issued during the fiscal year ended September 30, 2021. In addition, the Group drew down $8.1 billion of additional TFF funding in Australia.

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

	As of September 30		
	2021 $B	2020 $B	2019 $B
Customer deposits and other liabilities			
Australia Retail and Commercial	**252.5**	234.6	208.0
Institutional	**239.6**	223.3	217.3
New Zealand	**97.7**	91.0	83.4
Pacific	**3.8**	3.5	3.5
TSO and Group Centre	**-**	-	(0.4)
Customer deposits	**593.6**	552.4	511.8
Other funding liabilities[1,2]	**8.1**	8.9	9.6
Total customer liabilities (funding)	**601.7**	561.3	521.4
Wholesale funding			
Debt issuances and central bank term funding[3]	**97.1**	110.6	113.1
Subordinated debt	**25.3**	21.1	16.6
Certificates of deposit	**37.7**	32.5	36.6
Commercial paper	**25.7**	9.1	11.7
Other wholesale borrowings[4,5]	**88.5**	104.2	92.3
Total wholesale funding	**274.3**	277.5	270.3
Shareholders' equity	**63.7**	61.3	60.8
Total funding	**939.7**	900.1	852.5

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 RBA TFF of $20.1 billion (2020 fiscal year: $12.0 billion, 2019 fiscal year: nil), RBNZ FLP of $0.9 billion (2020 and 2019 fiscal years: nil) and TLF of $0.3 billion (2020 and 2019 fiscal years: nil).*
4. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings.*
5. *Includes RBA open repurchase arrangement netted down by the corresponding exchange settlement account cash balance.*

Term debt maturity profile

The amounts disclosed below represent the outstanding principal of term debt issued by the Group under its term funding programs, and drawdowns under the RBA's TFF and RBNZ's TLF and FLP on or before September 30, 2021. For the avoidance of doubt, this profile excludes commercial paper issuance and short-dated issuance of 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 September 30, 2021.

Contractual maturity ($M)[1]	FY22	FY23	FY24	FY25	FY26	After 2026	Total
Debt issuances and central bank term funding[2]	21,031	30,427	24,588	4,549	5,344	7,336	93,275
Subordinated debt[3]	710	124	2,861	3,346	6,295	3,514	16,850
Total	**21,741**	**30,551**	**27,449**	**7,895**	**11,639**	**10,850**	**110,125**

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, 2022 ("FY22") relate to term debt maturing in the period October 1, 2021 to September 30, 2022.*
2. *Debt issuances include transferable certificates of deposit, drawdowns of the RBA's TFF and the RBNZ's TLF and FLP included as "Deposits and other borrowings" in the balance sheet.*
3. *The maturity profile for all non-perpetual subordinated debt is presented based on the next callable date. The maturity profile excludes additional Tier 1 capital.*

	As of September 30, 2021		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investor Services	P-1	Aa3	Stable
Standard & Poor's	A-1+	AA-	Stable
Fitch Ratings	F1	A+	Stable

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

Capital management - including discontinued operations

	APRA Basel 3 As of September 30		
Qualifying Capital	**2021 $M**	**2020 $M**	**2019 $M**
Tier 1			
Shareholders' equity and non-controlling interests	**63,676**	61,297	60,794
Prudential adjustments to shareholders' equity[1]	**3**	189	120
Gross Common Equity Tier 1 capital	**63,679**	61,486	60,914
Deductions[1]	**(12,320)**	(12,784)	(13,559)
Common Equity Tier 1 capital	**51,359**	48,702	47,355
Additional Tier 1 capital	**8,114**	7,779	7,866
Tier 1 capital	**59,473**	56,481	55,221
Tier 2 capital	**17,125**	13,957	8,549
Total qualifying capital	**76,598**	70,438	63,770
Capital adequacy ratios (Level 2)			
Common Equity Tier 1	**12.3%**	11.3%	11.4%
Tier 1	**14.3%**	13.2%	13.2%
Tier 2	**4.1%**	3.3%	2.1%
Total capital ratio	**18.4%**	16.4%	15.3%
Risk weighted assets	**416,086**	429,384	416,961

1. *During the 2021 fiscal year, deferred expenses previously netted within Prudential adjustments to shareholders' equity were reclassified to Deductions to better align with the nature of the balances. Comparative information for the 2020 fiscal year has been restated accordingly by $394 million. Comparative information for the 2019 fiscal year has not been restated and reflects the financial information presented in the 2020 Annual U.S. Disclosure Document.*

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

RWA

- Mortgages RWA - APRA imposes a floor of 20% on the downturn loss given default ("LGD") used in credit RWA ("CRWA") calculations for residential mortgages. The Internationally Comparable Basel 3 framework requires a downturn LGD floor of 10%. Additionally, APRA requires a higher correlation factor than the Basel framework.
- IRRBB RWA - APRA requires inclusion of Interest Rate Risk in the Banking Book ("IRRBB") within the RWA base for the CET1 ratio calculation. This is not required on an Internationally Comparable basis.
- 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 2021 with 2020

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

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

Comparison of 2020 with 2019

ANZ's CET1 ratio decreased 2 bps to 11.3% during the year. Key drivers of the movement in the CET1 ratio were:

- Statutory profit excluding large/notable and one off items and CIC increased the ratio by +171 bps.
- The impact from increases in CIC including the associated DTA increase, along with the impact of RWA risk migration, totaled -76 bps. These impacts were primarily driven by the COVID-19 impact.
- Higher business RWA usage (excluding foreign currency translation movements, regulatory changes, risk migration and other one-offs) were mainly driven by $10.3 billion (-28 bps) increase in non-CRWA. Underlying CRWA increase during the year was a modest $0.4 billion (-1 bps) as the growth in March 2020 half was largely offset by reduction in September 2020 half. Movements in both halves were predominantly in the Institutional division.
- Payment of the 2019 final dividend (net of BOP issuance, with DRP neutralized) and the 2020 interim dividend (net of BOP and DRP issuance) reduced the ratio by -69 bps.
- Large/notable items from customer remediation, restructuring cost and lease impacts reduced the ratio by -11 bps.
- Other impacts totaling +12 bps included +30 bps of capital benefits from completion of asset sales (Pension and Investment business to IOOF and UDC to Shinsei Bank Limited), offset by capital deductions (-8 bps), net increase in RWA imposts (-4 bps), movement in deferred tax assets not relating to CIC (-4 bps), and other items (-2 bps).

Leverage ratio - including discontinued operations

At September 30, 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 September 30		
	2021 $M	2020 $M	2019 $M
Tier 1 Capital (net of capital deductions)	**59,473**	56,481	55,221
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**901,969**	841,830	810,644
Derivative exposures	**37,769**	32,296	34,258
Securities financing transaction exposures	**30,484**	58,416	36,923
Other off-balance sheet exposures	**117,848**	114,128	107,400
Total exposure measure	**1,088,070**	1,046,670	989,225
APRA Leverage Ratio	**5.5%**	5.4%	5.6%

Comparison of 2021 with 2020

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

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

Comparison of 2020 with 2019

APRA leverage ratio decreased 18 bps during the year. Key drivers of the movement were:

- Net organic capital generation (largely from statutory profit excluding large/notable and one-off items) less dividends paid during the year (+21 bps).
- On balance sheet exposures growth primarily from higher liquids mainly during March 2020 half (-21 bps).
- Growth in off balance sheet exposures and securities financing transactions reduced the leverage ratio by -14 bps.
- Net other impacts of -4 bps. This included the benefits from sale of Pension and Investment business to IOOF and UDC to Shinsei Bank (+10 bps) but was more than offset by impacts from increased deferred tax assets (-7 bps), large/notable adjustments (-5 bps) and other items (-2 bps).

GUARANTEES AND CONTINGENT LIABILITIES

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

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

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

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

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

	As of September 30		
	2021 $M	2020 $M	2019 $M
Contract amount of:			
Guarantees and letters of credit	30,027	22,778	22,339
Performance related contingencies	18,303	17,017	22,112
Total	48,330	39,795	44,451

For further information on Group's other contingent liabilities, refer to Note 33 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Directors

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

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

Director's Name	Position held	Year appointed	Age
Mr. P. O'Sullivan	Chairman, Independent Non-Executive Director	2019	61
Mr. S. C. Elliott	Chief Executive Officer	2016	57
Ms. I. R. Atlas, AO	Independent Non-Executive Director	2014	67
Ms. P. J. Dwyer	Independent Non-Executive Director	2012	61
Ms. S. J. Halton, AO PSM	Independent Non-Executive Director	2016	61
Sir J. Key, GNZM AC	Independent Non-Executive Director	2018	60
Mr. G. R. Liebelt	Independent Non-Executive Director	2013	67
Mr. J. T. Macfarlane	Independent Non-Executive Director	2014	61
Ms. C. E. O'Reilly	Independent Non-Executive Director	2021	60

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

Directors' Profiles

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

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

Career

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

Relevant other Directorships

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

Relevant Former Directorships held in last three years include

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

Age: 61. **Residence:** Sydney, Australia.

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

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

Career

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

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

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

Relevant other Directorships

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

Age: 57. **Residence:** Melbourne, Australia.

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

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

Career

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

Relevant other Directorships

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

Relevant Former Directorships held in last three years include

Former Chairman: Coca-Cola Amatil Limited (2017-2021, Director from 2011).
Former Director: Westfield Corporation Limited (2014-2018) and OneMarket Limited (2018-2019).
Former Fellow: Senate of the University of Sydney (2015-2019).

Age: 67. **Residence:** Sydney, Australia.

MS P. J. DWYER, Independent Non-Executive Director and Chair of the Audit Committee.
BCOM, FCA, SF FIN, FAICD

Non-Executive Director since April 2012. Ms. Dwyer is a member of the Risk Committee, Human Resources Committee and Nomination and Board Operations Committee.

Career

Ms. Dwyer has extensive experience in financial markets, corporate finance, risk management and investments, having held senior executive roles at Calibre Asset Management, Ord Minnett (now J P Morgan) and at Price Waterhouse (now PricewaterhouseCoopers). Her career as a company director spans financial services, investment, insurance, healthcare, gambling and entertainment, fast moving consumer goods, property and construction and retailing sectors. Ms. Dwyer has a strong interest in education and medical research, having served as a member of the Geelong Grammar School Council and the Business and Economics Faculty at the University of Melbourne and as Deputy Chairman of Baker IDI.

Relevant other Directorships

Chairman: Kin Group Advisory Board (from 2014), Allianz Australia Limited (from 2020, Director from 2019) and Elenium Automation Pty Ltd (from 2021).
Director: Lion Pty Ltd (from 2012).
Member: Kirin International Advisory Board (from 2012) and Australian Government Takeovers Panel (from 2017).

Relevant Former Directorships held in last three years include

Former Chairman: Tabcorp Holdings Limited (2011-2020, Director from 2005) and Healthscope Limited (2014-2019).

Age: 61. **Residence:** Melbourne, Australia.

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

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

Career

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

Jane has contributed extensively to community health through local and international organizations including the World Health Organization and the National Aboriginal and Torres Strait Islander Health Council.

Relevant other Directorships

Chairman: Vault Systems (from 2017), Coalition for Epidemic Preparedness Innovations (Norway) (from 2018, Member from 2016) and Council on the Ageing Australia (from 2017).
Director: Clayton Utz (from 2017), Crown Resorts Limited (from 2018) and Naval Group Australia Pty Ltd (from 2021).
Member: Executive Board of the Institute of Health Metrics and Evaluation at the University of Washington (from 2007).
Adjunct Professor: University of Sydney and University of Canberra.
Council Member: Australian Strategic Policy Institute (from 2016).

Relevant Former Directorships held in last three years include

Former Member: National COVID-19 Commission Advisory Board (2020-2021).

Age: 61. **Residence:** Canberra, Australia.

RT HON. SIR JOHN KEY GNZM AC, Independent Non-Executive Director
BCOM, DCOM (HONORIS CAUSA)

Non-Executive Director since February 2018. Sir John is a member of the Risk Committee, Ethics, Environment, Social and Governance Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

Career

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

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

Relevant Other Directorships

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

Relevant Former Directorships held in last three years include

Former Chairman: The International Democratic Union (2014-2018).
Former Director: Air New Zealand Limited (2017-2020).

Age: 60. **Residence:** Auckland, New Zealand.

MR G. R. LIEBELT, Independent Non-Executive Director and Chair of the Risk Committee
BEC (HONS), FAICD, FTSE, FIML

Non-Executive Director since July 2013. Mr. Liebelt is a member of the Audit Committee, Human Resources Committee and Nomination and Board Operations Committee.

Career

Mr. Liebelt brings to the Board his experience of a 23-year executive career with Orica Limited (including a period as Chief Executive Officer), a global mining services company with operations in more than 50 countries. He has extensive international experience and a strong record of achievement as a senior executive including in strategy development and implementation.
Graeme is committed to global trade and co-operation, as well as community education.

Relevant other Directorships

Chairman: Amcor Limited (from 2013, Director from 2012).
Director: Australian Foundation Investment Company Limited (from 2012) and Carey Baptist Grammar School (from 2012).

Relevant Former Directorships held in last three years include

Former Chairman: DuluxGroup Limited (2018-2019, Director from 2016).

Age: 67. **Residence:** Melbourne, Australia.

MR J. T. MACFARLANE, Independent Non-Executive Director
BCOM, MCOM (HONS)

Non-Executive Director since May 2014. Mr. Macfarlane is a member of the Audit Committee, Risk Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

Career

Mr. Macfarlane is one of Australia's most experienced international bankers having previously served as Executive Chairman of Deutsche Bank Australia and New Zealand, and CEO of Deutsche Bank Australia. Mr. Macfarlane has also worked in the USA, Japan and PNG, and brings to the Board a depth of banking experience in ANZ's key markets in Australia, New Zealand and the Asia Pacific.

He is committed to community health, and is a Director of the Aikenhead Centre of Medical Discovery Limited (from 2016).

Relevant other Directorships

Director: Colmac Group Pty Ltd (from 2014), AGInvest Holdings Limited (MyFarm Limited) (from 2014, Chairman 2014-2016), Balmoral Pastoral Investments (from 2017) and L1 Long Short Fund (from 2018).

Relevant Former Directorships held in last three years include

Former Director: St Vincent's Institute of Medical Research (2008-2018) and Craigs Investment Partners Limited (2013-2020).

Age: 61. **Residence:** Melbourne, Australia.

MS C. E. O'REILLY, Independent Non-Executive Director
BBUS

Non-Executive Director since November 2021. Ms O'Reilly is a member of the Audit Committee and Nomination and Board Operations Committee.

Career

Ms. O'Reilly is one of Australia's leading non-executive directors. Ms. O'Reilly has held executive roles in the infrastructure and financial services industries. This includes being CEO of GasNet Australia and Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management and follows an early career including investment banking and audit experience at Price Waterhouse.

Relevant other Directorships

Director: The Baker Heart & Diabetes Institute (from 2013), Medibank Private Limited (from 2014), Stockland (from 2018) and BHP Group Limited (from 2020).

Relevant Former Directorships held in last three years include

Former Director: CSL Limited (2011-2020), Transurban Group (2012-2020) and Energy Australia Holdings Limited (2012-2018).

Age: 60. **Residence:** Melbourne, Australia.

Senior Management and Executives

As of the date of this U.S. Disclosure Document, the senior management and executives (excluding non-executive directors) of ANZ were:

Executive Officers	Position held	Appointed to position	Joined Group
S Elliott Age – 57	Chief Executive Officer Over 30 years' experience in banking in Australia and overseas, in all aspects of the industry. Previous roles within ANZ include: Chief Financial Officer; Chief Financial Officer (Designate); Chief Executive Officer, Institutional. Roles prior to ANZ include: Head of Business Development, EFG Hermes; Chief Operating Officer, EFG Hermes; various senior positions at Citigroup across geographies and business sectors over the course of 20 years which include: CEO Global Transaction Services Asia Pacific; CEO Corporate Bank Australia/NZ & Country Corporate Officer; CEO Egypt; Vice President Strategic Planning New York; Head of Investor Derivative Sales London; and Head of NZ Derivatives Sales and Trading. Shayne is a Director of the Financial Markets Foundation for Children and a member of the Australian Banking Association, the Business Council of Australia and the Australian Customs Advisory Board.	January 2016	June 2009
M Carnegie Age – 52	Group Executive, Digital and Australia Transformation Previous roles within ANZ include: Group Executive, Digital Banking. Roles prior to ANZ include: Managing Director, Google Australia and New Zealand; Managing Director, Proctor and Gamble, Australia and New Zealand.	March 2019	June 2016
K Corbally Age - 51	Chief Risk Officer Previous roles within ANZ include: Group General Manager Internal Audit; Managing Director, Head of Credit and Capital Management; Head of Institutional Relationship Banking Australia; Head of Diversified Industrials. Roles prior to ANZ include: Managing Director and Head of Corporate and Commercial Banking Australia and New Zealand, Citigroup.	March 2018	July 2009
F Faruqui Age – 57	Chief Financial Officer Over 25 years' experience in the financial services industry Previous roles within ANZ include: Group Executive, International; CEO International Banking. Roles prior to ANZ include: Head of Corporate and Commercial Banking, Asia Pacific – Citi; Head of Global Loans & Leveraged Finance, Asia Pacific and Head of Fixed Income, Capital Markets – Citi.	October 2021	August 2014
G Florian Age – 56	Group Executive, Technology Over 30 years' experience in technology. Roles prior to ANZ include: Chief Strategy Officer: ITaaS, Dimension Data; Senior Vice President – Strategy and Engagement: ITaaS, Dimension Data; Chief Product Officer: Cloud Business Unit, Dimension Data; Chief Marketing Office, Dimension Data; Chief Technology Officer, Dimension Data.	January 2017	January 2017
E Gray Age – 52	Group Executive, Data and Automation Experienced international executive with significant experience in data and customer insights. Previous roles within ANZ include: Chief Data Officer Roles prior to ANZ include: Chief Loyalty and Data Officer, Woolworths; Chief Strategy Officer, Rebel Sport; Partner Bain & Company.	May 2020	February 2017
M Hand Age – 55	Group Executive, Australia Retail and Commercial Banking Previous roles within ANZ include: Group Executive, Australia (acting); Group Executive, Australian Business & Private Banking; Managing Director, Business & Private Banking; Managing Director, Corporate and Commercial Banking; Managing Director, Retail Distribution, Australia; General Manager, Regional Commercial Banking; General Manager, Business Banking Manager segment; State Manager, Business Banking Victoria & Tasmania; District Manager, Business Banking, Melbourne CBD; Head of Credit and Operating Risk, SME Banking; Head of Audit, Middle East & South Asia (based in Mumbai, India).	March 2019	August 1988
K van der Merwe Age – 47	Group Executive, Talent & Culture and Service Centres Over 15 years' experience focused on leading business transformations. Roles prior to ANZ include: Vice President, Bain & Company	May 2017	May 2017
A Watson Age – 52	Group Executive and Chief Executive Officer, New Zealand Over 25 years' experience in the professional services and financial services sector in New Zealand, the United Kingdom, Australia and Hungary. Previous roles within ANZ include: Group Executive and Chief Executive Officer, New Zealand (acting); Managing Director, Retail & Business Banking; Chief Financial Officer, New Zealand; Financial Controller, New Zealand.	December 2019	April 2009
M Whelan Age – 61	Group Executive, Institutional Over 35 years' experience in banking and has vast experience in the Asian Market and Institutional Banking. Previous roles within ANZ include: Chief Executive Officer, Australia; Managing Director, Commercial Banking Australia; Managing Director, Asia, Europe & America, Institutional; Managing Director, Institutional Asia; Managing Director Markets; Head of Sales, Markets.	February 2016	November 2004

There are no family relationships between or among any key management personnel. All executives can be contacted through our Company Secretary on +61 3 8654 7597 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Corporate Governance

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) during the 2021 fiscal year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, has been lodged with the ASX. They can be found on our website at: https://www.anz.com/debtinvestors/usdebtinvestors-files/ and are incorporated by reference and form part of this U.S. Disclosure Document. Information incorporated by reference into, or contained in or accessible through any web site referred to in, the Corporate Governance Statement or the related ASX Appendix 4G does not form part of this U.S. Disclosure Document unless we specifically state that it is incorporated by reference and forms part of this U.S. Disclosure Document.

Employees - including discontinued operations

As of September 30, 2021, ANZ employed 40,221 people worldwide (September 30, 2020: 38,579; September 30, 2019: 39,060) on a full time equivalent ("FTE") basis.

Division	As of September 30		
	2021	**2020**	**2019**
Australia Retail and Commercial	**14,480**	14,078	13,903
Institutional	**5,332**	5,291	5,468
New Zealand[1]	**7,060**	6,679	6,121
Pacific	**1,089**	1,113	1,086
TSO and Group Centre[1]	**11,723**	10,345	11,010
Total FTE from continuing operations	**39,684**	37,506	37,588
Discontinued operations[2]	**537**	1,073	1,472
Total FTE	**40,221**	38,579	39,060

1. *FTE at September 30, 2020 has been restated by 918 to reflect the transfer of New Zealand Technology operations from the TSO and Group Centre division to the New Zealand division. Comparative information at September 30, 2019 has not been restated and reflects the information presented in the 2020 Annual U.S. Disclosure Document.*
2. *The discontinued operations FTE is based on an estimate of the staff working in the divested businesses based on an allocation methodology and includes staff retained in the Group working on transitioning the sold businesses to the purchasers.*

Industrial Relations Developments

Australia

In Australia, terms and conditions of employment of most non-management staff, including salaries, may be negotiated between unions and management as part of a collective enterprise bargaining agreement ("EBA") subject to majority employee approval.

The *ANZ Enterprise Agreement 2015-2016 (Australia)* commenced operation on 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, 2020 and 2021 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.

There are no significant disputes between management and labor unions.

Asia Pacific, Europe & America

There are no significant disputes between management and labor unions in any of the countries located in the Asia Pacific, Europe or America geography.

Superannuation

The Group has established a number of pension, superannuation and post-retirement medical benefit schemes throughout the world. For further information on ANZ's superannuation obligations, refer to Note 30 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

Employee Equity

ANZ operates a number of employee share and option schemes that operate under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan. For further information on ANZ's employee share and option plans, refer to Note 31 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

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 November 11, 2021, we are aware of one entity which is the beneficial owner 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.

Refer to the 2021 Remuneration Report (attached to this U.S. Disclosure Document as part of Annex A) 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 "Section 6: Additional Information - Limitations affecting security holders" below.

Limitations on ownership and changes in control

The Constitution contains certain limitations on the rights to own securities in 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: Additional Information - 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 September 30, 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 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A).

CHESS

CHESS stands for the "Clearing House Electronic Subregister System" and is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. ASX Settlement Pty Limited 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 22 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A)) and/or disclosures as deemed appropriate have been made. In some instances, we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

Contingent Liabilities

Refer to Note 33 of the 2021 Financial Report (attached to this U.S. Disclosure Document as part of Annex A) for a description of contingent liabilities and contingent assets as of September 30, 2021.

A summary of some of those contingent liabilities 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 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 and/or SOR. 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, anti-racketeering laws, and (in the BBSW case only) 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 and SOR 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 action**

  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.

- **New Zealand loan information litigation**

  In September 2021, a representative proceeding was brought on behalf of a class of plaintiffs against ANZ New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ New Zealand is defending the allegations.

- **Royal Commission**

  The Royal Commission released its final report on February 4, 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain. See also "*Section 2: Information on the Group - Supervision and Regulation - Australia - Regulatory Developments – Other - 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.

Discontinuance of prosecution relating to August 2015 capital raising

In June 2018, the CDPP commenced criminal proceedings against a number of companies and individuals, including the Company and a senior employee. It was alleged that the joint lead managers of the Company's August 2015 underwritten institutional equity placement engaged in cartel conduct and that the Company and its senior employee were involved in one of those joint lead managers giving effect to a cartel. On October 29, 2021, the CDPP discontinued the proceedings against the Company and its senior employee in relation to all charges.

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 final dividend. For the 2021 final 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 November 12, 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 and "designated" persons or entities by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit, including:
   (a) persons who have been indicted for an offence by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia ("ICTY") or who are subject to an Interpol arrest warrant related to such an offence within the jurisdiction of the ICTY, persons who are suspected of assisting persons who have been indicted by the ICTY and are not currently detained by the ICTY, as well as certain supporters of the former Milosevic regime;
   (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
   (c) certain persons or entities associated with the weapons of mass destruction or missiles program of North Korea, or have assisted or are assisting North Korea to violate or evade certain United Nations Resolutions;
   (d) certain persons associated with the Myanmar regime, including current and former ministers, senior officials in security or corrections agencies, senior officials or executives in a state-owned or military owned enterprise and current or former military officers of particular ranks, and immediate family members of such persons;
   (e) certain persons or entities who have contributed or are contributing to Iran's nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
   (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya and immediate family members of such persons;

(g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; 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, ISIL and the Taliban (see the Charter of the United Nations (Sanctions – ISIL (Da'esh) and Al-Qaida) Regulations 2008 of Australia and the Charter of the United Nations (Sanctions – the Taliban) Regulation 2013 of Australia);

(g) Somalia (see the Charter of the United Nations (Sanctions – Somalia) Regulations 2008 of Australia);

(h) Lebanon (see the Charter of the United Nations (Sanctions – Lebanon) Regulations 2008 of Australia);

(i) Libya (see the Charter of the United Nations (Sanctions – Libya) Regulations 2011 of Australia);

(j) Central African Republic (see the Charter of the United Nations (Sanctions – Central African Republic) Regulation 2014 of Australia);

(k) Yemen (see the Charter of the United Nations (Sanctions – Yemen) Regulation 2014 of Australia);

(l) South Sudan (see the Charter of the United Nations (Sanctions – South Sudan) Regulation 2015 of Australia);

(m) Syria (see the Charter of the United Nations (Sanctions – Syria) Regulation 2015 of Australia); and

(n) Mali (see the Charter of the United Nations (Sanctions – Mali) Regulations 2018 of Australia).

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 U.S. Disclosure 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 issued shares or rights to issued shares in a corporation carrying on an Australian business.

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

- Financial Sector (Shareholdings) Act 1998 of Australia

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

Collectively assessed allowance for expected credit loss represents the ECL, which incorporates forward-looking information and does not require an actual loss event to have occurred for a credit loss provision to be recognized.

Coronavirus ("COVID-19") is a respiratory illness which was 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.

Funding for Lending Programme ("FLP") refers to three-year funding announced by the RBNZ in November 2020 and offered to New Zealand banks, which aimed to lower the cost of borrowing for New Zealand businesses and households.

FX means foreign exchange.

Gross loans and advances ("GLA") is made up of loans and advances, 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 losses 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.

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 expected credit losses.

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

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

RBA - Reserve Bank of Australia, Australia's central bank.

RBNZ - Reserve Bank of New Zealand, New Zealand's central bank.

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

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

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

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

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

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

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

Term Lending Facility ("TLF") refers to three to five-year funding offered by the RBNZ between May 2020 and July 2021 to promote lending to New Zealand businesses.

ANNEX A: THE 2021 REMUNERATION REPORT, THE 2021 FINANCIAL REPORT OF THE GROUP AND THE COMPANY, AND THE INDEPENDENT AUDITOR'S REPORT ON THE 2021 FINANCIAL REPORT OF THE GROUP AND THE COMPANY (EXTRACTS FROM ANZ's 2021 ANNUAL REPORT)

ANNEX B: THE 2020 REMUNERATION REPORT, THE 2020 FINANCIAL REPORT OF THE GROUP, AND THE INDEPENDENT AUDITOR'S REPORT ON THE 2020 FINANCIAL REPORT OF THE GROUP (EXTRACTS FROM ANZ's 2020 ANNUAL REPORT)

ANNEX C: THE 2020 FINANCIAL REPORT OF THE COMPANY AND THE INDEPENDENT AUDITOR'S REPORT ON THE 2020 FINANCIAL REPORT OF THE COMPANY

2021 ANNUAL REPORT

THE BANK WE'RE BUILDING

Remuneration report

2021 REMUNERATION REPORT – AUDITED

This year was perhaps even more challenging than last year, given the sustained economic and societal impacts of COVID-19.

While we all would have preferred to have confined the effects of the pandemic to 2020, we find ourselves at the end of 2021, still focused on managing the impacts on our customers, our people, the community and you, our shareholders.

What was pleasing, however, was the way everyone at ANZ, led by our Chief Executive Officer (CEO) Shayne Elliott and the executive team, responded to the continuing crisis.

It has been a very difficult period across our network. In Australia borders have been disrupted, while Sydney and Melbourne have endured lengthy lockdowns. The situation is similar in New Zealand.

We have managed the impacts across our 33 geographies, including our major operations centres in India and the Philippines.

Despite the difficult trading conditions, the bank delivered a solid result for shareholders that reflects the strength of our diversified portfolio.

We led the industry with our productivity and simplification initiatives and we are now in a strong position to take advantage of future opportunities.

We are rapidly building the capabilities we need for the digital world. This year alone we've recruited more than 3,000 engineering and data experts, many of whom are from the world's leading technology companies.

From a risk perspective, our strong frameworks enabled our sound response to COVID-19 and business continuity was maintained through the year with no major operational challenges associated with the pandemic.

We also progressed the delivery of our regulatory commitments, including implementing recommendations arising from the Royal Commission, our APRA self-assessment and the implementation of BS11 in New Zealand.

Despite the 12% increase in home loan revenue, there was a loss of market share in the Australian mortgage business as a result of home loan processing challenges, and a delivery delay with one of our digital transformative products. These issues are being addressed by management.

In assessing ANZ's performance the Board determined that management had exceeded or met most objectives, while also acknowledging that there have been challenges and performance was below expectations in a few key areas.

All these matters have been taken into account in assessing the Group's performance, Shayne's performance and the performance of the executive team for 2021.

2021 VARIABLE REMUNERATION OUTCOMES

As a Board we believe we have struck the right balance in rewarding our executives for good performance while taking account of shortcomings; balancing this year's results with the significant work done to prepare the bank for long term success.

Shayne has role modelled ANZ's values and is a respected leader among staff as well as externally. The Board's view is that these attributes are very important to the success of ANZ and values them highly.

While Shayne met most of his objectives, the Board determined, with Shayne's support, that the appropriate 2021 Annual Variable Remuneration (AVR) outcome was 53% of his maximum opportunity.

Long Term Variable Remuneration (LTVR) of $3.5 million is also proposed. This reinforces Shayne's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders. This allocation remains subject to shareholder approval at the 2021 Annual General Meeting and performance hurdles being met.

For Disclosed Executives, the Board determined their 2021 Variable Remuneration (VR) outcomes at an average outcome of 60% of maximum opportunity. This reflects the assessment of 'meeting most but not all expectations' within the Group Performance Framework.

43.3% of the performance rights granted in 2017 to the CEO and Disclosed Executives (excluding the Chief Risk Officer) vested when their performance was tested in November 2020 against their performance hurdles. The remaining 56.7% of rights lapsed and executives received no value from this proportion of the awards.

FIXED REMUNERATION

You may recall the Board decided last year there would be no fixed remuneration increases for our CEO and our Disclosed Executives.

Following the resignation of the Deputy CEO, the role was not replaced, with its BEAR accountabilities transitioned to a number of other executives. This resulted in materially expanded roles for three Disclosed Executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan) and their fixed remuneration was reviewed and adjusted accordingly.

There were no increases to Non-Executive Director fees for the 2021 year.

2022 REMUNERATION STRUCTURE

The introduction of a new remuneration standard by our regulator APRA has driven a review of how we reward our executives.

The new regulatory standard does not come into effect until 1 January 2023, however a range of changes are being considered for implementation in 2022, subject to Board approval.

These changes are designed not only to meet both the letter and spirit of APRA's new prudential standard, but also to maintain our strong focus on performance and risk management, and attract, motivate and retain the best talent.

The key structural changes being considered for the CEO and Group Executive Committee (ExCo) include:

- Reduction in variable remuneration opportunity and restructuring long term variable remuneration to deliver greater certainty and value for executives, while ensuring shareholder alignment.
- Longer deferral (up to 6 years) with around 80% of variable remuneration deferred to ensure long term focus.
- The ability to 'clawback' vested cash and equity variable remuneration.
- Separate AVR and LTVR for Disclosed Executives, bringing it in-line with the current structure for our Chief Executive.

As part of our design process we have spoken to a range of external stakeholders and will continue to do so. If the changes are approved by the Board, we will ensure they are clearly communicated to our stakeholders including disclosure in the 2022 Remuneration Report.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders at the 2021 Annual General Meeting.

Ilana Atlas, AO | Chair – Human Resources Committee

CONTENTS

The Remuneration Report for the Group outlines our remuneration strategy and framework and the remuneration practices that apply to Key Management Personnel (KMP). This report has been prepared, and audited, as required by the *Corporations Act 2001*. It forms part of the Directors' Report.

1. WHO IS COVERED BY THIS REPORT

KMP are Directors of Australia and New Zealand Banking Group Limited (ANZBGL) (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e. members of the Group Executive Committee (ExCo)) who report directly to the Chief Executive Officer (CEO) (referred to as Disclosed Executives).

1.1 DISCLOSED EXECUTIVE AND NED CHANGES

There were several changes to our KMP during the 2021 year:

- Paul O'Sullivan commenced as Chairman on 28 October 2020 (following the retirement of David Gonski on that date).
- Michelle Jablko concluded as ANZ's Chief Financial Officer (CFO) in February 2021. Shane Buggle has been acting in the role since this time.
- Alexis George concluded as ANZ's Deputy CEO in May 2021 – the responsibilities of the Deputy CEO were subsequently split across three executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan).

1.2 KEY MANAGEMENT PERSONNEL (KMP)

The KMP whose remuneration is disclosed in this year's report are:

2021 Non-Executive Directors (NEDs) – Current

P O'Sullivan	Chairman from 28 October 2020 (previously Director)
I Atlas	Director
P Dwyer	Director
J Halton	Director
J Key	Director
G Liebelt	Director
J Macfarlane	Director

2021 Non-Executive Directors (NEDs) – Former

D Gonski	Former Chairman – retired 28 October 2020

2021 Chief Executive Officer (CEO) and Disclosed Executives – Current

S Elliott	CEO and Executive Director
S Buggle	Acting CFO – from 8 February 2021 (concluded in role 10 October 2021)
M Carnegie	Group Executive, Digital and Australia Transformation
K Corbally	Chief Risk Officer (CRO)
G Florian	Group Executive, Technology
M Hand	Group Executive, Australia Retail and Commercial Banking
K van der Merwe	Group Executive, Talent & Culture and Service Centres (GE T&C) (title changed effective 17 May 2021 from Group Executive, Talent & Culture)
A Watson	Group Executive and CEO, New Zealand (NZ)
M Whelan	Group Executive, Institutional

2021 Disclosed Executives – Former

A George	Former Deputy CEO – concluded in role 16 May 2021 and ceased employment 30 July 2021
M Jablko	Former CFO – concluded in role 7 February 2021 and ceased employment 26 March 2021

Changes to KMP since the end of 2021 up to the date of signing the Directors' Report, in addition to the one noted above include as previously announced:

- Farhan Faruqui appointed as CFO from 11 October 2021.
- Christine O'Reilly's appointment to the ANZ Board as a Non-Executive Director, effective 1 November 2021.

2. 2021 OUTCOMES AT A GLANCE

Chief Executive Officer (CEO) remuneration

For 2021, our CEO:

- Had no increase to fixed remuneration.
- Was awarded Annual Variable Remuneration (AVR) of 53% of maximum opportunity, having exceeded or met most but not all performance expectations (see section 4).
- Will be awarded Long Term Variable Remuneration (LTVR) of $3.5 million subject to shareholder approval at the 2021 Annual General Meeting (AGM).
- Received total remuneration of $5.75 million in 2021 (i.e. includes the value of prior equity awards which vested in 2021 as per section 4.2).

Disclosed Executive remuneration

For 2021:

- There were no increases to fixed remuneration for Disclosed Executives other than for adjustments to three executives in May 2021 as a result of their roles expanding following the departure of the Deputy CEO.
- Disclosed Executives' VR outcomes averaged 60% of maximum opportunity, with individual outcomes ranging from 46% to 66% of maximum opportunity.

Performance rights outcomes (CEO and Disclosed Executives)

43.3% of the performance rights granted in late 2017 to the CEO and Disclosed Executives (excluding the CRO) vested and the remaining 56.7% lapsed when tested against the performance hurdles at the end of the performance period in November 2020 (see section 4.4.3).

Non-Executive Director (NED) fees

No increases to NED fees (the Chairman, NED base fee, and Committee fees remained unchanged (see section 7.1)).

3. OVERVIEW OF ANZ'S REMUNERATION FRAMEWORK

3.1 REMUNERATION FRAMEWORK OVERVIEW

The structure of our remuneration framework is aligned with our Reward Principles and has been designed to support ANZ's purpose and strategy. No changes have been made to our remuneration framework in 2021.

ANZ'S PURPOSE AND STRATEGY[1]

IS UNDERPINNED BY OUR REMUNERATION POLICY WHICH INCLUDES OUR REWARD PRINCIPLES:

Attract, motivate and keep great people	Reward our people for doing the right thing having regard to our customers and shareholders	Focus on **how** things are achieved as much as **what** is achieved	Are fair and simple to understand

WITH REMUNERATION DELIVERED TO OUR CEO AND DISCLOSED EXECUTIVES THROUGH:

Fixed remuneration Cash salary and superannuation contributions. The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities reflecting their responsibilities, performance, qualifications, experience and location.

Variable remuneration (at risk) The CEO and Disclosed Executives are eligible to receive variable remuneration under the ANZ Incentive Plan (ANZIP), our variable remuneration plan.

CEO

Annual Variable Remuneration (AVR)

- Rewards the achievement of Group, and individual outcomes over a 12-month period
- Determination: ANZ Group Performance Framework, individual strategic objectives, ANZ values[2] and risk/compliance assessments, and Board discretion
- Maximum opportunity: 150% of fixed remuneration
- Delivery: 50% cash and 50% as ANZ shares deferred over four years, subject to malus[3]

Long Term Variable Remuneration (LTVR)

- Reinforces the CEO's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders
- Face value at full vesting: 140% of fixed remuneration
- Delivery: Performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative total shareholder return (TSR) (75%), absolute TSR (25%)

DISCLOSED EXECUTIVES[4]

Variable Remuneration (VR)

- Rewarded under a single VR framework, with the appropriate mix of short and long term rewards (including performance hurdles) deferred over the short, medium and longer term
- Determination: ANZ Group Performance Framework, Divisional Performance Frameworks, ANZ values and risk/compliance assessments, and Board discretion
- Maximum opportunity: 402% of fixed remuneration[5]
- Delivery: 25% cash, 25% as ANZ shares deferred over four years subject to malus, and 50% as performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative TSR (75%), absolute TSR (25%)

Board discretion is applied when determining CEO and Disclosed Executive performance and remuneration outcomes, and also before any scheduled release of previously deferred remuneration (see section 5.3). All deferred variable remuneration is subject to malus adjustment.

REINFORCED BY ALIGNING REMUNERATION AND RISK:

Assessing behaviours based on ANZ's values and risk/compliance standards (including the Banking Executive Accountability Regime (BEAR))	Determining variable remuneration outcomes, with risk as a key input at a pool and individual level	Weighting remuneration toward the longer-term with a significant proportion at risk	Determining accountability and applying consequences where appropriate	Prohibiting the hedging of unvested equity

WHILE SUPPORTING THE ALIGNMENT OF EXECUTIVES AND SHAREHOLDERS THROUGH:

Substantial shareholding requirements	Significant variable remuneration deferral in ANZ equity	Use of relative and absolute TSR hurdles	Consideration of cash profit and economic profit in determining the ANZIP variable remuneration pool	Consideration of the shareholder experience in respect of the share price and dividends

WHILE GOVERNED BY:

The Human Resources (HR) Committee and the Board determining fixed remuneration and the variable remuneration outcomes for the CEO and each Disclosed Executive. Additionally, the CEO's LTVR outcome is also subject to shareholder approval at the AGM.

1. See the 'About our business' and 'Our strategy' sections of the Annual Report. **2.** ANZ's values (**I**ntegrity, **C**ollaboration, **A**ccountability, **R**espect, **E**xcellence (ICARE)) – the foundation of how we work, supported by our Code of Conduct and our Ways of Leading framework. **3.** Malus relates to downward adjustment of unvested remuneration. **4.** The maximum opportunity and delivery of VR differs for the CRO to that of other Disclosed Executives. See section 5 for further details. **5.** Performance rights face value at full vesting.

4. 2021 OUTCOMES

Variable remuneration at ANZ is genuinely at risk and can range from zero to maximum opportunity. Annual performance objectives are set at the Group and also at the Divisional/individual level at the start of each year. They are designed to be stretching yet achievable. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources. Where expectations are met, variable remuneration is likely to be awarded around target opportunity. Where performance is below expectations, awards will be less (potentially down to zero), and where above expectations, awards will be more (potentially up to maximum opportunity).

Remuneration outcomes have been presented in the following three ways:

i. **Year-on-Year Remuneration Awarded** (see section 4.1): Reflects actual remuneration **awarded** in respect of the relevant financial year. As non-cash components are subject to future vesting outcomes, the awarded value may be higher or lower than the future realised value.

ii. **Actual Remuneration Received** (see section 4.2): Reflects the actual remuneration **received** in 2021. Received amounts include cash and the value of **prior** equity awards which vested in 2021.

iii. **Statutory Remuneration** (see section 9.1): Reflects remuneration in accordance with Australian Accounting Standards which includes fixed remuneration and the amortised accounting value of variable remuneration (not the actual awarded or received value in respect of the relevant financial year).

4.1 YEAR-ON-YEAR REMUNERATION AWARDED

These tables show a year-on-year comparison of remuneration awarded to the CEO and Disclosed Executives for the 2019, 2020 and 2021 performance periods. Remuneration awarded includes any cash payments (e.g. fixed remuneration and cash variable remuneration) and the value of deferred shares and performance rights awarded for the year but which have not yet vested (i.e. the value was not received during the year).

2021 remuneration outcomes reflect both the overall performance of the Group and the variability in the performance of each individual/ Division. In particular, the outcomes for the CEO, the Group Executive, Australia Retail and Commercial Banking, and Group Executive, Digital and Australia Transformation, have been most impacted by the Australian mortgage business loan processing challenges and delivery delays in a key area of our digital transformation agenda.

Variable remuneration outcomes for the CEO and Disclosed Executives are higher in 2021 compared to 2020. In 2020, the Board used its discretion and applied a 50% reduction to the 2020 variable remuneration outcomes (AVR for the CEO), having regard to the impact of COVID-19 on the business, shareholders, as well as the broader community. If we compare 2021 to 2020 without the 50% COVID-19 reduction, the CEO's total remuneration would be lower.

CEO

The 2021 LTVR shown below has not yet been awarded to the CEO, approval will be sought from shareholders at the 2021 AGM.

YEAR-ON-YEAR REMUNERATION AWARDED IN THE RELEVANT FINANCIAL YEAR – CEO:
The awarded value may be higher or lower than future realised value

	Financial year	Fixed remuneration $	AVR cash $	AVR deferred shares $	Total AVR $	Threshold vesting: LTVR performance rights $	Threshold vesting: Total remuneration awarded $	Full vesting: LTVR performance rights $	Full vesting: Total remuneration awarded $	AVR as % of: Target opport-unity	AVR as % of: Maximum opport-unity
CEO											
S Elliott	2021	2,500,000	1,000,000	1,000,000	2,000,000	1,750,000	6,250,000	3,500,000	8,000,000	80%	53%
	2020	2,500,000	625,000	625,000	1,250,000	1,750,000	5,500,000	3,500,000	7,250,000	50%	33%
	2019	2,100,000	750,000	750,000	1,500,000	2,100,000	5,700,000	4,200,000	7,800,000	71%	48%

Disclosed Executives

- Fixed remuneration was increased for three Disclosed Executives (Gerard Florian, Kathryn van der Merwe, and Mark Whelan). This was due to their roles expanding in May 2021 as they took on additional BEAR accountabilities, previously held by the Deputy CEO, following the Board's decision to not replace that role post Alexis George's resignation.
- The change in Antonia Watson's fixed remuneration from 2020 to 2021 reflects the impact of exchange rate conversions, noting that her fixed remuneration is paid in NZD and converted to AUD for disclosure purposes.
- The average VR outcome for Disclosed Executives is 90% of target (60% of maximum opportunity), reflecting the overall Group performance assessment of 'met most but not all expectations' (see section 4.5.3). Outcomes as a percentage of maximum range from 46% to 66%, with the variability at the lower end of the range largely due to the impact of the home loan processing issues in the Australian mortgage business and the challenges and complexities experienced in progressing some aspects of the digital agenda at pace.

- For the 2021 Disclosed Executives who were in role for full year 2020 and 2021, year-on-year total remuneration has increased on average by 40%. The year-on-year change primarily reflects the 50% reduction to Disclosed Executives' VR outcomes in 2020 having regard to the impact of COVID-19. The differential has also been impacted by the increases to fixed remuneration applied to three executives following the transition of Deputy CEO accountabilities.
- For both Mark Hand and Antonia Watson, 2021 and 2020 remuneration awarded is not directly comparable with 2019, as they were Disclosed Executives for only part of the 2019 financial year. Antonia Watson's 2020 remuneration awarded reflects her permanent appointment to the Group Executive and CEO, NZ role.
- Shane Buggle's 2021 remuneration awarded reflects the period he acted as the CFO.
- Variable remuneration continues to differ both year-on-year and between different executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. See section 4.4 for details.

YEAR-ON-YEAR REMUNERATION AWARDED IN THE RELEVANT FINANCIAL YEAR – DISCLOSED EXECUTIVES:
The awarded value may be higher or lower than future realised value

					Threshold vesting		Full vesting		VR as % of	
	Financial year	Fixed remuneration $	VR cash $	VR deferred shares[1] $	VR performance rights[2] $	Total remuneration awarded $	VR performance rights[2] $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
Current Disclosed Executives										
S Buggle	2021	704,000	462,000	462,000	476,000	2,104,000	952,000	2,580,000	99%	66%
	(8 months Acting in role)									
M Carnegie	2021	1,200,000	569,250	569,250	586,500	2,925,000	1,173,000	3,511,500	72%	48%
	2020	1,200,000	409,200	409,200	421,600	2,440,000	843,200	2,861,600	52%	34%
	2019	1,000,000	495,000	495,000	510,000	2,500,000	1,020,000	3,010,000	75%	50%
K Corbally	2021	1,100,000	613,800	613,800	632,400	2,960,000	632,400	2,960,000	94%	63%
	2020	1,100,000	429,000	429,000	442,000	2,400,000	442,000	2,400,000	66%	44%
	2019	950,000	478,500	478,500	493,000	2,400,000	493,000	2,400,000	85%	57%
G Florian	2021	1,084,500	676,500	676,500	697,000	3,134,500	1,394,000	3,831,500	95%	63%
	2020	1,075,000	371,250	371,250	382,500	2,200,000	765,000	2,582,500	52%	35%
M Hand	2021	1,200,000	544,500	544,500	561,000	2,850,000	1,122,000	3,411,000	69%	46%
	2020	1,200,000	462,000	462,000	476,000	2,600,000	952,000	3,076,000	58%	39%
	2019	726,000	198,000	198,000	204,000	1,326,000	408,000	1,530,000	41%	28%
	(9 months as Disclosed Executive)									
K van der Merwe	2021	907,000	594,000	594,000	612,000	2,707,000	1,224,000	3,319,000	99%	66%
	2020	850,000	330,000	330,000	340,000	1,850,000	680,000	2,190,000	59%	39%
A Watson[3]	2021	1,078,682	687,167	687,167	707,991	3,161,008	1,415,981	3,868,998	97%	64%
	2020	1,015,599	334,681	334,681	344,822	2,029,783	689,645	2,374,605	50%	33%
	2019	219,440	170,255	113,504	–	503,199	–	503,199	65%	43%
	(3.5 months in role)									
M Whelan	2021	1,276,000	810,150	810,150	834,700	3,731,000	1,669,400	4,565,700	96%	64%
	2020	1,200,000	363,000	363,000	374,000	2,300,000	748,000	2,674,000	46%	31%
	2019	1,200,000	874,500	874,500	901,000	3,850,000	1,802,000	4,751,000	110%	74%
Former Disclosed Executives										
A George	2021	913,000	n/a	n/a	n/a	913,000	n/a	913,000	n/a	n/a
	(10 months to term date)									
	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
M Jablko	2021	528,000	n/a	n/a	n/a	528,000	n/a	528,000	n/a	n/a
	(6 months to term date)									
	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	544,500	544,500	561,000	2,650,000	1,122,000	3,211,000	83%	55%

1. Deferred share rights for the Acting CFO. **2.** Deferred share rights for the CRO. **3.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year.

4.2 2021 ACTUAL REMUNERATION RECEIVED

Actual remuneration received

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2021 performance year as cash, or in the case of prior equity awards, the value which vested in 2021. The final column also shows the value of prior equity awards which lapsed/were forfeited in 2021. These awards reflect the 2017 performance rights which partially met their performance hurdles when tested in November 2020, and additionally for Alexis George and Michelle Jablko the forfeiture of unvested deferred remuneration on resignation.

ACTUAL REMUNERATION RECEIVED IN 2021 – CEO AND DISCLOSED EXECUTIVES:

Received value includes the value of prior equity awards which vested in that year

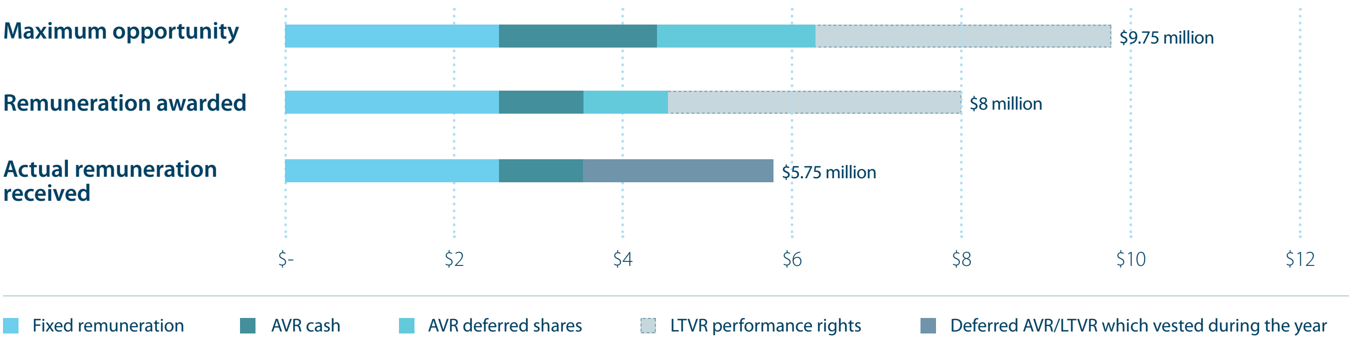
	Fixed remuneration $	Cash variable remuneration $	Total cash $	Deferred variable remuneration which vested during the year[1] $	Other deferred remuneration which vested during the year[1] $	Actual remuneration received $	Deferred variable remuneration which lapsed/forfeited during the year[1, 2] $
CEO and Current Disclosed Executives							
S Elliott	2,500,000	1,000,000	3,500,000	2,252,821	–	5,752,821	(1,895,738)
S Buggle	704,000	462,000	1,166,000	–	–	1,166,000	-
M Carnegie	1,200,000	569,250	1,769,250	807,983	–	2,577,233	(499,918)
K Corbally	1,100,000	613,800	1,713,800	297,341	–	2,011,141	(39,997)
G Florian	1,084,500	676,500	1,761,000	424,282	–	2,185,282	(257,321)
M Hand	1,200,000	544,500	1,744,500	329,920	–	2,074,420	(59,348)
K van der Merwe	907,000	594,000	1,501,000	378,251	–	1,879,251	(154,402)
A Watson[3]	1,078,682	687,167	1,765,849	309,419	–	2,075,268	(37,204)
M Whelan	1,276,000	810,150	2,086,150	1,561,716	–	3,647,866	(963,057)
Former Disclosed Executives							
A George	913,000	n/a	913,000	582,907	–	1,495,907	(4,344,826)
M Jablko[4]	528,000	n/a	528,000	991,724	119,239	1,638,963	(5,514,701)

1. The point in time value of previously deferred remuneration granted as shares/share rights and/or performance rights is based on the one day Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of shares/share rights and/or performance rights. **2.** The lapsed/forfeited values relate to 56.7% of the performance rights we awarded in November/December 2017 which lapsed in November/December 2020 due to the performance hurdles not being met, and for A George and M Jablko forfeiture on resignation of unvested deferred remuneration. **3.** Paid in NZD and converted to AUD. **4.** Other deferred remuneration for M Jablko relates to previously disclosed compensation for deferred remuneration forfeited as a result of joining ANZ.

CEO Comparison of Remuneration Awarded vs Remuneration Received in 2021

- The chart below shows that the remuneration **awarded** to the CEO in 2021 was less than the maximum opportunity under the current remuneration structure. The future realised value for the CEO may be higher or lower than the awarded value based on the vesting share price for awarded equity (including the percentage of equity that vests or is forfeited).
- Actual remuneration **received** in 2021 reflects the impact of prior equity awards that vested in 2021. For example, the performance rights awarded value in 2017 was $4.2 million, but the received value that vested to the CEO in 2021 was $1.45 million.

2021 CEO REMUNERATION AWARDED (POTENTIAL VALUE NOT REALISED VALUE) AND ACTUAL REMUNERATION RECEIVED ($m)



4.3 APPLICATION OF REWARD PRINCIPLES

In considering the 2021 outcomes the HR Committee and Board reflected on the application of ANZ's Reward Principles:

- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience and expectations of a range of stakeholders (including shareholders, customers, employees, community and regulators).
- **Attract, motivate and keep great people:** In determining remuneration outcomes, the Board acknowledged the importance of balancing performance with being market competitive to ensure retention of key talent – particularly in a tight talent market.
- **Focus on how things are achieved as much as what is achieved:** The Board has ensured that appropriate consideration and weight was given to performance against a balanced scorecard of objectives (which includes a risk modifier), a risk standards assessment (capturing financial and non-financial risks), and how that performance was achieved (i.e. in accordance with our values and purpose).
- **Be fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

4.4 VARIABLE REMUNERATION – DETAIL

4.4.1 CEO performance, AVR and LTVR

Performance

With regard to AVR, the CEO is assessed 50% on the ANZ Group Performance Framework and 50% on achievement of individual strategic objectives aligned to ANZ's strategy. Both the Group Performance Framework and individual strategic objectives are agreed by the Board at the start of the financial year and are stretching.

WEIGHTING OF FINANCIAL METRICS

AVR

Financial metrics have a 35% weighting in the Group Performance Framework and therefore notionally have a 17.5% weighting in the CEO's AVR. However, the CEO's AVR is not formulaic – outcomes are moderated by the Risk element of the Group Performance Framework and the Board's judgement on the appropriate AVR considering all aspects of performance.

LTVR

100% of the LTVR hurdles are based on TSR (both relative and absolute).

At the end of the financial year, ANZ's performance is assessed against the Group Performance Framework, and the CEO's performance is assessed against his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk, audit and conduct events that have either occurred or come to light in the year are also considered together with input from both the Audit Committee and the Risk Committee of the Board.

The Board has assessed the CEO's 2021 performance as follows:

Group Performance Framework	=	Met most but not all expectations (see section 4.5.3)
Individual strategic objectives	=	Met most but not all expectations (see Board assessment below)
ANZ values	=	Above expectations
Risk/compliance assessment	=	Met expectations
Overall	=	Met most but not all expectations

The Board has considered the CEO's performance in determining the appropriate AVR outcome for 2021. The Board determined, with the CEO's support, that an AVR outcome of 53% of maximum opportunity was appropriate.

2021 CEO INDIVIDUAL STRATEGIC OBJECTIVES

- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ
- Drive the strategic direction of the organisation, focused on building long term sustainable growth and improving ROE relative to industry peers
- Deliver our digital transformation aspiration to materially enhance our customer proposition and build a platform for creating value
- Focus on operational excellence and resilience, including remediation and system stability, to ensure ANZ has a robust and reliable platform to support long-term growth
- Show material progress on productivity initiatives to improve customer and staff experience while driving run the bank operating costs towards a materially reduced run rate
- Continue to build ExCo effectiveness and CEO succession

BOARD ASSESSMENT OF PERFORMANCE ON INDIVIDUAL STRATEGIC OBJECTIVES:

MET MOST BUT NOT ALL EXPECTATIONS

The CEO publicly outlined in 2021 the bank's strategy to simplify and strengthen the business through automation and process digitisation. One outcome being a further reduction in run the bank costs, with productivity initiatives allowing for a higher level of investment spend. This was an area of continued out-performance in 2021. Other financial highlights include a strengthened balance sheet, strong capital management, improved ROE, and a declining long run credit loss rate, despite the challenging environment.

Despite the positive outcomes and business momentum as we enter 2022, there was a loss of market share in the Australian mortgage business as a result of home loan processing challenges, and a delay in being 'market ready' in respect of one of our transformative digital products (noting that these matters impacted both the assessment of Group Performance as well as the Board's assessment of the CEO's performance).

The executive team performed well in a challenging environment, demonstrating a coordinated and effective response to employees, customers and regulators in a timely manner. Executive development continues with expanded portfolios for three executives as a result of the resignation of Alexis George (former Deputy CEO), and the recent appointment of Farhan Faruqui (Group Executive, International) to the position of CFO following Michelle Jablko's (previous CFO) resignation.

The CEO has successfully led ANZ through a challenging year, progressing our key initiatives whilst also responding to the impacts of the COVID-19 pandemic.

He personally role models the ANZ values and is a respected leader among staff and also externally, as evidenced by the number of senior executives across Australia seeking to interact with the CEO on a range of matters – particularly our culture and purpose. The CEO's continued focus on culture, building leaders, and supporting leaders through change has resulted in another year of high engagement (despite the challenging environment), and the achievement of the #1 position as employer of choice (relative to peers) in Glassdoor[1].

He continues to engage deeply with regulators and government, and proactively manages our external reputation.

The CEO continued to focus on delivering against strategy and our purpose, while ensuring disciplined execution and appropriate risk management. Key outcomes include:

- A refreshed strategy which includes Board support for building out platforms and engaging in digital ecosystems
- An updated climate change strategy, including leading the way on the importance of sustainability to the banking sector
- Strengthening our future as a digital bank by progressing work around our digital agenda
- Further cementing customer financial wellbeing at the heart of our business – including strong support to customers in need
- Managing risk well with an improved control environment, driving reviews of key risk areas and ensuring Board visibility of material risks, and strong progress against all regulatory obligations
- Improving systems and infrastructure performance, resulting in reduced system outages and customer errors
- The finalisation of a four-year Diversity & Inclusion Strategy and action plans to build the foundations for long-term sustainable improvement in gender diversity. Women in leadership in 2021 was also a positive result, increasing 1.9%
- Continued strong overall employee engagement of 81%

While the Australian home loan issue was a key factor impacting the overall assessment of the CEO's 2021 performance, the bank has ended the 2021 year stronger financially and culturally through the CEO's leadership, with a refreshed strategy and capability ready for the challenges and opportunities of 2022 and beyond.

1. Glassdoor is a website where employees and former employees anonymously review companies and their management.

AVR and LTVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of the CEO's AVR outcome.

The CEO's AVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

The Board exercised their discretion and determined that an AVR outcome of $2 million (53% of maximum opportunity) was appropriate for 2021 having regard to both the performance of the CEO (50% weighting) and also the overall performance of the Group (50% weighting).

The CEO's proposed LTVR of $3.5 million (performance rights face value at full vesting) ($3.5 million in 2020) is subject to shareholder approval at the 2021 AGM.

2021 AVR Awarded

This table shows the AVR awarded to the CEO for the year ending 30 September 2021.

2021 AVR AWARDED – CEO

CEO

Maximum opportunity

S Elliott[1]

AVR $2,000,000 =

$1,000,000 cash + **$1,000,000** deferred shares

53% of max

+

LTVR $3,500,000 performance rights face value at full vesting (subject to shareholder approval at the 2021 AGM)

=

Total variable remuneration $5,500,000

1. Variable remuneration for the CEO = AVR + LTVR.

Summary of Total Remuneration

The remuneration Shayne Elliott received in 2021 (which includes prior year awards which vested), differs to the remuneration he was awarded in relation to the 2021 performance year (which may or may not vest in future years). It also differs to his statutory remuneration which reflects the accounting expense value for 2021. Awarded remuneration shown below includes the face value of the performance rights at both threshold (50%) and full (100%) vesting.

Shayne Elliott's 2020 remuneration outcome was impacted by the Board exercising its discretion to apply a 50% reduction to his AVR (having regard to the impact of COVID-19 on the business, shareholders and broader community), resulting in higher remuneration outcomes (awarded, received and statutory) in 2021. The remuneration received difference between 2021 and 2020 has also been positively impacted by the 43.3% LTVR vesting outcome in 2021 compared to 0% in 2020.

SUMMARY OF TOTAL REMUNERATION – CEO

	Total Remuneration			
	Awarded			
	Threshold vesting $	Full vesting $	Received[1] $	Statutory[2] $
2021	**6,250,000**	**8,000,000**	**5,752,821**	**5,473,399**
2020	5,500,000	7,250,000	3,722,362	5,225,308
2019	5,700,000	7,800,000	4,093,464	5,181,339

1. Includes the value of previously awarded AVR deferred shares and LTVR performance rights at the date of vesting. **2.** Includes the value of AVR and LTVR that has been expensed in the year.

Historical AVR and LTVR

This table shows the AVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last five years.

HISTORICAL AVR AND LTVR – CEO

	2017	2018	2019	2020 (post 50% COVID-19 reduction)	2021
AVR outcome (% of maximum opportunity)	63%	56%	48%	33%	**53%**
LTVR vesting outcome (% vested)	0%	0%	21.8%	0%	**43.3%**

4.4.2 Disclosed Executive performance and VR

Performance

At the start of each year, stretching performance objectives are set in the form of Divisional Performance Frameworks for each of our Disclosed Executives, in alignment with the Group Performance Framework approved by the Board.

At the end of the financial year, the performance of each Disclosed Executive[1] is assessed against the Group Performance Framework (25% to 50% weighting), their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The Group Performance Framework weighting for Disclosed Executives was introduced in 2021 to reinforce the importance of collective accountability and contribution to Group outcomes. The respective weighting varies based on role focus:

- 50% weighting: CFO, GE T&C, and GE Technology
- 25% weighting: CRO, GE Digital & Australia Transformation, GE Australia Retail & Commercial Banking, GE & CEO NZ, GE Institutional

Similar to the Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial Discipline and Operational Resilience, Customer, and People and Culture, with Risk acting as a modifier[2]. The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial Discipline and Operational Resilience element weightings range from 20% to 50%.

The HR Committee seeks input from the CEO, and independent reports from Risk, Finance, Talent and Culture, and Internal Audit, and also reviews material risk, audit and conduct events, and seeks input from both the Audit Committee and the Risk Committee of the Board.

The HR Committee reviews and recommends to the Board for approval the overall performance outcomes for each Disclosed Executive.

VR

At the end of the financial year, the CEO and HR Committee determine VR recommendations for each Disclosed Executive, which are ultimately approved by the Board[3]. VR should and does vary year-on-year in line with performance – it is not guaranteed and may be adjusted up or down ranging from zero to a maximum opportunity.

As highlighted in section 4, performance against objectives impacts variable remuneration outcomes (e.g. where expectations are met, variable remuneration is likely to be awarded around target opportunity).

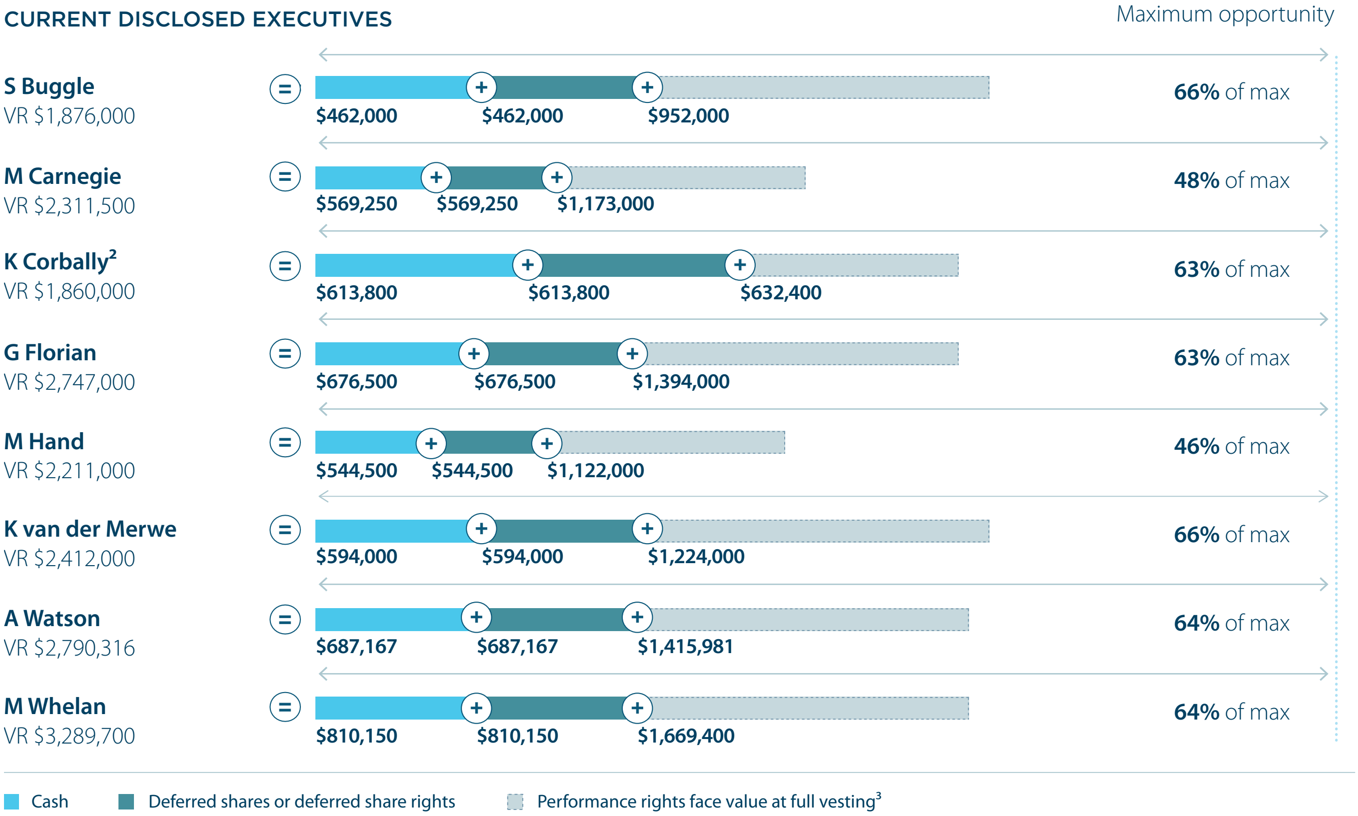
1. Performance arrangements for the CRO are addressed additionally by the Risk Committee. Performance arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ HR Committee/ANZ NZ Board in consultation with and endorsed by the HR Committee/Board, consistent with their respective regulatory obligations. **2.** Except for the CRO who has a percentage weighting assigned to Risk measures. **3.** Remuneration arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ Board in consultation with and endorsed by the Board, consistent with their respective regulatory obligations.

The degree of variance in individual VR outcomes reflect the weighting of the Group component (i.e. roles with 50% Group weighting will generally have less differentiation), and relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. The outcomes demonstrate the at risk nature of VR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2021 VR for Disclosed Executives is 60% of maximum opportunity (ranging from 46% to 66%).

2021 VR Awarded

This table shows the combined VR awarded to Disclosed Executives for the year ending 30 September 2021.

2021 VR AWARDED – DISCLOSED EXECUTIVES[1]



1. 2021 VR not awarded to former Disclosed Executives A George and M Jablko. **2.** CRO receives deferred share rights instead of performance rights. **3.** Divide by two to convert to face value at threshold vesting for performance rights.

Historical Disclosed Executive VR

This table shows the VR as a % of maximum opportunity for the executives who were disclosed over the last five years.

HISTORICAL DISCLOSED EXECUTIVE VR

	2017	2018	2019	2020 (post 50% COVID-19 reduction)	2021
VR outcome (average % of maximum opportunity)	64%	51%	45%	36%	60%
VR outcome (range % of maximum opportunity)	51% – 91%	40% – 60%	0% – 74%	31% – 44%	46% – 66%
VR performance rights vesting outcome (% vested)	0%	0%	21.8%	0%	43.3%

4.4.3 Performance rights outcomes (CEO and Disclosed Executives)

Performance rights granted to the CEO in December 2017 and Disclosed Executives (excluding the CRO) in November 2017 reached the end of their performance period in November 2020. Based on performance against hurdles, 43.3% of these rights vested, the remaining 56.7% lapsed and executives received no value for this portion of the award.

PERFORMANCE RIGHTS OUTCOMES

Hurdle	Grant date[1]	First date exercisable[1]	ANZ TSR over three years/ CAGR[2] TSR	Median TSR over three years/ CAGR[2] TSR target	% vested	Overall performance rights outcome
75% relative TSR Select Financial Services (SFS) comparator group[3]	22-Nov-17	22-Nov-20	(27.28)%	(29.18)%	57.7%	43.3% vested and 56.7% lapsed
25% absolute CAGR[2] TSR	22-Nov-17	22-Nov-20	(10.08)%	9.50%	0%	

1. Grant date for the CEO was 19 December 2017, and date first exercisable was 19 December 2020. The CEO's performance period was the same as the performance period for Disclosed Executives. **2.** Compound Annual Growth Rate (CAGR). **3.** See section 5.2.3a for details of the SFS comparator group.

4.5 ANZIP VARIABLE REMUNERATION POOL AND GROUP PERFORMANCE

4.5.1 ANZIP variable remuneration

The ANZ Incentive Plan (ANZIP) is the variable remuneration plan operating across ANZ. The variable remuneration award each year, for around 80% of employees, is based on the overall performance of the Group (rather than individual performance) subject to individuals meeting minimum standards of performance and behaviour.

With the exception of the CEO, individual variable remuneration outcomes for all other employees including Disclosed Executives are funded under ANZIP. The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 8.1.3.

At the end of each financial year, the HR Committee makes a recommendation to the Board for their approval on the size of the ANZIP variable remuneration pool for that year. The Board exercise their judgement to determine the appropriate pool size – it is not a formulaic outcome.

ANZIP variable remuneration pool recommended to the Board for approval based on performance and affordability

Board review and approve the ANZIP variable remuneration pool

Business and individual allocations from ANZIP variable remuneration pool

An assessment of financial performance, in particular cash profit and economic profit informed the pool range. The Board then considered a range of factors in determining a fair and reasonable ANZIP pool. These included:

- The Group Performance Framework assessment (see 4.5.3).
- The quality of earnings and operating environment.
- The shareholder experience during 2021 (e.g. share price growth and dividend comparison with prior periods).
- Our Reward Principles (e.g. attracting, motivating and keeping great people).

4.5.2 ANZ Group Performance Framework

The ANZ Group Performance Framework is approved by the Board at the start of each year. The key objective of our Group Performance Framework is to enable aligned focus across the organisation on delivering the critical outcomes that matter most in delivering on our strategy. It plays a key role to:

- message internally what matters most;
- reinforce the importance of sound management in addition to risk, customer, people and financial outcomes; and
- inform focus of effort, prioritisation and decision-making across ANZ.

The significant economic and social impacts of the COVID-19 pandemic continues to require rapid responses and reprioritisation of resources to ensure we are protecting our people, customers, shareholders and ANZ. In the face of these changes, we have regularly tested our business strategy and Group Performance Framework, and resolved they remain relevant to improving the financial wellbeing of our customers and creating long-term sustainable value for all of our stakeholders.

4.5.3 Assessment against the Group Performance Framework for 2021

RISK		CUSTOMER		PEOPLE & CULTURE		FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE		OVERALL
Overall Adjustment	X	**35% weight**	+	**30% weight**	+	**35% weight**	=	**Group Performance**
Assessment Met most but not all expectations		**Assessment** Below expectations		**Assessment** Above expectations		**Assessment** Met expectations		**Assessment** Met most but not all expectations

As managing risk appropriately is fundamental to the way ANZ operates, Risk forms an integral part of the assessment, directly impacting the overall Group Performance Framework outcome (a modifier ranging from 0% to 110% of the Group Performance assessment).

Overall, ANZ's performance met or exceeded most expectations when considering the objectives we set ourselves, but missed in a few key areas. In an uncertain and volatile environment, the bank performed well, delivering with purpose against the vast majority of our objectives, while recognising there are areas where continued focus is required to improve. These areas primarily relate to home lending momentum in Australia, the pace of delivery for one of our more complex projects focused on digital innovation, and non-financial risk outcomes.

The below table outlines ANZ's performance objectives in 2021 and provides a summary of outcomes for each of the key performance categories to inform the overall assessment for 2021. Performance against expectations is evaluated for each category using a holistic assessment of progress and outcomes delivered in line with our Group strategic priorities and annual focus areas. A range of objective indicators and subjective factors are considered including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

RISK (MODIFIER 0% TO 110%)

Risk overall: Met most but not all expectations

Performance commentary	Performance against expectations		
GROUP STRATEGIC PRIORITY: *Maintain risk discipline focused on good customer and regulatory outcomes.*	Below	Met	Above
Our already strong risk management framework enabled ANZ to continually manage the evolving risks presented by COVID-19 and support our customers and the community. Business continuity was maintained and improved throughout 2021 with no major operational challenges associated with the pandemic. No material unexpected credit events were recorded during the year. No material risk appetite statement breaches or overdue regulatory issues were recorded, and significant enhancements were made to streamline data capture and reporting to support the proactive management of the bank's risk appetite using trend analysis technology. Clear progress continues to be made on risk culture maturity, evidenced in employee engagement scores including 'My business leaders demonstrate personal accountability for managing risk and sound risk behaviours' (87%) and 'I can raise issues and concerns in ANZ without fear of reprisals or negative consequences' (80%), exceeding the record highs reached in 2020. These results are the product of sustained efforts over several years to encourage a speak up and risk culture where people feel they can challenge each other respectfully. Timeframes to report risk events once discovered has reduced year-on-year reflecting the significant work undertaken to uncover historical events and get on top of new issues quickly. ANZ was again the leading Australian bank as measured by the 2020 Dow Jones Sustainability Index[1], ranked in the 97th percentile globally in the banking sector and commended in areas including climate strategy and social and environmental reporting. ANZ ranked #1 overall amongst major domestic peers in the RepTrak™ [2] corporate reputation survey, while we are also leading peers in key Reputation Driver scores for Governance, Leadership, Products/Services, Citizenship and Workplace. Sound progress has been made in addressing the findings of the Risk Governance Self-Assessment and on key regulatory/non-financial risk projects. However, we are not as advanced with some Non-Financial Risk projects as we would have liked to be and a $500 million APRA capital overlay remains in place pending confirmation of an improvement in operational risk management across the bank. As a result of not meeting all of the high standards we hold ourselves to, the overall Risk assessment rating is 'met most but not all expectations'.		●	

2021 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Deliver major regulatory commitments	• Strong progress was made against regulatory obligations and commitments, including clear plans and accountability for fixing issues in a sustainable manner. However, these plans could be more advanced. • Royal Commission: Implementation of December 2020 legislative reforms are underway. 11 of the 41 applicable recommendations are complete, 13 are underway and 17 require external action in order to progress. • APRA Self-Assessment: Execution is underway and on track, with comprehensive plans and actions monitored by an internal Oversight Committee and assessed by a third party and ANZ's internal audit function. To date, the vast majority of actions have been completed and those remaining are tracking well. • Implementation of BS11 in New Zealand continues to move forward against our challenging, internally imposed delivery timeframes.		●	

1. Dow Jones Sustainability Indices (DJSI): Evaluates the sustainability performance of thousands of companies trading publicly, operated under a strategic partnership between S&P Dow Jones Indices and RobecoSAM (Sustainable Asset Management). **2.** RepTrak™ measures the reputation of the 60 largest companies operating nationally every quarter, as determined by the revenue classification of the IBISWorld Top 2000 list.

CUSTOMER (35% WEIGHT)

Customer overall: Below expectations

Performance commentary	Performance against expectations		
GROUP STRATEGIC PRIORITY: *Deliver great customer outcomes, focused on improving the financial wellbeing and experience of priority segments*	Below	Met	Above
We have continued to demonstrate our commitment to improve the financial wellbeing of our customers, which remains central to our business strategy. Sound progress has been made to deliver great outcomes across key segments, however after a strong first half, we experienced material challenges processing home loan application volumes in Australia. This has resulted in our customers experiencing longer than expected wait times for loan approval decisions and increased volumes in our assessment backlog. While we were able to tactically manage and improve the situation, strengthening our policy and processes in this area remains a high priority focus. Given the Australian Home Portfolio is a significant proportion of the group balance sheet, under performance in this area has significantly impacted the performance assessment. In Australia, our Financial Wellbeing activities achieved 1.34 million visits to our Financial Wellbeing Hub on anz.com.au since launch and a 7% uplift in consideration during the major 'Financial Wellbeing Challenge' campaign over the 2021 Australian Open. We also launched a 'gambling block' on the ANZ mobile app, a new Cashrewards program for customers to earn cashback payments on everyday spending and additional support for customers with persistent credit card debt. Saver Plus, established in partnership with The Brotherhood of St Laurence in 2003, remains Australia's largest and longest-running financial education and matched savings program. During 2021, program participants were supported to save $1.9 million, with a further $1.45 million matched by ANZ. Our GoBiz product was launched for business owners, creating the ability for customers to apply for loans in 20 minutes, while a new joint venture was established with Worldline for merchant services. In New Zealand, we launched a new Financial Wellbeing platform 'We Do How'. Key brand attributes have lifted as a result, including 'A bank that helps you improve your financial wellbeing' and 'A bank that helps you pay off your home loan faster'. In addition, we maintained our #1 ranking for Brand Consideration. Our Institutional business retained #1 rankings in Peter Lee[3] surveys, and continued to support customer-focused sustainability outcomes. We were awarded Sustainability Debt House of the Year and Sustainability Issuer of the Year by KangaNews, Australian Sustainability Issuer of the year by FinanceAsia, and maintained our position as the #1 provider in AUD and NZD Sustainable Bonds.	●		

2021 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Improve time to first decision for home loans in Australia	• Restoring momentum in Australian home lending remains a priority to add scale, efficiency and capacity to deliver faster and more consistent application response times for our customers. • Median time to first decision for Broker and Mobile Lending applications reduced from 35 days in mid-2020 to 7.4 days and application backlogs have also continued to reduce, however there is still work ahead to meet customer expectations and our own high standards.	●		
Remediate past mistakes in Australia and NZ	• Our Responsible Banking teams in Australia and New Zealand refunded approximately $209 million to around 2.6 million customer accounts during 2021. • 13 major remediation streams have been completed in Australia, while in New Zealand, 45 remediation events have been closed.		●	
Treat our customers fairly, particularly as COVID-19 loan deferrals are reassessed and managed	• We have proactively ensured that customers undergoing financial stress, including due to the impacts of COVID-19, have access to support options. • Over the last 12 months, approximately 143k loan deferrals were provided to Australia Retail and Commercial customers. At the completion of deferrals in March 2021, 96% of our home lending customers, and 90% of our commercial and private bank customers had either returned or advised their intention to return to payments. Remaining loans have been either restructured or are in Hardship or Lending Services, with around 1% not suitable for either form of assistance. • Additional support packages were announced in early July and ANZ has since provided assistance to Home Loan and Commercial customers. • In New Zealand, communications were sent to 250,000 customers who had not taken assistance during COVID-19 who ANZ felt might need support, with 7,000 customers taking assistance as a result. Home loan deferrals resulted in very few defaults and/or referrals to our financial wellbeing team, with strong oversight and assistance remaining in place.			●
Deliver new customer service propositions	• Several digital innovation projects are underway to deliver new customer propositions, with early customer satisfaction testing results exceeding expectations. The complexity and scale of this work has resulted in unexpected delays however robust tracking and support remains in place.		●	

3. Peter Lee Associates 2021 Large Corporate and Institutional Relationship Banking surveys, Australia and NZ.

PEOPLE & CULTURE (30% WEIGHT)

People & Culture overall: Above expectations

Performance commentary	Performance against expectations: Below	Met	Above
GROUP STRATEGIC PRIORITY: *Build a diverse team who listen, learn and adapt*			
Our consistently strong management of people and culture was again a highlight and reflects multiple years of purposeful investment in building the right leadership behaviours and enhancing our culture frameworks. ANZ was awarded the #1 position in the Australian Financial Review's Best Place to Work Awards (Banking, Superannuation & Financial Services) and we achieved the outright #1 position amongst major bank peers in Glassdoor[4] ratings. Staff engagement survey results remained strong, and following a global trend which saw employer scores spike in 2020, ANZ's 2021 results expectedly returned to a steady positive trend. Key scores remained within target thresholds and above 2019 levels, with overall engagement at 81% (86% in 2020; 77% in 2019). The wellbeing of our people continued to be a priority, with all staff supported to complete mental health awareness training. We also have been reshaping how we work by mobilising our employees into three flexible working modes across all geographies where regulatory requirements have permitted. We made the strongest improvement in gender diversity in several years, with female representation in leadership roles increasing by 1.9% to 35.3%. A new Diversity & Inclusion Strategy was also endorsed to drive further long-term sustainable improvements. Embedding of our reward and performance framework continued, with a focus on continuous performance management capabilities, employee recognition, and reward arrangements for high performers in critical talent populations.			●

2021 focus areas	Performance commentary	Performance against expectations: Below	Met	Above
Roll out enterprise wide change leadership programs	• We successfully rolled out an enterprise wide program to support all of our people leaders to lead their teams through disruption and change. • Activities to embed these key leadership behaviours have been developed and introduced into key phases of the employee lifecycle. • In New Zealand, additional workshops have been delivered to over 80% of people leaders to further educate them on our leadership frameworks and tools.			●
Strengthen strategic priority capabilities	• To enhance our critical strategic capabilities, we have placed over 3,700 external hires and 700 internal transfers into engineering roles, while more than 400 external hires and over 200 internal moves were completed into data roles. • We continued to build priority engineering skills, with approximately 7,000 hours of content consumed on our leading edge learning platforms relating to Cloud, DevOps, Coding and Scripting and Data Modelling. • Critical pipelines for engineering capability were also increased through various programs to improve workforce diversity and participation.			●

4. Glassdoor is a website where employees and former employees anonymously review companies and their management.

FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE (35% WEIGHT)	Financial Discipline & Operational Resilience overall: Met expectations		
Performance commentary	**Performance against expectations**		
GROUP STRATEGIC PRIORITY: *Run core businesses well, focused on delivering sustainable growth and operational improvements*	Below	Met	Above
In an uncertain and volatile environment, ANZ delivered solid underlying earnings. This reflects the continued execution of our long-term strategy to maintain a strong balance sheet, prudently manage risk and remain focused on cost management. We remained disciplined in our focus on margins and returns, although lending volumes in our Australian home loan business were impacted by challenges in processing application volumes. Costs were again well managed, enabling record levels of investment in both growth initiatives and reducing operational complexity. Our capital strength was again evident enabling us to increase dividends and commence returning capital to shareholders.		●	

2021 focus areas	Performance commentary	Performance against expectations: Below	Met	Above
Deliver Group Economic Profit in a high quality and sustainable manner	• On a cash continuing basis, Economic Profit[5] of $769 million was generated. This was on target, notwithstanding that NPAT was impacted by $946 million (post-tax) of large/notable items[6]. • Excluding large/notable items, revenue was down 3% as the performance of our Markets business normalised reflecting lower market volatility and customer hedging activity. Elsewhere, strong risk-adjusted margin discipline was evident despite environmental and structural headwinds. • Cost management remained disciplined. Run the bank costs reduced 4% which enabled high levels of investment to grow and simplify the business, and meet our regulatory and compliance obligations. • The credit quality of our lending portfolio remains strong, with long-run loss rates continuing to decline. • Capital continued to be well managed. CET1 of 12.3% has enabled increased dividends to be paid to our shareholders and a $1.5 billion share buyback to be commenced, while retaining flexibility to use our balance sheet to support customers as required.		●	
Deliver our Acceleration to Cloud with a focus on our Windows Server Fleet	• We are ahead of schedule in the migration of the Windows Server Fleet to Cloud.		●	

OVERALL	Group Performance assessment: Met most but not all expectations		
On balance, the Board considered an overall assessment of 'Met most but not all expectations' a fair and appropriate rating, reflecting that overall Group performance was slightly below expectations. The bank performed well, delivering with purpose against the vast majority of our objectives, while recognising there are areas where continued focus is required to improve. These areas primarily relate to home lending momentum in Australia, and the pace at which we are delivering complex projects to achieve digital innovation and non-financial risk outcomes.		●	

5. Economic profit is a risk adjusted profit measure used to evaluate business unit performance and is not subject to audit by the external auditor. Economic profit is calculated via a series of adjustments to cash profit with the economic credit cost adjustment replacing the accounting credit loss charge; the inclusion of the benefit of imputation credits (measured at 70% of Australian tax) and an adjustment to reflect the cost of capital. **6.** Large/notable items include the impact of divestments, customer remediation, litigation settlements, restructuring and Asian Associate items.

4.5.4 ANZ performance outcomes

ANZ's financial performance 2017–2021

As discussed in section 4.5.1, when determining variable remuneration outcomes for Disclosed Executives and employees more broadly cash profit and economic profit are considered. The Group uses cash profit[1] as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. Although cash profit is not audited, the external auditor has informed the Audit Committee that recurring adjustments have been determined on a consistent basis across each period presented.

Statutory profit has increased 72% compared to the prior financial year, while cash profit from continuing operations has increased 65%. This improvement was driven primarily by a credit provision release of $567 million (compared to a $2.7 billion pre-tax charge in the prior financial year) as a result of an improved economic outlook.

During 2021 the Group commenced a $1.5 billion share buy-back to return surplus capital to its shareholders, which up to 30 September 2021 has resulted in the Group returning $654 million of capital to shareholders via the acquisition of 23 million shares on market. See 'Note 23 Shareholders' Equity' of the Annual Report.

The table below provides ANZ's financial performance, including cash profit, over the last five years.

	2017	2018	2019	2020	2021
Statutory profit ($m)	6,406	6,400	5,953	3,577	**6,162**
Cash profit ($m, unaudited)	6,938	5,805	6,161	3,660	**6,181**
Cash profit – Continuing operations ($m, unaudited)	6,809	6,487	6,470	3,758	**6,198**
Cash profit before provisions – Continuing operations ($m, unaudited)	10,849	9,966	9,958	8,369	**8,396**
Cash ROE (%) – Continuing operations (unaudited)	11.7	11.0	10.9	6.2	**9.9**
Cash EPS – Continuing operations (unaudited)	232.7	223.4	227.6	132.7	**218.3**
Share price at 30 September ($) (On 1 October 2016, opening share price was $27.63)	29.60	28.18	28.52	17.22	**28.15**
Total dividend (cents per share)	160	160	160	60	**142**
Total shareholder return (12 month %)	13.1	0.6	9.2	(36.9)	**70.7**

1. Cash profit excludes non-core items included in statutory profit and is provided to assist readers understand the results of the core business activities of the Group.

ANZ TSR performance (1 to 10 years)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the performance rights Select Financial Services (SFS) comparator group[1] over one to ten years, noting that for this table TSR is measured over a different timeframe (i.e. to 30 September 2021) to the performance period for our performance rights.

- ANZ's TSR performance was above the median TSR of the SFS comparator group[1] when comparing over one and three years; and
- slightly below the median over five years and ten years.

	Years to 30 September 2021			
	1	3[2]	5	10
ANZ (%)	**70.7**	**15.8**	**31.8**	**151.0**
Median TSR SFS (%)	60.6	7.0	33.8	152.8
Upper quartile TSR SFS (%)	65.0	32.1	83.2	279.0

1. See section 5.2.3a for details of the SFS comparator group. **2.** The outcomes for performance rights granted in November/December 2017 and tested in November 2020 are detailed in section 4.4.3.

5. 2021 EXECUTIVE REMUNERATION STRUCTURE AND DELIVERY

There are two core components of remuneration at ANZ – fixed remuneration and at risk variable remuneration.

In structuring remuneration, the Board aims to find the right balance between fixed and variable remuneration (at risk), the way it is delivered (cash versus deferred remuneration) and appropriate time frames (the short, medium and long-term).

The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities and reflecting their responsibilities, performance, qualifications and experience.

The way variable remuneration operates differs somewhat between the CEO and Disclosed Executives. Namely:

- The CEO's variable remuneration is comprised of AVR and LTVR (subject to shareholder approval), which provides consistency with external market practice, and LTVR reinforces his focus on achieving longer term strategic objectives and long-term stakeholder value creation.
- Disclosed Executives are subject to one combined VR plan (i.e. a mix of short and also long term rewards with performance hurdles) deferred over the short, medium and longer term.

Variable remuneration seeks to differentiate for performance and is designed to focus our CEO and Disclosed Executives on stretching performance objectives supporting our business strategy, risk management and the delivery of long-term stakeholder value.

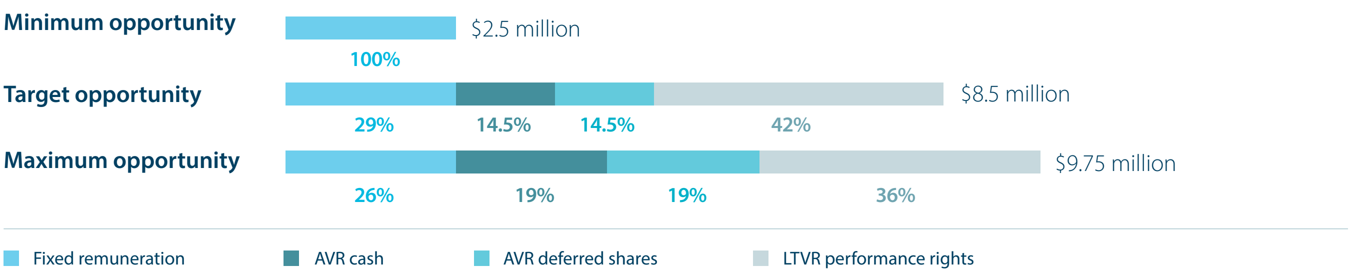
By deferring a significant portion of variable remuneration (74% of maximum opportunity for the CEO, 75% for Disclosed Executives and 67% for the CRO), we seek to ensure alignment with shareholder interests to deliver on ANZ's strategic objectives and ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes, and also before any scheduled release of previously deferred remuneration (i.e. consider malus or further deferral). See section 5.3.

5.1 REMUNERATION MIX (PERFORMANCE RIGHTS AT FULL VESTING)

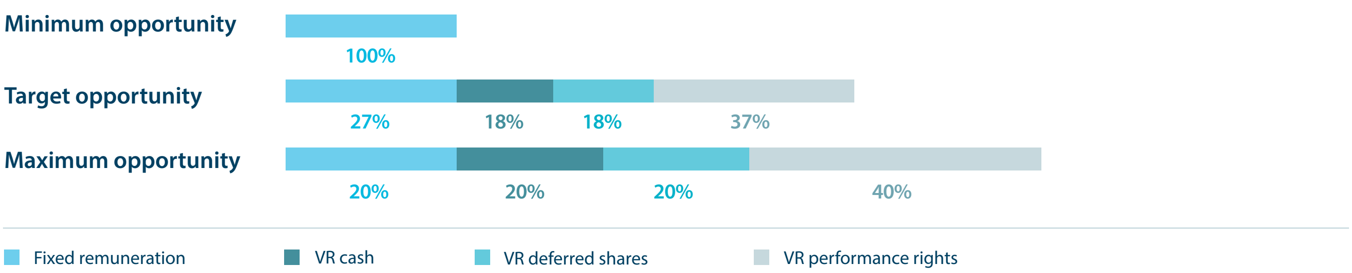
We structure the CEO and Disclosed Executives' remuneration as follows:

REMUNERATION MIX – CEO



Minimum = Fixed remuneration ($2.5 million)
Target = Fixed remuneration + target AVR (100% of fixed remuneration) + LTVR (140% of fixed remuneration)
Maximum = Fixed remuneration + maximum AVR (150% of fixed remuneration) + LTVR (140% of fixed remuneration)

REMUNERATION MIX – DISCLOSED EXECUTIVES[1]



Minimum = Fixed remuneration
Target = Fixed remuneration + target VR (268% of fixed remuneration)
Maximum = Fixed remuneration + maximum VR (402% of fixed remuneration (150% of target VR))

1. Excluding CRO.

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives.

The remuneration mix is 27% fixed remuneration and 73% VR at maximum opportunity. The VR target opportunity is 180% of fixed remuneration and VR maximum opportunity is 270% of fixed remuneration. VR is delivered as 33% cash, 33% deferred shares and 34% deferred share rights (instead of performance rights).

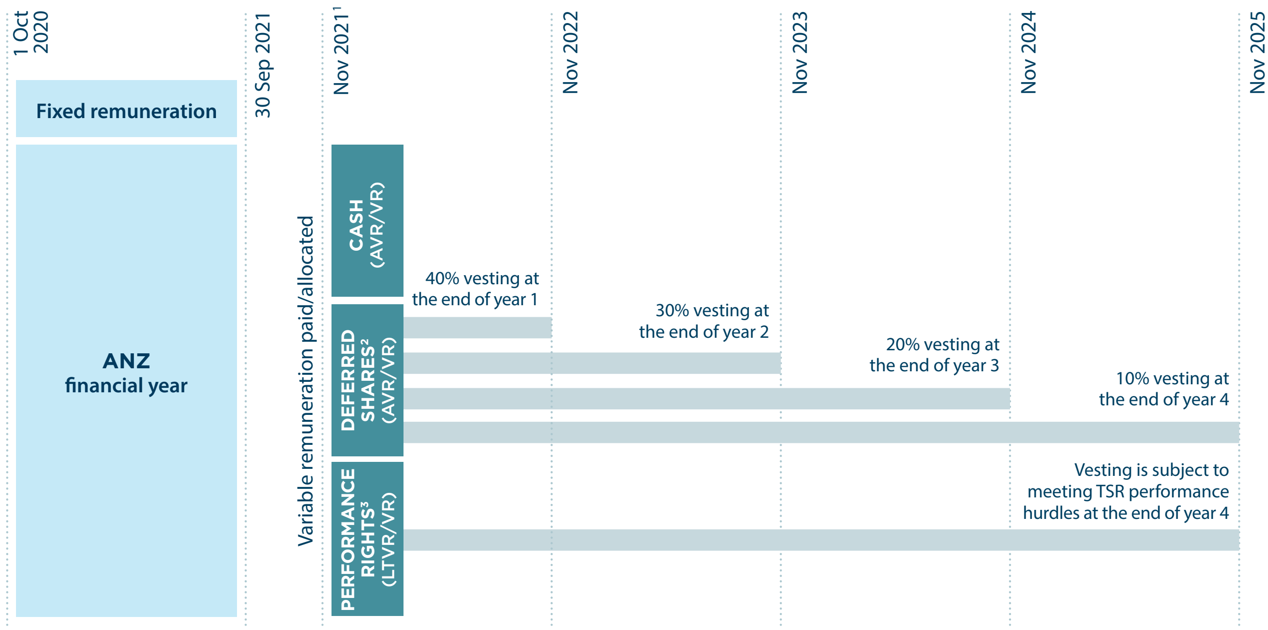
5.2 VARIABLE REMUNERATION DELIVERY

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO) is delivered partly in cash, shares deferred over four years, and performance rights deferred for four years. The performance rights are also subject to performance hurdles which determine whether they vest in four years' time.

60% of variable remuneration (AVR plus LTVR) for the CEO, 53% of VR for Disclosed Executives (other than the CRO), and 41% of VR for the CRO will be deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives.

Before any scheduled release of deferred shares/deferred share rights/performance rights, the Board considers whether any malus/downward adjustment of previously deferred remuneration (or further deferral of vesting) should be made for the CEO and Disclosed Executives. See section 5.3.

VARIABLE REMUNERATION DELIVERY – CEO AND DISCLOSED EXECUTIVES



1. Variable remuneration outcomes were approved by the ANZBGL Board on 15 October 2021, and in addition for A Watson by the ANZ NZ Board on 19 October 2021. The CEO's performance rights are subject to shareholder approval at the 2021 AGM. **2.** Deferred shares for the CRO vest as follows: 30% at the end of years 1 and 2, and 20% at the end of years 3 and 4. **3.** Deferred share rights for the CRO.

5.2.1 Cash – CEO (AVR) and Disclosed Executives (VR)

The cash component of variable remuneration is paid to executives at the end of the annual Performance and Remuneration Review (December 2021).

5.2.2 Deferred shares – CEO (AVR) and Disclosed Executives (VR)

Deferred shares are ordinary shares, deferred over one to four years. By deferring part of an executives' remuneration over time (and it remaining subject to malus), we enable a substantial amount of their remuneration to be directly linked to delivering long-term shareholder value. We grant deferred shares in respect of performance for the 1 October to 30 September financial year in late November each year.

We calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including the date of grant. For disclosure and expensing purposes, we use the one day VWAP at the date of grant to determine the fair value.

In some cases, we may grant deferred share rights to executives instead of deferred shares. Each deferred share right entitles the holder to one ordinary share.

5.2.3a Performance rights – CEO (LTVR) and Disclosed Executives (VR) excluding the CRO

A performance right is a right to acquire one ordinary ANZ share at nil cost – as long as time and performance hurdles are met. The future value of performance rights may range from zero to an indeterminate value. The value depends on our performance against the hurdles and on the share price at the time of exercise.

The performance rights have a four-year performance period (and remain subject to malus up to the vesting date). For the 2021 grant, the performance period is from 22 November 2021 to 21 November 2025. A four-year performance period provides sufficient time for longer term performance to be reflected.

More detail relating to the 2021 performance rights is provided below.

<table>
<tr><th>Element</th><th>Detail</th></tr>
<tr><td>Performance rights hurdles</td><td>The performance rights have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. We will apply two TSR performance hurdles for the 2021 grants of performance rights:
• 75% will be measured against a relative TSR hurdle, tranche 1.
• 25% will be measured against an absolute TSR hurdle, tranche 2.

TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance. The combination of relative and absolute TSR hurdles provides balance to the plan by:
• Relative: rewarding executives for performance that exceeds that of comparator companies; and
• Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining.

The two hurdles measure separate aspects of performance:
• the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and
• the absolute Compound Annual Growth Rate (CAGR) TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes.

We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether each tranche of performance rights become exercisable. We measure each tranche independently from the other – for example one tranche may vest fully or partially but the other tranche may not vest.</td></tr>
<tr><td>Relative TSR hurdle for the November/ December 2021 grant</td><td>The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group (unchanged from prior years) is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.

<table>
<tr><th>If our TSR when compared to the TSR of the comparator group</th><th>then the percentage of performance rights that vest</th></tr>
<tr><td>is less than the 50th percentile</td><td>is nil</td></tr>
<tr><td>reaches at least the 50th percentile, but is less than the 75th percentile</td><td>is 50% plus 2% for every one percentile increase above the 50th percentile</td></tr>
<tr><td>reaches or exceeds the 75th percentile</td><td>is 100%</td></tr>
</table></td></tr>
<tr><td>Absolute TSR hurdle for the November/ December 2021 grant</td><td>The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for that year's award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital. The Cost of Capital is determined using methodologies including the Capital Asset Pricing Model (CAPM). The Cost of Capital is regularly reviewed and updated to reflect current market conditions. During 2021, a number of inputs in the calculation were updated, such that the Cost of Capital was revised for the second half of 2021. As a result, the Board determined the CAGR TSR targets for 2021 by averaging the Cost of Capital for 1H21 and 2H21.

<table>
<tr><th>If the absolute CAGR of our TSR</th><th>then the percentage of performance rights that vest</th></tr>
<tr><td>is less than 8.1%</td><td>is nil</td></tr>
<tr><td>is 8.1%</td><td>is 50%</td></tr>
<tr><td>reaches at least 8.1%, but is less than 12.2%</td><td>is progressively increased on a pro-rata, straight-line, basis from 50% to 100%</td></tr>
<tr><td>reaches or exceeds 12.2%</td><td>is 100%</td></tr>
</table></td></tr>
</table>

Calculating TSR performance	When calculating performance against TSR, we: • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate ANZ's performance against the TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting.
Calculating the number of performance rights	The number of performance rights we grant is calculated using a face value basis – i.e. the full share price. Face value at full vesting is split into two tranches. Each tranche value is then divided by the market price (five trading day VWAP of ANZ shares at the start of the performance period) to determine the number of performance rights we award in each tranche. Performance rights are allocated in late November/early December for Disclosed Executives and December for the CEO (subject to shareholder approval).
Expensing performance rights	ANZ engages PricewaterhouseCoopers to independently determine the fair value of performance rights, which is only used for expensing purposes. They consider factors including: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.

5.2.3b Deferred share rights – CRO (VR)

The CRO receives deferred share rights instead of performance rights to preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation.

The CRO's deferred share rights are subject to a time-based vesting hurdle of four years. The value the Board uses to determine the number of deferred share rights to be allocated to the CRO is the face value of the Company's shares traded on the ASX at the time of grant (five trading day VWAP).

5.3 MALUS (DOWNWARD ADJUSTMENT OF PREVIOUSLY DEFERRED REMUNERATION) – BOARD DISCRETION

All deferred remuneration we award to an employee is subject to ANZ's on-going and absolute discretion to adjust this downward (malus) (including to zero) at any time.

ANZ may exercise this discretion, for example, where:

- there is a need to protect the financial soundness of ANZ or to meet regulatory requirements or there has been a material failure of risk management or controls within ANZ;
- the employee has acted fraudulently or dishonestly, failed to act with due care, skill and diligence, or failed to comply with ANZ policies (including the Code of Conduct), processes or directions;
- the employee is responsible or accountable, directly or indirectly, by virtue of their role or seniority for an occurrence/event which has had an adverse impact on ANZ;
- there has been misconduct and the employee was involved directly or indirectly, failed to take adequate steps, could be considered responsible due to their seniority, or the decision to award or grant the deferred remuneration was made on the basis of misinformation.

Further, where the CEO and/or Disclosed Executives of ANZ have failed to comply with their accountability obligations under the BEAR, their deferred remuneration will be reduced by an amount that is proportionate to the failure, as required by the BEAR.

An employee's deferred remuneration is also subject to ANZ's on-going and absolute discretion to further defer the vesting. Where ANZ exercises this discretion, the vesting date is postponed and will not vest unless and until ANZ determines it should vest.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the Enterprise Accountability Group (EAG) (for other employees) considers whether malus/downward adjustment or further deferral should be applied. See section 6 for details.

6. ACCOUNTABILITY AND CONSEQUENCE FRAMEWORK

Throughout 2021 we continued to strengthen and evolve ANZ's Accountability and Consequence Framework (A&CF).

The Enterprise Accountability Group (EAG) operates under the delegated authority of the Board HR Committee and:

- supports the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF, being cognisant of its impact on the culture of ANZ.
- is chaired by the CEO and members include the CRO, CFO and GE T&C.
- reviews the most material risk, conduct and audit events (as relevant), accountability and the application of consequences, where appropriate.
- provides guidance to the Divisions and considers initiatives across the Divisions to strengthen risk behaviours and recognise risk role models, whose achievements are profiled across the organisation.

In 2021, 43 individuals were recognised as role modelling outstanding risk behaviours for their work to manage and mitigate the organisation's risks and their continuous improvement of our risk culture. The recognition provided included personalised messages from the CEO, the opportunity to meet with the Board and ExCo, and having their achievements profiled on our intranet and in internal newsletters.

The EAG has processes in place to ensure that we mitigate the risk of conflicts of interest in reviewing events and determining accountability and consequences. For example, when undertaking accountability reviews, a recommendation regarding the review leader must be sent to the CRO or (in the case of an event involving Group Risk) the CEO, for review and approval to ensure the individual is capable of undertaking an impartial and unbiased review. Further, considerations regarding accountability and consequences for our most senior executives are considered and determined by the HR Committee and Board.

Reports on the most material risk, audit and conduct issues were presented to the HR, Risk and Audit Committees at a concurrent meeting. This information was taken into consideration by the Board when considering the performance of the Group and the 2021 ANZIP variable remuneration pool for all employees, and determining the performance and remuneration outcomes of the CEO and Disclosed Executives.

The HR Committee and Board consider accountability and consequences for the CEO and Disclosed Executives, including the application of malus to previously deferred remuneration. No malus was applied to the previously deferred remuneration of the CEO and Disclosed Executives during 2021.

When determining consequences, consideration is given to the level of accountability, and the severity of the issue, including customer impacts. Consequences may include, for example, one or more of the following: counselling, formal warnings, impacts to in year performance and remuneration outcomes or application of malus to previously deferred remuneration and ultimately termination of employment for the most serious issues.

Our ongoing focus on accountability, consequences and driving a strong risk culture supports our customer commitment that when things go wrong, we fix them quickly and hold executives, current (and former where we can), to account where appropriate. We are also focused on ensuring that we learn from the cause of the event, and mitigate the risk of future recurrences and continuously seek to strengthen our risk culture. We review the effectiveness of the A&CF every year and implement enhancements to further strengthen the framework based on regulatory and internal stakeholder input.

We also continue to raise employee awareness of, and promote the various ways that employees can speak up and raise issues and ideas for improvement including through initiatives such as the Whistleblower Awareness Day, and through monitoring responses in our employee engagement surveys. Key risk and speak-up scores, including 'Leaders demonstrate accountability for risk' (87%), 'I can raise issues without fear of reprisals' (80%) and 'When I speak up, my ideas, opinions and concerns are heard' (81%) held firm at or near the 2020 highs.

In 2021, there were 1,435 matters involving alleged breaches of our Code of Conduct with 573 resulting in a formal consequence or the employee leaving ANZ, marginally up from 569 in 2020. Breaches ranged from compliance/procedural breaches (44%), general unacceptable behaviour (31%) through to email/systems misuse (11%), attendance issues (5%), fraud/theft (4%), conflict of interest (3%) and breaches of our Equal Opportunity, Bullying and Harassment Policy (2%). Outcomes following investigations of breaches this year included 114 terminations, 381 warnings and 78 employees leaving ANZ[1]. There was no evidence of broader systemic conduct issues.

In relation to the application of consequences to our senior leadership population (senior executives, executives and senior managers), 16 current and former employees (34 in 2020) had a consequence applied as a result of the application of our Code of Conduct policy and/or findings of accountability for a relevant event. Consequences included warnings, impacts on performance and remuneration outcomes and, for former employees, downward adjustment of previously deferred remuneration where relevant. The 16 current and former employees represent 0.6% of our senior leadership population.

1. Employees are listed in all categories which are relevant, meaning one employee may be listed in multiple categories.

7. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

7.1 REMUNERATION STRUCTURE

The HR Committee reviewed NED fees for 2021 and determined not to increase their fees.

NEDs receive a base fee for being a Director of the Board, and additional fees for either chairing, or being a member of a Board Committee. The Chairman of the Board does not receive additional fees for serving on a Board Committee.

In setting Board and Committee fees, the Board considers: general industry practice, ASX Corporate Governance Principles and Recommendations, the responsibilities and risks attached to the NED role, the time commitment expected of NEDs on Group and Company matters, and fees paid to NEDs of comparable companies.

ANZ compares NED fees to a comparator group of Australian listed companies with a similar market capitalisation, with particular focus on the major financial services institutions. This is considered an appropriate group, given similarity in size and complexity, nature of work and time commitment by NEDs.

To maintain NED independence and impartiality:

- NED fees are not linked to the performance of the Group; and
- NEDs are not eligible to participate in any of the Group's variable remuneration arrangements.

The current aggregate fee pool for NEDs of $4 million was approved by shareholders at the 2012 AGM. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

This table shows the NED fee policy structure for 2021.

2021 NED FEE POLICY STRUCTURE

	Board[1, 2]	Audit Committee	Risk Committee	HR Committee	Digital Business & Technology Committee	Ethics, Environment, Social & Governance Committee
Chair fee	$825,000	$65,000	$62,000	$57,000	$45,000	$35,000
Member fee	$240,000	$32,500	$31,000	$29,000	$15,000	$15,000

1. Including superannuation. **2.** The Chairman of the Board does not receive additional fees for serving on a Board Committee. The Chairman of the Board and NEDs do not receive a fee for serving on the Nomination and Board Operations Committee.

NED shareholding guidelines

We expect our NEDs to hold ANZ shares. NEDs are required:

- to accumulate shares – over a five-year period from their appointment – to the value of 100% (200% for the Chairman) of the NED member fee; and
- to maintain this shareholding while they are a Director of ANZ.

As at 30 September 2021, based on the ANZ share price at that time, all NEDs who have served five years met the holding requirement.

7.2 2021 STATUTORY REMUNERATION – NEDS

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards for the NEDs.

In addition to the fees shown below, Sir John Key also received NZD 391,000 in each of 2020 and 2021 for his role as Chairman of ANZ Bank New Zealand Limited.

2021 STATUTORY REMUNERATION – NEDS

		Short-term NED benefits		Post-employment	
	Financial year	Fees[1] $	Non monetary benefits[2] $	Super contributions[1] $	Total remuneration[3] $
Current Non-Executive Directors					
P O'Sullivan[4]	2021	764,033	19,931	22,163	806,127
	2020	243,331	–	19,207	262,538
I Atlas	2021	322,337	–	22,163	344,500
	2020	323,324	–	21,176	344,500
P Dwyer	2021	365,000	–	–	365,000
	2020	354,326	–	10,674	365,000
J Halton	2021	306,837	–	22,163	329,000
	2020	307,824	–	21,176	329,000
J Key	2021	278,837	–	22,163	301,000
	2020	279,824	–	21,176	301,000
G Liebelt	2021	341,337	–	22,163	363,500
	2020	342,324	–	21,176	363,500
J Macfarlane	2021	296,337	–	22,163	318,500
	2020	297,324	–	21,176	318,500
Former Non-Executive Directors					
D Gonski[5]	2021	57,348	3,363	5,424	66,135
	2020	803,824	–	21,176	825,000
Total of all Non-Executive Directors	2021	2,732,066	23,294	138,402	2,893,762
	2020	2,952,101	–	156,937	3,109,038

1. Year-on-year differences in fees relate to changes in Committee memberships and changes to the superannuation Maximum Contribution Base. From 1 January 2020 to 30 September 2021, P Dwyer elected to receive all payments in fees and therefore did not receive superannuation contributions during this period. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking and gifts provided upon retirement. **3.** Long-term benefits and share-based payments do not apply for the NEDs. **4.** P O'Sullivan commenced as a NED on 4 November 2019 and as Chairman from 28 October 2020, so 2020 remuneration reflects a partial service year. **5.** D Gonski retired as Chairman on 28 October 2020, so 2021 remuneration reflects a partial service year.

8. REMUNERATION GOVERNANCE

8.1 THE HUMAN RESOURCES (HR) COMMITTEE

8.1.1 Role of the HR Committee

The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

During the year the HR Committee met on five occasions[1] and reviewed and approved, or made recommendations to the Board on matters including:

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) covered by the ANZBGL Remuneration Policy, and fees for the NEDs;
- ANZ's response to the industry-wide Retail Remuneration Review by Stephen Sedgwick AO;
- updates on APRA's draft Prudential Standard CPS 511 Remuneration, the BEAR Thematic Review, and Treasury's Financial Accountability Regime (FAR);
- potential changes to the executive reward structure in light of CPS 511[2];
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material events that have either occurred or came to light in the year;
- the release, further deferral or application of malus/downward adjustment of deferred remuneration;
- key senior executive appointments and terminations;
- the effectiveness of the ANZBGL Remuneration Policy;
- building capabilities required to deliver on our strategy;
- succession plans for key senior executives;
- culture and governance including updates on the strengthened Accountability and Consequence Framework (A&CF); and
- diversity, inclusion, and employee engagement.

More details about the role of the HR Committee, including its Charter, can be found on our website. Go to anz.com > Our company > Strong governance framework > ANZ Human Resources Committee Charter.

1. A subset of the HR Committee also met on a number of occasions during the year to discuss regulatory developments and 2021 outcomes. **2.** A HR Committee sub-group was established to review in detail the executive reward structure.

8.1.2 Link between remuneration and risk

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy. The chairs of the Risk and Audit Committees are members of the HR Committee and the full Board is in attendance for specific HR Committee meetings. A concurrent meeting of the HR, Risk and Audit Committees was held to review:

- material risk, conduct and audit events that either occurred or came to light in 2021;
- 2021 performance and variable remuneration recommendations at both the Group and Disclosed Executive level.

To further reflect the importance of the link between remuneration and risk:

- the Board had two NEDs (in addition to the Chairman) in 2021 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO provides an independent report to the HR Committee on the most material risk, conduct and audit events (as relevant) to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level;
- the CRO also provides an independent report to assist the Board in their assessment of performance and remuneration outcomes for the CEO and Disclosed Executives;
- the chairs of the Audit and Risk Committees are asked to provide input to ensure appropriate consideration of all relevant risk and internal audit issues; and
- the Group Performance Framework and Divisional Performance Frameworks include Risk as a key element acting as a modifier, and it forms an integral part of each framework's assessment and directly impacts the overall outcomes.

8.1.3 Conflict of interest

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's AVR is funded and determined separately from the ANZIP pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role;
- the EAG also has processes in place to help mitigate conflicts of interest as outlined in section 6; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
  - independent reports from Risk, Finance, Talent and Culture, and Internal Audit;
  - material risk, conduct and audit event data provided by the CRO;
  - input from both the Audit Committee and the Risk Committee of the Board.

8.1.4 External advisors provided information but not recommendations

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external providers: Aon, Ashurst, EY, Mercer Consulting (Australia) Pty Ltd and PricewaterhouseCoopers. This information related to market data, market practices, analysis and modelling, legislative requirements and the interpretation of governance and regulatory requirements.

During the year, ANZ did not receive any remuneration recommendations from external consultants about the remuneration of KMP.

ANZ employs in-house remuneration professionals who provide recommendations to the HR Committee and the Board. The Board made its decisions independently, using the information provided and with careful regard to ANZ's strategic objectives, purpose and values, risk appetite and the ANZBGL Remuneration Policy and Principles.

8.2 INTERNAL GOVERNANCE

8.2.1 Hedging prohibition

All deferred equity must remain at risk until it has fully vested. Accordingly, executives and their associated persons must not enter into any schemes that specifically protect the unvested value of equity allocated. If they do so, then they would forfeit the relevant equity.

8.2.2 CEO and Disclosed Executives' shareholding guidelines

We expect the CEO and each Disclosed Executive to, over a five-year period:

- accumulate ANZ shares to the value of 200% of their fixed remuneration; and
- maintain this shareholding level while they are an executive of ANZ.

For this purpose, shareholdings include all vested and unvested equity that is not subject to performance hurdles. Based on equity holdings as at 30 September 2021, and the equity to be granted on 22 November 2021 as a result of the 2021 Performance and Remuneration Review outcomes, the CEO and all Disclosed Executives meet or, if less than five years' tenure, are on track to meet their minimum shareholding guidelines requirements.

8.2.3 CEO and Disclosed Executives' contract terms and equity treatment

The details of the contract terms and also the equity treatment on termination (in accordance with the Conditions of Grant) relating to the CEO and Disclosed Executives are below. Although they are similar, they vary in some cases to suit different circumstances.

Type of contract	Permanent ongoing employment contract.
Notice on resignation	• 12 months by CEO; • 6 months by Disclosed Executives[1].
Notice on termination by ANZ[2]	• 12 months by ANZ for CEO and Disclosed Executives[3]. However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of fixed remuneration up to the date of their termination and their statutory entitlements.
How unvested equity is treated on leaving ANZ	Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise. If an executive is terminated due to redundancy or they are classified as a 'good leaver', unless the Board determines otherwise, then: • their deferred shares/share rights are released at the original vesting date; • their performance rights[4] remain on foot and are released at the original vesting date (to the extent that the performance hurdles are met); and • their performance rights[4] (for grants awarded pre 31 December 2020) are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.
Change of control (applies to the CEO only)	If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's performance rights. They will vest to the extent that the performance conditions are satisfied.

1. 3 months by the Acting CFO. **2.** For K Corbally and M Hand, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time, and M Hand is also eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons (see footnote 5 of section 9.1). For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **3.** 6 months by ANZ for the Acting CFO. **4.** Or deferred share rights granted to the CRO instead of performance rights.

9. OTHER INFORMATION

9.1 2021 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the fixed remuneration awarded (cash and superannuation contributions) and also the cash component of the 2021 variable remuneration award, it does not show the actual variable remuneration awarded or received in 2021 (see sections 4.1 and 4.2), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2021 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

		Short–term employee benefits			Post–employment	
	Financial year	Cash salary[1] $	Non monetary benefits[2] $	Total cash incentive[3] $	Super contributions[4] $	Retirement benefit accrued during year[5] $
CEO and Current Disclosed Executives						
S Elliott	2021	2,478,132	15,025	1,000,000	21,868	–
	2020	2,478,824	15,089	625,000	21,176	–
S Buggle[10]	2021	689,935	–	462,000	14,065	–
M Carnegie	2021	1,178,047	22,621	569,250	22,453	–
	2020	1,178,824	20,646	409,200	21,676	–
K Corbally	2021	1,078,030	9,525	613,800	21,970	–
	2020	1,078,824	9,589	429,000	21,176	–
G Florian	2021	1,062,530	21,431	676,500	21,970	–
	2020	1,053,824	20,646	371,250	21,176	–
M Hand	2021	1,178,047	9,525	544,500	21,953	5,218
	2020	1,178,824	9,589	462,000	21,176	25,177
K van der Merwe	2021	885,012	15,620	594,000	22,488	–
	2020	828,824	15,089	330,000	21,676	–
A Watson[11]	2021	1,042,346	9,786	687,167	36,336	–
	2020	975,974	11,176	334,681	39,625	–
M Whelan	2021	1,254,082	12,275	810,150	21,918	–
	2020	1,178,824	9,589	363,000	21,176	–
Former Disclosed Executives						
A George[12]	2021	891,030	18,837	–	22,470	–
	2020	1,078,824	26,146	363,000	21,676	–
M Jablko[13]	2021	516,787	7,552	–	11,713	–
	2020	1,078,824	9,589	363,000	21,676	–

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services, costs met by the Company in relation to in-country benefits, and gifts received on leaving ANZ for former Disclosed Executives. **3.** The total cash incentive relates to the cash component only. The relevant amortisation of the AVR/VR deferred components is included in share-based payments and has been amortised over the vesting period. The total AVR/VR was approved by the ANZBGL Board on 15 October 2021, and in addition for A Watson by the ANZ NZ Board on 19 October 2021. 100% of the cash component of the AVR/VR awarded for the 2020 and 2021 years vested to the executive in the applicable financial year. **4.** For all Australian based executives, the 2020 and 2021 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay (less employer superannuation contribution tax). **5.** Accrual relates to Retirement Allowance. As a result of being employed with ANZ before November 1992, M Hand is eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as three months of preserved notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years less the total accrual value of long service leave (including taken and untaken). **6.** Long service leave accrued during the year increased year-on-year for K van der Merwe and M Whelan as a result of their fixed remuneration increases. **7.** As required by AASB 2 Share-based payments, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity

Long-term employee benefits	Share-based payments[7]					
	Total amortisation value of					
	Variable remuneration			Other equity allocations[8]		
Long service leave accrued during the year[6] $	Shares $	Share rights $	Performance rights $	Shares $	Termination benefits[9] $	Total remuneration $
37,880	880,970	–	1,039,524	–	–	5,473,399
100,651	828,507	–	1,156,061	–	–	5,225,308
52,757	112,974	159,613	71,423	–	–	1,562,767
18,182	534,990	–	267,586	–	–	2,613,129
28,120	502,572	–	196,150	–	–	2,357,188
16,667	472,538	357,462	1,984	–	–	2,571,976
32,255	378,884	258,090	16,398	–	–	2,224,216
18,058	478,255	–	312,520	–	–	2,591,264
24,403	333,927	–	238,329	–	–	2,063,555
18,182	451,897	–	266,258	–	–	2,495,580
112,623	367,507	–	203,224	–	–	2,380,120
22,929	457,267	–	298,076	–	–	2,295,392
16,580	358,605	–	229,707	–	–	1,800,481
4,130	439,710	22,321	200,921	564	–	2,443,281
17,383	237,502	82,845	93,742	711	–	1,793,639
69,359	730,123	–	355,857	–	–	3,253,764
18,232	754,535	–	417,161	–	–	2,762,517
–	(465,856)	–	(701,309)	–	174,828	(60,000)
25,551	430,514	–	219,525	–	–	2,165,236
–	(609,753)	–	(1,081,003)	10,950	74,947	(1,068,807)
21,570	535,573	–	307,228	50,316	–	2,387,776

becomes exercisable. No terms of share-based payments have been altered or modified during the financial year. There were no cash settled share-based payments or any other form of share-based payment compensation during the financial year for the CEO or Disclosed Executives. **8.** Other equity allocations relate to employment arrangements such as compensation for deferred remuneration forfeited, and shares received in relation to the historical Employee Share Offer. **9.** Termination benefits reflect payment of accrued annual leave and long service leave in accordance with contract, payable on cessation. **10.** S Buggle's 2021 remuneration reflects a partial service year as he commenced in a Disclosed Executive role on 8 February 2021. **11.** A Watson's fixed remuneration is paid in NZD and converted to AUD. In 2018, 2019 and 2020 A Watson was eligible to receive shares under the historical Employee Share Offer. That offer provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. See Note 31 Employee Share and Option Plans for further details on the historical Employee Share Offer. **12.** A George ceased employment 30 July 2021. Remuneration reflects up to her date of resignation (noting her annual fixed remuneration for 2021 remained unchanged at $1.1 million). Share-based payments include the expensing treatment on resignation for unvested deferred remuneration (including reversals for forfeiture on resignation). Termination benefits reflect payment for accrued annual leave and long service leave in accordance with contract, payable on resignation. **13.** M Jablko ceased employment 7 February 2021. Remuneration reflects up to her date of resignation (noting her annual fixed remuneration for 2021 remained unchanged at $1.1 million). Share-based payments include the expensing treatment on resignation for unvested deferred remuneration (including reversals for forfeiture on resignation). Other equity allocations for M Jablko relate to previously disclosed compensation for deferred remuneration forfeited. Termination benefits reflect payment for accrued annual leave in accordance with contract, payable on resignation.

9.2 EQUITY HOLDINGS

For the equity granted to the CEO and Disclosed Executives in November/December 2020, all deferred shares were purchased on the market. For deferred share rights and performance rights, we will determine our approach to satisfying awards closer to the time of vesting.

9.2.1 CEO and Disclosed Executives equity granted, vested, exercised/sold and lapsed/forfeited

The table below sets out details of deferred shares and rights that we granted to the CEO and Disclosed Executives:

- during the 2021 year; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2021 year.

EQUITY GRANTED VESTED, EXERCISED/SOLD AND LAPSED/FORFEITED – CEO AND DISCLOSED EXECUTIVES

							Vested			Lapsed/ Forfeited			Exercised/Sold				
Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $	Vested and exercis–able as at 30 Sep 2021[3]	Unexer–cisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
S Elliott	Deferred shares	6,941		22–Nov–16	22–Nov–20	–	6,941	100	155,095	–	–	–	(6,941)	100	161,895	–	–
	Deferred shares	8,529		22–Nov–17	22–Nov–20	–	8,529	100	190,578	–	–	–	(8,529)	100	198,935	–	–
	Deferred shares	8,622		22–Nov–18	22–Nov–20	–	8,622	100	192,656	–	–	–	(8,622)	100	201,104	–	–
	Deferred shares	12,006		22–Nov–19	22–Nov–20	–	12,006	100	268,270	–	–	–	(12,006)	100	280,034	–	–
	Deferred shares	10,843	23.30	07–Dec–20	22–Nov–21	–	–	–	–			–	–	–	–	–	10,843
	Deferred shares	8,130	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	8,130
	Deferred shares	5,420	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	5,420
	Deferred shares	2,710	23.30	07–Dec–20	22–Nov–24	–	–	–	–			–	–	–	–	–	2,710
	Performance rights	53,191		17–Dec–15	17–Dec–18	17–Dec–20	–	–	–	–	–	–	(34,733)	65	800,099	–	–
	Performance rights	107,471		19–Dec–17	19–Dec–20	19–Dec–22	62,010	58	1,446,222	(45,461)	42	(1,060,260)	–	–	–	62,010	–
	Performance rights	35,823		19–Dec–17	19–Dec–20	19–Dec–22	–	–	–	(35,823)	100	(835,478)	–	–	–	–	–
	Performance rights	119,481	10.55	16–Dec–20	16–Dec–24	16–Dec–26	–	–	–	–	–	–	–	–	–	–	119,481
	Performance rights	39,827	6.67	16–Dec–20	16–Dec–24	16–Dec–26	–	–	–	–	–	–	–	–	–	–	39,827
S Buggle[5]	Deferred shares	4,703		21–Nov–14	21–Nov–17	–	–	–	–	–	–	–	(3,800)	81	100,845	903	–
	Deferred shares	2,938		22–Nov–16	22–Nov–19	–	–	–	–	–	–	–	(2,938)	100	83,214	–	–
	Deferred shares	6,277		22–Nov–17	22–Nov–19	–	–	–	–	–	–	–	(1,562)	25	44,241	4,715	–
	Deferred shares	6,464		22–Nov–18	22–Nov–19	–	–	–	–	–	–	–	(3,700)	57	100,212	2,764	–
M Carnegie	Deferred shares	1,182		22–Nov–16	22–Nov–20	–	1,182	100	26,411	–	–	–	–	–	–	1,182	–
	Deferred shares	4,785		22–Nov–17	22–Nov–20	–	4,785	100	106,919	–	–	–	–	–	–	4,785	–
	Deferred shares	5,202		22–Nov–18	22–Nov–20	–	5,202	100	116,237	–	–	–	–	–	–	5,202	–
	Deferred shares	7,924		22–Nov–19	22–Nov–20	–	7,924	100	177,059	–	–	–	–	–	–	7,924	–
	Deferred shares	7,099	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	7,099
	Deferred shares	5,323	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	5,323
	Deferred shares	3,549	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,549
	Deferred shares	1,774	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,774
	Performance rights	29,580		22–Nov–17	22–Nov–20	22–Nov–22	17,067	58	381,357	(12,513)	42	(279,599)	–	–	–	17,067	–
	Performance rights	9,860		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(9,860)	100	(220,319)	–	–	–	–	–
	Performance rights	28,784	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	28,784
	Performance rights	9,594	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	9,594

							Vested			Lapsed/ Forfeited			Exercised/Sold				
Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $	Vested and exercisable as at 30 Sep 2021[3]	Unexercisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
K Corbally	Deferred shares	2,115		22–Nov–17	22–Nov–20	–	2,115	100	47,259	–	–	–	(2,115)	100	48,721	–	–
	Deferred shares	3,007		22–Nov–18	22–Nov–20	–	3,007	100	67,191	–	–	–	(3,007)	100	69,268	–	–
	Deferred shares	5,745		22–Nov–19	22–Nov–20	–	5,745	100	128,370	–	–	–	(5,745)	100	132,340	–	–
	Deferred shares	5,582	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	5,582
	Deferred shares	5,581	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	5,581
	Deferred shares	3,720	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,720
	Deferred shares	3,720	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	3,720
	Deferred share rights	20,118	19.06	07–Dec–20	22–Nov–24	29–Nov–24	–	–	–	–	–	–	–	–	–	–	20,118
	Performance rights	4,230		22–Nov–17	22–Nov–20	22–Nov–22	2,440	58	54,521	(1,790)	42	(39,997)	(2,440)	58	56,207	–	–
G Florian	Deferred shares	2,465		22–Nov–17	22–Nov–18	–	–	–	–	–	–	–	(2,465)	100	69,696	–	–
	Deferred shares	2,462		22–Nov–17	22–Nov–19	–	–	–	–	–	–	–	(2,462)	100	69,611	–	–
	Deferred shares	2,462		22–Nov–17	22–Nov–20	–	2,462	100	55,013	–	–	–	–	–	–	2,462	–
	Deferred shares	3,254		22–Nov–18	22–Nov–19	–	–	–	–	–	–	–	(3,254)	100	92,004	–	–
	Deferred shares	3,251		22–Nov–18	22–Nov–20	–	3,251	100	72,643	–	–	–	–	–	–	3,251	–
	Deferred shares	4,491		22–Nov–19	22–Nov–20	–	4,491	100	100,350	–	–	–	–	–	–	4,491	–
	Deferred shares	6,442	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	6,442
	Deferred shares	4,829	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,829
	Deferred shares	3,219	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,219
	Deferred shares	1,609	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,609
	Performance rights	15,225		22–Nov–17	22–Nov–20	22–Nov–22	8,784	58	196,276	(6,441)	42	(143,922)	–	–	–	8,784	–
	Performance rights	5,075		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(5,075)	100	(113,399)	–	–	–	–	–
	Performance rights	26,115	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	26,115
	Performance rights	8,705	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	8,705
M Hand	Deferred shares	3,138		22–Nov–17	22–Nov–20	–	3,138	100	70,118	–	–	–	(3,138)	100	71,641	–	–
	Deferred shares	3,251		22–Nov–18	22–Nov–20	–	3,251	100	72,643	–	–	–	(3,251)	100	74,220	–	–
	Deferred shares	4,755		22–Nov–19	22–Nov–20	–	4,755	100	106,249	–	–	–	(4,755)	100	108,557	–	–
	Deferred shares	8,015	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	8,015
	Deferred shares	6,010	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	6,010
	Deferred shares	4,006	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	4,006
	Deferred shares	2,003	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	2,003
	Performance rights	6,277		22–Nov–17	22–Nov–20	22–Nov–22	3,621	58	80,910	(2,656)	42	(59,348)	(3,621)	58	82,667	–	–
	Performance rights	32,498	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	32,498
	Performance rights	10,832	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	10,832
K van der Merwe	Deferred shares	1,479		22–Nov–17	22–Nov–18	–	–	–	–	–	–	–	(800)	54	21,011	679	–
	Deferred shares	1,477		22–Nov–17	22–Nov–20	–	1,477	100	33,003	–	–	–	–	–	–	1,477	–
	Deferred shares	3,577		22–Nov–18	22–Nov–20	–	3,577	100	79,927	–	–	–	–	–	–	3,577	–
	Deferred shares	6,604		22–Nov–19	22–Nov–20	–	6,604	100	147,564	–	–	–	–	–	–	6,604	–
	Deferred shares	5,724	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	5,724
	Deferred shares	4,293	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,293
	Deferred shares	2,862	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	2,862
	Deferred shares	1,431	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,431
	Performance rights	9,135		22–Nov–17	22–Nov–20	22–Nov–22	5,270	58	117,757	(3,865)	42	(86,362)	–	–	–	5,270	–
	Performance rights	3,045		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(3,045)	100	(68,040)	–	–	–	–	–
	Performance rights	23,213	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	23,213
	Performance rights	7,737	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	7,737

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercis–able as at 30 Sep 2021[3]	Unexer–cisable as at 30 Sep 2021[4]
CEO and Current Disclosed Executives																	
A Watson	Deferred shares	3,904		22–Nov–19	22–Nov–20	–	3,904	100	87,234	–	–	–	–	–	–	3,904	–
	Deferred shares	5,806	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	5,806
	Deferred shares	4,354	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,354
	Deferred shares	2,902	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	2,902
	Deferred shares	1,451	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,451
	Employee Share Offer	23		04–Dec–14	04–Dec–17	–	–	–	–	–	–	–	(23)	100	612	–	–
	Employee Share Offer	26		03–Dec–15	03–Dec–18	–	–	–	–	–	–	–	(26)	100	692	–	–
	Employee Share Offer	24		01–Dec–17	01–Dec–20	–	24	100	548	–	–	–	(24)	100	639	–	–
	Deferred share rights	2,332		22–Nov–17	22–Nov–20	22–Nov–22	2,332	100	52,108	–	–	–	(2,332)	100	53,013	–	–
	Deferred share rights	5,318		22–Nov–18	22–Nov–20	22–Nov–22	5,318	100	118,829	–	–	–	(5,318)	100	120,894	–	–
	Performance rights	3,934		22–Nov–17	22–Nov–20	22–Nov–22	2,269	58	50,700	(1,665)	42	(37,204)	(2,269)	58	51,581	–	–
	Performance rights	23,542	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	23,542
	Performance rights	7,847	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	7,847
M Whelan	Deferred shares	6,724		22–Nov–16	22–Nov–20	-	6,724	100	150,246	–	–	–	(6,724)	100	158,473	–	–
	Deferred shares	9,218		22–Nov–17	22–Nov–20	–	9,218	100	205,973	–	–	–	(9,218)	100	217,252	–	–
	Deferred shares	7,072		22–Nov–18	22–Nov–20	–	7,072	100	158,022	–	–	–	(7,072)	100	166,674	–	–
	Deferred shares	13,998		22–Nov–19	22–Nov–20	–	13,998	100	312,781	–	–	–	(13,998)	100	329,908	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	–	–	–	–	–	–	–	6,297
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	–	–	–	–	–	–	–	4,722
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	–	–	–	–	–	–	–	3,148
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	–	–	–	–	–	–	–	1,574
	Performance rights	56,985		22–Nov–17	22–Nov–20	22–Nov–22	32,880	58	734,694	(24,105)	42	(538,619)	(32,880)	58	774,922	–	–
	Performance rights	18,995		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(18,995)	100	(424,438)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	25,534
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	–	–	–	–	–	–	–	8,511
Former Disclosed Executives																	
A George[6]	Deferred shares	3,096		22–Nov–17	22–Nov–20	–	3,096	100	69,179	–	–	–	–	–	–	3,096	–
	Deferred shares	3,096		22–Nov–17	22–Nov–21	–	–	–	–	(3,096)	100	(85,924)	–	–	–	–	–
	Deferred shares	3,495		22–Nov–18	22–Nov–20	–	3,495	100	78,095	–	–	–	–	–	–	3,495	–
	Deferred shares	3,495		22–Nov–18	22–Nov–21	–	–	–	–	(3,495)	100	(96,997)	–	–	–	–	–
	Deferred shares	3,495		22–Nov–18	22–Nov–22	–	–	–	–	(3,495)	100	(96,997)	–	–	–	–	–
	Deferred shares	8,453		22–Nov–19	22–Nov–20	–	8,453	100	188,880	–	–	–	–	–	–	8,453	–
	Deferred shares	6,338		22–Nov–19	22–Nov–21	–	–	–	–	(6,338)	100	(175,899)	–	–	–	–	–
	Deferred shares	4,225		22–Nov–19	22–Nov–22	–	–	–	–	(4,225)	100	(117,257)	–	–	–	–	–
	Deferred shares	2,112		22–Nov–19	22–Nov–23	–	–	–	–	(2,112)	100	(58,615)	–	–	–	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	(6,297)	100	(174,761)	–	–	–	–	–
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	(4,722)	100	(131,050)	–	–	–	–	–
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	(3,148)	100	(87,367)	–	–	–	–	–
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	(1,574)	100	(43,683)	–	–	–	–	–
	Performance rights	19,140		22–Nov–17	22–Nov–20	22–Nov–22	11,043	58	246,753	(8,097)	42	(180,925)	(11,043)	58	252,112	–	–
	Performance rights	6,380		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(6,380)	100	(142,559)	–	–	–	–	–
	Performance rights	21,610		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(21,610)	100	(599,744)	–	–	–	–	–
	Performance rights	7,203		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(7,203)	100	(199,906)	–	–	–	–	–
	Performance rights	32,653		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(32,653)	100	(906,222)	–	–	–	–	–
	Performance rights	10,884		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(10,884)	100	(302,065)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(25,534)	100	(708,648)	–	–	–	–	–
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(8,511)	100	(236,207)	–	–	–	–	–

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2021 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/Forfeited Number	Lapsed/Forfeited %	Lapsed/Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2021[3]	Vested and Unexercisable as at 30 Sep 2021[4]
Former Disclosed Executives																	
M Jablko[6]	Deferred shares	11,444		20–Aug–16	27–Feb–19	–	–	–	–	–	–	–	(11,444)	100	304,489	–	–
	Deferred shares	7,617		20–Aug–16	27–Feb–20	–	–	–	–	–	–	–	(7,617)	100	202,665	–	–
	Deferred shares	4,540		20–Aug–16	27–Feb–21	–	4,540	100	119,239	–	–	–	–	–	–	4,540	–
	Deferred shares	1,182		22–Nov–16	22–Nov–19	–	–	–	–	–	–	–	(1,182)	100	31,449	–	–
	Deferred shares	1,182		22–Nov–16	22–Nov–20	–	1,182	100	26,411	–	–	–	(1,182)	100	31,449	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–19	–	–	–	–	–	–	–	(6,305)	100	167,757	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–20	–	6,305	100	140,883	–	–	–	(6,305)	100	167,757	–	–
	Deferred shares	6,305		22–Nov–17	22–Nov–21	–	–	–	–	(6,305)	100	(177,651)	–	–	–	–	–
	Deferred shares	5,693		22–Nov–18	22–Nov–19	–	–	–	–	–	–	–	(5,693)	100	151,473	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–20	–	5,690	100	127,141	–	–	–	(5,690)	100	151,393	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–21	–	–	–	–	(5,690)	100	(160,323)	–	–	–	–	–
	Deferred shares	5,690		22–Nov–18	22–Nov–22	–	–	–	–	(5,690)	100	(160,323)	–	–	–	–	–
	Deferred shares	8,717		22–Nov–19	22–Nov–20	–	8,717	100	194,779	–	–	–	(8,717)	100	231,932	–	–
	Deferred shares	6,536		22–Nov–19	22–Nov–21	–	–	–	–	(6,536)	100	(184,160)	–	–	–	–	–
	Deferred shares	4,357		22–Nov–19	22–Nov–22	–	–	–	–	(4,357)	100	(122,764)	–	–	–	–	–
	Deferred shares	2,178		22–Nov–19	22–Nov–23	–	–	–	–	(2,178)	100	(61,368)	–	–	–	–	–
	Deferred shares	6,297	23.30	07–Dec–20	22–Nov–21	–	–	–	–	(6,297)	100	(177,426)	–	–	–	–	–
	Deferred shares	4,722	23.30	07–Dec–20	22–Nov–22	–	–	–	–	(4,722)	100	(133,048)	–	–	–	–	–
	Deferred shares	3,148	23.30	07–Dec–20	22–Nov–23	–	–	–	–	(3,148)	100	(88,699)	–	–	–	–	–
	Deferred shares	1,574	23.30	07–Dec–20	22–Nov–24	–	–	–	–	(1,574)	100	(44,349)	–	–	–	–	–
	Performance rights	38,976		22–Nov–17	22–Nov–20	22–Nov–22	22,489	58	502,510	(16,487)	42	(368,397)	(22,489)	58	518,050	–	–
	Performance rights	12,992		22–Nov–17	22–Nov–20	22–Nov–22	–	–	–	(12,992)	100	(290,302)	–	–	–	–	–
	Performance rights	35,179		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(35,179)	100	(991,211)	–	–	–	–	–
	Performance rights	11,726		22–Nov–18	22–Nov–21	22–Nov–23	–	–	–	(11,726)	100	(330,394)	–	–	–	–	–
	Performance rights	33,673		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(33,673)	100	(948,777)	–	–	–	–	–
	Performance rights	11,224		22–Nov–19	22–Nov–23	22–Nov–25	–	–	–	(11,224)	100	(316,250)	–	–	–	–	–
	Performance rights	25,534	10.59	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(25,534)	100	(719,451)	–	–	–	–	–
	Performance rights	8,511	6.46	07–Dec–20	22–Nov–24	22–Nov–26	–	–	–	(8,511)	100	(239,808)	–	–	–	–	–

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2021 financial year the five highest paid executives include four Disclosed Executives and the Group Executive, International (F Faruqui). Rights granted to Disclosed Executives as remuneration in 2021 are included in the table. Rights granted to F Faruqui as remuneration in 2021 include four tranches of deferred share rights and two tranches of performance rights granted on 07 Dec 2020. (6,459 (tranche 1) deferred share rights first exercisable 22 Nov 2021, expiring 29 Nov 2021; 5,158 (tranche 2) deferred share rights first exercisable 22 Nov 2022, expiring 29 Nov 2022; 3,619 (tranche 3) deferred share rights first exercisable 22 Nov 2023, expiring 29 Nov 2023; 1,904 (tranche 4) deferred share rights first exercisable 22 Nov 2024, expiring 29 Nov 2024; 25,534 (tranche 1) and 8,511 (tranche 2) performance rights first exercisable 22 Nov 2024 subject to meeting performance hurdles, expiring 22 Nov 2026). No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2021 up to the Directors' Report sign-off date. **2.** The point in time value of shares/share rights and/or performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of shares/share rights and/or performance rights. The exercise price for all share rights/performance rights is $0.00. No terms or conditions of grant of the share-based payment transactions have been altered or modified during the reporting period. **3.** The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable.

4. Performance rights granted in prior years (by grant date) that remained unexerciseable at 30 Sep 2021 include:

	Nov-18	Nov-19	Nov-20
S Elliott	110,365	168,066	159,308
S Buggle	6,464	–	–
M Carnegie	42,884	40,816	38,378
K Corbally	–	–	–
G Florian	26,802	23,128	34,820
M Hand	26,802	24,489	43,330
K van der Merwe	29,482	34,013	30,950
A Watson	4,802	–	31,389
M Whelan	58,296	72,108	34,045
A George	–	–	–
M Jablko	–	–	–

Performance rights granted to S Elliott in 2021 were approved by shareholders at the 2020 AGM in accordance with ASX Listing Rule 10.14.
5. Equity transactions disclosed from date commenced as a KMP. **6.** Equity transactions disclosed up to date ceased employment.

9.2.2 NED, CEO and Disclosed Executives equity holdings

The table below sets out details of equity held directly, indirectly or beneficially by each NED, the CEO and each Disclosed Executive, including their related parties.

EQUITY HOLDINGS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Type of equity	Opening balance at 1 Oct 2020	Granted during the year as remuneration[1]	Received during the year on exercise of options or rights	Resulting from any other changes during the year[2]	Closing balance at 30 Sep 2021[3, 4]
Current Non–Executive Directors						
P O'Sullivan	Ordinary shares	4,078	–	–	–	4,078
	Capital notes 2	9,250	–	–	–	9,250
I Atlas	Ordinary shares	14,360	–	–	–	14,360
P Dwyer	Ordinary shares	17,500	–	–	–	17,500
J Halton	Ordinary shares	9,049	–	–	–	9,049
J Key	Ordinary shares	3,000	–	–	–	3,000
G Liebelt	Ordinary shares	20,315	–	–	–	20,315
	Capital notes 1	1,500	–	–	(1,500)	–
	Capital notes 2	2,500	–	–	–	2,500
	Capital notes 6	–	–	–	2,500	2,500
J Macfarlane	Ordinary shares	17,851	–	–	–	17,851
	Capital notes 2	2,000	–	–	–	2,000
	Capital notes 3	5,000	–	–	–	5,000
	Capital notes 6	–	–	–	2,140	2,140
Former Non–Executive Directors						
D Gonski[6]	Ordinary shares	31,488	–	–	–	31,488
CEO and Current Disclosed Executives						
S Elliott	Deferred shares	79,877	27,103	–	(36,098)	70,882
	Ordinary shares	216,821	–	34,733	39,121	290,675
	Performance rights	456,458	159,308	(34,733)	(81,284)	499,749
S Buggle[5]	Deferred shares	98,664	–	–	(12,000)	86,664
	Ordinary shares	19,759	–	–	1,415	21,174
	Capital notes 2	730	–	–	(240)	490
	Capital notes 6	–	–	–	590	590
	Deferred share rights	24,624	–	–	–	24,624
	Performance rights	6,464	–	–	–	6,464
M Carnegie	Deferred shares	74,539	17,745	–	–	92,284
	Ordinary shares	5,491	–	–	3,179	8,670
	Performance rights	123,140	38,378	–	(22,373)	139,145
K Corbally	Deferred shares	30,283	18,603	–	(10,867)	38,019
	Ordinary shares	1,095	–	2,440	(2,104)	1,431
	Capital notes 6	–	–	–	1,400	1,400
	Deferred share rights	34,273	20,118	–	–	54,391
	Performance rights	4,230	–	(2,440)	(1,790)	–
G Florian	Deferred shares	34,365	16,099	–	(8,181)	42,283
	Ordinary shares	2,194	–	–	9,783	11,977
	Performance rights	70,230	34,820	–	(11,516)	93,534
M Hand	Deferred shares	24,775	20,034	–	(11,144)	33,665
	Ordinary shares	1,189	–	3,621	(3,575)	1,235
	Performance rights	57,568	43,330	(3,621)	(2,656)	94,621
K van der Merwe	Deferred shares	36,894	14,310	–	(800)	50,404
	Ordinary shares	1,936	–	–	(654)	1,282
	Performance rights	75,675	30,950	–	(6,910)	99,715
A Watson	Deferred shares	16,247	14,513	–	–	30,760
	Employee Share Offer	134	–	–	(73)	61
	Ordinary shares	12,048	–	9,919	1,780	23,747
	Deferred share rights	10,467	–	(7,650)	–	2,817
	Performance rights	8,736	31,389	(2,269)	(1,665)	36,191
M Whelan	Deferred shares	81,369	15,741	–	(37,012)	60,098
	Ordinary shares	1,126	–	32,880	381	34,387
	Performance rights	206,384	34,045	(32,880)	(43,100)	164,449
Former Disclosed Executives						
A George[6]	Deferred shares	80,090	15,741	–	(38,502)	57,329
	Ordinary shares	10,289	–	11,043	3,567	24,899
	Capital notes 1	802	–	–	–	802
	Performance rights	97,870	34,045	(11,043)	(120,872)	–
M Jablko[6]	Deferred shares	89,431	15,741	–	(100,632)	4,540
	Ordinary shares	5,244	–	22,489	(27,733)	–
	Performance rights	143,770	34,045	(22,489)	(155,326)	–

1. Details of options/rights granted as remuneration during 2021 are provided in the previous table. **2.** Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. **3.** The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e. indirect beneficially held shares) as at 30 September 2021 (or the date ceased as a KMP): P O'Sullivan - 0, I Atlas - 14,360, P Dwyer - 17,500, J Halton - 0, J Key - 3,000, G Liebelt - 8,158, J Macfarlane - 26,991, D Gonski - 31,488, S Elliott - 358,519, S Buggle - 87,744, M Carnegie - 92,284, K Corbally - 39,419, G Florian - 52,182, M Hand - 33,665, K van der Merwe - 50,404, A Watson - 30,821, M Whelan - 94,485, A George - 60,809 and M Jablko - 4,540. **4.** 93,131 rights were vested and exercisable, and zero options/rights were vested and unexerciseable as at 30 September 2021. There was no change in the balance as at the Directors' Report sign-off date. **5.** Commencing balance is based on holdings as at the date of commencement as a KMP. **6.** Concluding balance is based on holdings as at the date ceased as a KMP.

9.3 LOANS

9.3.1 Overview

When we lend to NEDs, the CEO or Disclosed Executives, we do so in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers – this includes the term of the loan, the security required and the interest rate. Details of the terms and conditions of lending products can be found on anz.com. No amounts have been written off during the period, or individual assessed allowance for expected credit losses raised in respect of these balances.

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2021 (including those with balances less than $100,000) was $26,866,853 (2020: $32,451,547) with interest paid of $776,791 (2020: $888,019) during the period.

9.3.2 NED, CEO and Disclosed Executives loan transactions

The table below sets out details of loans outstanding to NEDs, the CEO and Disclosed Executives including their related parties, if – at any time during the year – the individual's aggregate loan balance exceeded $100,000.

LOAN TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Opening balance at 1 October 2020[1] $	Closing balance at 30 September 2021 $	Interest paid and payable in the reporting period[2] $	Highest balance in the reporting period $
Current Non–Executive Directors				
P O'Sullivan	891,715	789,338	110	900,809
I Atlas	1,608,028	–	23,057	1,627,610
J Macfarlane	13,281,199	12,858,040	343,014	15,041,667
CEO and Current Disclosed Executives				
S Elliott	2,787,423	2,616,885	54,845	2,820,507
S Buggle[3]	632,287	504,008	14,147	760,461
G Florian	2,304,601	4,483,293	64,530	4,636,219
M Hand	4,226,595	24,631	123,011	4,942,880
K van der Merwe	3,587,416	2,464,654	83,718	3,745,883
M Whelan	1,575,953	1,628,540	46,073	1,690,773
Former Disclosed Executives				
A George[4]	1,535,414	1,480,152	24,216	1,564,179
Total	**32,430,631**	**26,849,541**	**776,721**	**37,730,988**

1. Opening balances have been adjusted to take account of minor timing variances. **2.** Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. **3.** Opening balance is as at the date of commencement as a KMP. **4.** Closing balance is as at the date ceased in a KMP role.

9.4 OTHER TRANSACTIONS

Other transactions with NEDs, the CEO and Disclosed Executives, and their related parties included deposits.

OTHER TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

	Opening balance at 1 October 2020[1] $	Closing balance at 30 September 2021[2, 3] $
Total KMP deposits	48,482,790	**45,703,445**

1. Opening balance is at 1 October 2020 or the date of commencement as a KMP if part way through the year. **2.** Closing balance is at 30 September 2021 or at the date ceased in a KMP role if part way through the year. **3.** Interest paid on deposits for 2021 was $88,209 (2020: $498,931).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage, bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions are no more favourable than those given to other employees or customers. Gifts in the form of charitable donations amounting to $500 were provided on behalf of the related parties of KMP during the year.

Directors' report

The Directors' Report for the financial year ended 30 September 2021 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 10
- Operating and financial review on pages 56 to 70
- Dividends on page 70
- Information on the Directors, Company Secretaries and Directors' meetings on pages 40 to 50
- Remuneration report on pages 74 to 109.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the Group's state of affairs.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 22 October 2021, a Group fund that owns 19% of the shares in Cashrewards Limited announced it would make an off-market takeover offer to acquire the remaining 81% of the shares, for ~$80 million. The offer is subject to a number of conditions and completion remains uncertain.

Other than the matter above, there have been no significant events from 30 September 2021 to the date of signing this report.

POLITICAL DONATIONS

For the year ending 30 September 2021, our Public Policy Advocacy, Political Donations and Foreign Influence Policy included an annual donation to the two major federal political parties to support Australia's democratic process. In October 2020, ANZ donated $100,000 to the Liberal Party of Australia and $100,000 to the Australian Labor Party. ANZ also attended paid events including business forums hosted by the major Australian Federal political parties, totalling $47,600. ANZ discloses associated costs and donations through the Australian Electoral Commission's (AEC) donors annual return process, noting the AEC's reporting year is a different period to ANZ's financial year.

ANZ updated its policy on 1 October 2021. It prohibits political donations, but allows attendance at paid events hosted by the major Australian Federal political parties.

ENVIRONMENTAL REGULATION

ANZ recognises the expectations of its stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates its environmental impact.

In Australia, ANZ meets the requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth), which imposes reporting obligations where energy production, usage or greenhouse gas emissions trigger specified thresholds.

The Group does not believe that its operations are subject to any other particular and significant environmental regulation under a law of the Commonwealth of Australia or of an Australian State or Territory. It may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has developed policies, which are reviewed on a regular basis to help identify and manage such environmental matters.

Having made due enquiry, and to the best of ANZ's knowledge, no entity of the Group has incurred any material environmental liability during the year. Further details of ANZ's environmental performance, including progress against its targets and management of material issues aligned with its commitment to fair and responsible banking and priority areas of financial wellbeing, environmental sustainability and housing, are available in ANZ's ESG Supplement, at anz.com/annualreport.

CORPORATE GOVERNANCE STATEMENT

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition)* during the 2021 financial year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, can be viewed at anz.com/corporategovernance and has been lodged with the ASX.

PILLAR 3 INFORMATION

ANZ provides information required by APS 330: *Public Disclosure* in the Regulatory Disclosures section at anz.com/shareholder/centre/reporting/regulatory-disclosure/.

EXTERNAL AUDITOR

The Group's external auditor is KPMG. The Group appointed Peat, Marwick, Mitchell & Co (predecessor to KPMG) in 1969.

The Board Audit Committee conducts a formal annual performance assessment of the external auditor, including whether to commence an external tender for the audit. After considering relevant factors including tenure, audit quality, local and international capability and experience, and independence, the Board Audit Committee resolved to reappoint KPMG for the 30 September 2022 financial year audit.

The KPMG Lead Audit Engagement Partner for the Group was appointed for the financial year ended 30 September 2021 replacing the previous Lead Audit Engagement partner who had been in the role since the 30 September 2017 financial year. In addition, KPMG regularly rotates the Engagement Quality Control Review Partner with the most recent rotation being for the financial year ended 30 September 2020.

NON-AUDIT SERVICES

The Group's Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

Specifically the Policy:

- Limits the scope of non-audit services that may be provided;
- Requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- Requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in the Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- Implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- Complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2021 financial year, and has confirmed that the provision of these services is consistent with the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*. This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2021 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

	Amount paid/payable $'000's	
Non-audit services	**2021**	**2020**
Training and related services	–	16
Controls related assessments	90	–
Methodology and procedural reviews	101	107
Total	191	123

Further details on the compensation paid to KPMG is provided in Note 34 Auditor Fees to the financial statements including details of audit-related services provided during the year of $4.43 million (2020: $5.37 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2021 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company's Constitution (Rule 11.1) permits the Company to:

- Indemnify any officer or employee of the Company, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such by an officer, employee or auditor, including liabilities incurred as a result of appointment or nomination by the Company as a trustee or as an officer or employee of another corporation; and
- Make payments in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such by an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

It is the Company's policy that its employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, the Company will indemnify employees and former employees against any liability they incur to any third party as a result of acting in the course of their employment with the Company or a subsidiary of the Company and this extends to liability incurred as a result of their appointment/nomination by or at the request of the Group as an officer or employee of another corporation or body or as trustee.

The indemnity is subject to applicable law and certain exceptions. In accordance with the employee indemnity policy, the Company has during or since the year ended 30 September 2021 paid legal expenses totalling $1,815,847.35 incurred by Mr Richard Moscati in relation to legal proceedings brought against him and the Company by a third party.

The Company has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of the Company, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and employees of the Company and related bodies corporate of the Company. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

KEY MANAGEMENT PERSONNEL AND EMPLOYEE SHARE AND OPTION PLANS

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2021 financial year and as at the date of this report.

Note 31 Employee Share and Option Plans to the 2021 Financial Report contains details of the 2021 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues of the Company.

The names of all persons who currently hold options/rights are entered in the register kept by the Company pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Paul D O'Sullivan | Chairman

Shayne C Elliott | Managing Director

27 October 2021

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditors Independence Declaration given under Section 307C of the *Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2021.

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2021, there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Martin McGrath | Partner

27 October 2021

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INCOME STATEMENTS

For the year ended 30 September	Note	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Interest income[1]		19,529	24,426	15,347	19,362
Interest expense		(5,368)	(10,377)	(4,822)	(8,926)
Net interest income	2	14,161	14,049	10,525	10,436
Other operating income	3	3,325	3,355	4,854	3,652
Net income from insurance business	3	110	78	-	-
Share of associates' profit/(loss)	3	(176)	155	(1)	(1)
Operating income		17,420	17,637	15,378	14,087
Operating expenses	4	(9,051)	(9,383)	(7,594)	(7,788)
Profit before credit impairment and income tax		8,369	8,254	7,784	6,299
Credit impairment (charge)/release	14	567	(2,738)	469	(2,337)
Profit before income tax		8,936	5,516	8,253	3,962
Income tax expense	5	(2,756)	(1,840)	(1,922)	(1,156)
Profit after tax from continuing operations		6,180	3,676	6,331	2,806
Profit/(Loss) after tax from discontinued operations	29	(17)	(98)	-	-
Profit for the year		6,163	3,578	6,331	2,806
Comprising:					
Profit attributable to shareholders of the Company		6,162	3,577	6,331	2,806
Profit attributable to non-controlling interests		1	1	-	-

For the year ended 30 September	Note	Consolidated 2021	Consolidated 2020
Earnings per ordinary share (cents) including discontinued operations			
Basic	7	217.1	126.4
Diluted	7	204.9	118.0
Earnings per ordinary share (cents) from continuing operations			
Basic	7	217.7	129.8
Diluted	7	205.4	121.1
Dividend per ordinary share (cents)	6	142	60

1. Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of $19,054 million (2020: $23,787 million) in the Group and $14,363 million (2020: $18,073 million) in the Company.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated		The Company	
For the year ended 30 September	2021 $m	2020 $m	2021 $m	2020 $m
Profit for the year from continuing operations	6,180	3,676	6,331	2,806
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Investment securities - equity securities at FVOCI	80	(157)	67	(151)
Other reserve movements	(41)	13	(95)	23
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve[1]	456	(550)	(14)	(109)
Other reserve movements	(1,052)	712	(1,003)	587
Income tax attributable to the above items	301	(180)	303	(149)
Share of associates' other comprehensive income[2]	(48)	51	-	-
Other comprehensive income after tax from continuing operations	(304)	(111)	(742)	201
Profit/(Loss) after tax from discontinued operations	(17)	(98)	-	-
Other comprehensive income after tax from discontinued operations	-	-	-	-
Total comprehensive income for the year	5,859	3,467	5,589	3,007
Comprising total comprehensive income attributable to:				
Shareholders of the Company	5,858	3,467	5,589	3,007
Non-controlling interests	1	-	-	-

1. Includes foreign currency translation differences attributable to non-controlling interests of nil (2020: $1 million loss) in the Group.
2. Share of associates' other comprehensive income includes a FVOCI reserve loss of $42 million (2020: $48 million gain), defined benefits loss of $5 million (2020: $3 million gain), cash flow hedge reserve gain of $1 million (2020: $1 million loss) and a foreign currency translation reserve loss of $2 million (2020: $1 million gain) that may be reclassified subsequently to profit or loss in the Group.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

BALANCE SHEETS

As at 30 September	Note	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Assets					
Cash and cash equivalents	9	151,260	107,923	141,436	98,083
Settlement balances owed to ANZ		7,530	7,541	7,183	7,116
Collateral paid[1]		9,166	14,308	8,343	13,012
Trading securities	10	44,688	50,913	34,752	38,423
Derivative financial instruments[1]	11	38,736	135,331	38,292	130,552
Investment securities	12	83,126	93,391	67,940	80,284
Net loans and advances	13	629,719	617,093	488,487	488,002
Regulatory deposits		671	801	213	199
Due from controlled entities		-	-	23,530	24,017
Shares in controlled entities	25	-	-	15,693	15,022
Investments in associates	26	1,972	2,164	20	20
Current tax assets		57	161	55	155
Deferred tax assets		2,339	2,124	1,887	1,744
Goodwill and other intangible assets	21	4,124	4,379	1,017	1,097
Premises and equipment		2,734	3,013	2,415	2,643
Other assets		2,735	3,144	1,909	2,072
Total assets		978,857	1,042,286	833,172	902,441
Liabilities					
Settlement balances owed by ANZ		17,427	22,241	14,922	19,556
Collateral received[1]		5,657	9,304	5,148	8,074
Deposits and other borrowings	15	743,056	682,333	606,723	558,136
Derivative financial instruments[1]	11	36,035	134,711	37,005	131,230
Due to controlled entities		-	-	23,079	24,295
Current tax liabilities		419	349	193	81
Deferred tax liabilities		70	80	70	79
Payables and other liabilities		8,647	9,128	7,244	8,070
Employee entitlements		602	596	447	441
Other provisions	22	2,214	2,579	1,873	2,157
Debt issuances	16	101,054	119,668	81,088	97,050
Total liabilities		915,181	980,989	777,792	849,169
Net assets		63,676	61,297	55,380	53,272
Shareholders' equity					
Ordinary share capital	23	25,984	26,531	25,907	26,454
Reserves	23	1,228	1,501	341	1,018
Retained earnings	23	36,453	33,255	29,132	25,800
Share capital and reserves attributable to shareholders of the Company	23	63,665	61,287	55,380	53,272
Non-controlling interests	23	11	10	-	-
Total shareholders' equity	23	63,676	61,297	55,380	53,272

1. During 2021, a change was made to the legal arrangements for the settlement of derivative transactions with a central clearing counterparty which resulted in the reduction of derivative financial instrument assets by $55.1 billion, derivative financial instrument liabilities by $55.2 billion and net collateral paid by $0.1 billion.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

CASH FLOW STATEMENTS

For the year ended 30 September	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Profit after income tax	6,163	3,578	6,331	2,806
Adjustments to reconcile to net cash provided by/(used in) operating activities:				
Allowance for expected credit losses	(567)	2,738	(469)	2,337
Impairment of investment in associates	-	815	-	-
Depreciation and amortisation[1]	1,087	1,391	959	1,214
Goodwill impairment	-	77	-	10
(Profit)/Loss on sale of premises and equipment	(11)	(8)	(11)	-
Net derivatives/foreign exchange adjustment[2]	(6,350)	(2,678)	(4,374)	(1,807)
(Gain)/Loss on sale from divestments	238	25	(12)	11
Other non-cash movements	(237)	(80)	(456)	64
Net (increase)/decrease in operating assets:				
Collateral paid	4,995	283	4,484	33
Trading securities	10	(1,803)	(2,778)	1,908
Net loans and advances	(8,259)	(7,119)	(300)	(7,526)
Net intra-group loans and advances	-	-	(1,212)	(393)
Other assets	143	(76)	89	(26)
Net increase/(decrease) in operating liabilities:				
Deposits and other borrowings[3]	48,896	39,873	41,908	28,660
Settlement balances owed by ANZ	(4,928)	11,476	(4,671)	10,286
Collateral received	(3,466)	1,739	(2,728)	1,426
Other liabilities[2]	6,108	(9,949)	5,579	(9,489)
Total adjustments	37,659	36,704	36,008	26,708
Net cash (used in)/provided by operating activities[4]	43,822	40,282	42,339	29,514
Cash flows from investing activities				
Investment securities assets:				
Purchases	(52,639)	(40,029)	(23,040)	(33,731)
Proceeds from sale or maturity	63,445	28,642	35,493	25,346
Proceeds from divestments, net of cash disposed	13	1,309	-	688
Repayment of IOOF secured notes	-	(800)	-	(800)
Net movement in shares in controlled entities	-	-	(175)	(75)
Net investments in other assets	(561)	(587)	(650)	(567)
Net cash (used in)/provided by investing activities	10,258	(11,465)	11,628	(9,139)
Cash flows from financing activities				
Deposits and other borrowings drawn down[3]	9,310	12,002	8,091	12,002
Debt issuances:[5]				
Issue proceeds	12,624	12,260	9,517	10,064
Redemptions	(27,709)	(21,430)	(23,104)	(17,179)
Dividends paid[6]	(2,834)	(2,861)	(2,834)	(2,861)
On market purchase of treasury shares	(79)	(122)	(79)	(122)
Repayment of lease liabilities	(330)	(281)	(288)	(267)
Share buyback	(654)	-	(654)	-
Net cash (used in)/provided by financing activities	(9,672)	(432)	(9,351)	1,637
Net (decrease)/increase in cash and cash equivalents	44,408	28,385	44,616	22,012
Cash and cash equivalents at beginning of year	107,923	81,621	98,083	77,949
Effects of exchange rate changes on cash and cash equivalents	(1,071)	(2,083)	(1,263)	(1,878)
Cash and cash equivalents at end of year	151,260	107,923	141,436	98,083

1. 2020 includes accelerated amortisation of $197 million for the Group and $184 million for the Company following the Group's change in the application of its software amortisation policy in 2020.
2. Certain non-cash adjustments were reclassified from Other liabilities to Net derivatives/foreign exchange adjustment within Net cash (used in)/ provided by operating activities to better reflect the nature of the item. Comparatives have been restated (2020 Group and Company reduction to net derivative foreign exchange adjustment: $368 million).
3. Funding in relation to TFF has been reclassified from operating activities to financing activities. Comparatives have been restated (2020 Group: $12,002 million; 2020 Company: $12,002 million).
4. Net cash (used in)/provided by operating activities for the Group includes interest received of $19,649 million (2020: $24,791 million), interest paid of $5,793 million (2020: $11,156 million) and income taxes paid of $2,427 million (2020: $2,348 million). Net cash (used in)/provided by operating activities for the Company includes interest received of $15,435 million (2020: $19,657 million), interest paid of $5,117 million (2020: $9,577 million) and income taxes paid of $1,541 million (2020: $1,596 million).
5. Non-cash changes in debt issuances includes fair value hedging gain of $1,488 million (2020: $1,127 million loss) and foreign exchange gains of $1,525 million (2020: $1,623 million gain) for the Group, and fair value hedging gain of $1,114 million (2020: $532 million loss) and foreign exchange gains of $1,262 million (2020: $858 million loss) for the Company.
6. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated	Ordinary share capital $m	Reserves $m	Retained earnings $m	Share capital and reserves attributable to shareholders of the Company $m	Non-controlling interests $m	Total shareholders' equity $m
As at 1 October 2019	26,490	1,629	32,664	60,783	11	60,794
Impact on transition to AASB 16	-	-	(88)	(88)	-	(88)
Profit or loss from continuing operations	-	-	3,675	3,675	1	3,676
Profit or loss from discontinued operations	-	-	(98)	(98)	-	(98)
Other comprehensive income for the year from continuing operations	-	(124)	14	(110)	(1)	(111)
Other comprehensive income for the year from discontinued operations	-	-	-	-	-	-
Total comprehensive income for the year	-	(124)	3,591	3,467	-	3,467
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,922)	(2,922)	-	(2,922)
Dividend Reinvestment Plan	61	-	-	61	-	61
Other equity movements:						
Group employee share acquisition scheme	(20)	-	-	(20)	-	(20)
Other items	-	(4)	10	6	(1)	5
As at 30 September 2020	26,531	1,501	33,255	61,287	10	61,297
Profit or loss from continuing operations	-	-	6,179	6,179	1	6,180
Profit or loss from discontinued operations	-	-	(17)	(17)	-	(17)
Other comprehensive income for the year from continuing operations	-	(264)	(40)	(304)	-	(304)
Other comprehensive income for the year from discontinued operations	-	-	-	-	-	-
Total comprehensive income for the year	-	(264)	6,122	5,858	1	5,859
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,928)	(2,928)	-	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94	-	94
Group share buy-back[2]	(654)	-	-	(654)	-	(654)
Other equity movements:						
Group employee share acquisition scheme	13	-	-	13	-	13
Other items	-	(9)	4	(5)	-	(5)
As at 30 September 2021	25,984	1,228	36,453	63,665	11	63,676

1 4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend); Nil for 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP. On-market share purchases for the DRP in 2021 were $199 million (2020: $185 million).

2 The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Company	Ordinary share capital $m	Reserves $m	Retained earnings $m	Total shareholders' equity $m
As at 1 October 2019	26,413	840	25,961	53,214
Impact on transition to AASB 16	-	-	(72)	(72)
Profit for the year	-	-	2,806	2,806
Other comprehensive income for the year	-	183	18	201
Total comprehensive income for the year	-	183	2,824	3,007
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,922)	(2,922)
Dividend Reinvestment Plan[1]	61	-	-	61
Other equity movements:				-
Group employee share acquisition scheme	(20)	-	-	(20)
Other items	-	(5)	9	4
As at 30 September 2020	26,454	1,018	25,800	53,272
Profit for the year	-	-	6,331	6,331
Other comprehensive income for the year	-	(668)	(74)	(742)
Total comprehensive income for the year	-	(668)	6,257	5,589
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,928)	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94
Group share buy-back[2]	(654)	-	-	(654)
Other equity movements:				
Group employee share acquisition scheme	13	-	-	13
Other items	-	(9)	3	(6)
As at 30 September 2021	25,907	341	29,132	55,380

1. 4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend); Nil for 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP. On-market share purchases for the DRP in 2021 were $199 million (2020: $185 million).
2. The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

The notes appearing on pages 120 to 243 form an integral part of these financial statements.

Notes to the financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited ('the Company') and its controlled entities (together, 'the Group' or 'ANZ') for the year ended 30 September 2021. The Company is incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 32 markets.

On 27 October 2021, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged item;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities classified as held for sale (except those at carrying value).

In accordance with AASB 119 *Employee Benefits* (AASB 119) we have measured defined benefit obligations using the Projected Unit Credit Method.

DISCONTINUED OPERATIONS

The sale of Wealth Australia business to IOOF Holdings Limited (IOOF) and Zurich Financial Services Australia (Zurich) completed across 2020 and 2019. The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Company the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income, translation differences are included in other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group Financial Statements using the following method:

Foreign currency item	Exchange rate used
Assets and liabilities	The reporting date rate
Equity	The initial investment date rate
Income and expenses	The average rate for the period – but if for a significant transaction we believe the average rate is not reasonable, then we use the rate at the date of the transaction

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its ongoing effects on the global economy has continued to impact our customers, operations and Group performance. Governments have responded at unprecedented levels to protect the health of the population, local economies and livelihoods. The course of the pandemic and vaccination levels has varied across the globe and government responses have differed in their extent and timing. Economies are reopening at different rates whilst the risk of subsequent waves of infection remain. Thus there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers in the ongoing management of the virus;
- the impact and expected response of the economy (and forecasts of key economic factors including GDP, employment and house prices). This includes the response of capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts; and
- the efficacy of vaccines against variants of the virus, and the effectiveness of government and central bank measures to support businesses and consumers through this disruption.

The Group has made various accounting estimates in this Financial Report based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR) have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. Uncertainty surrounding the integrity of IBOR rates has led to regulators and industry to transition away from IBOR to alternative risk-free benchmark reference rates (RFRs).

As had been anticipated, in March 2021 the UK Financial Conduct Authority (FCA) announced the dates on which IBORs will cease, after which representative IBOR rates will no longer be available. The cessation of the majority of IBOR rates will occur on 31 December 2021, notably for the Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY) settings in their entirety, and the US Dollar (USD) 1-week and 2-month LIBOR settings. The Group has ceased issuing new products referencing these rates. Other USD LIBOR settings will cease by 30 June 2023.

The Group has exposure to IBORs through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities.

Other significant interest rate benchmarks applicable to the Group's banking activities with customers and our own risk management activities include the Euro Interbank Offered Rate (Euribor), the AUD Bank Bill Swap Rate (BBSW) and the NZ Bank Bill Market (BKBM). These are not impacted by IBOR reform and these benchmark rates are expected to remain for the foreseeable future.

Group approach to interest rate benchmark reform

The development of new RFR products and the migration of the Group's existing contracts that reference IBORs to RFRs exposes the Group to financial, compliance, legal and operational risks. The Group is managing the transition to RFRs and these risks through an enterprise-wide Benchmark Transition Program (the Program), which is overseen by a formal Steering Committee of senior executives. The Program provides regular updates to the Group Executive and Board Audit & Board Risk committees.

The IBOR reforms have a wide-ranging impact for the Group and our customers given the fundamental differences between IBORs and RFRs. RFRs are available both as backward-looking in arrears rates and, for some currencies, as forward-looking term rates. The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate, transition on an economically comparable basis.

The Program includes the identification of impacted IBOR contracts across the Group, actions necessary to develop product capability and transition existing contracts to RFRs. This includes the assessment and mitigation of financial, legal and conduct risks arising from changes to pricing and valuation (largely interest rate risk), compliance risks arising from any potential non-compliance with relevant regulatory requirements, legal risks arising from changes to customer contracts, and operational risks including changes to IT systems, controls and reporting infrastructure. In undertaking these changes, the Group is actively engaging with various regulatory bodies across a number of countries in which the Group operates in respect of our IBOR transition readiness. From an industry perspective, the Group is also actively participating in, and contributing to, different RFR Working Groups, industry associations and business forums focusing on different aspects of interest rate benchmark reform.

To date, the Group has successfully transitioned a significant number of loan transactions that previously referenced an IBOR benchmark, to referencing an RFR benchmark rate. The Group has also commenced transitioning existing IBOR derivative trades to reference RFR benchmark rates. The Group continues to extend and deliver its RFR product suite and pricing options to be able support our customers in line with regulatory best practice guidelines.

The Program also includes the management of the impact on customers. The Group is well-progressed in ensuring all customer transition plans are finalised ahead of IBOR cessation dates, with the significant majority of our derivative counterparties with exposures referencing IBORs agreeing to amend existing contracts by adhering to the industry developed ISDA 2020 IBOR Fallbacks Protocol (ISDA Protocol) to facilitate a standardised and orderly transition to RFRs. The Group has also adhered to the ISDA Protocol.

In relation to our loan and transaction banking customers, the Group has commenced a proactive outreach program to ensure an orderly and well-managed migration to RFRs. Given that USD LIBOR will continue to be published for the most widely used settings until 30 June 2023, the Program is focussing on customer engagement with those customers whose arrangements reference IBORs ceasing on 31 December 2021.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Changes to accounting standards

In 2018, given the uncertainty with regards to the longer term viability of IBORs, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications of the reforms, given the significant potential consequences for financial instrument accounting.

In October 2019, the Australian Accounting Standards Board (AASB) issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 1*, which amended certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Group elected to early adopt the amendments from 1 October 2019, which have not had a significant impact on the Group.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* (the Standard), which the Group early adopted from 1 April 2021. This Standard addresses issues that may affect the Group at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The Standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost: IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Group. The Standard provides a practical expedient to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This applies only when the change is a direct consequence of IBOR reform, and the new basis for determining the contractual cash flows is economically comparable to the previous basis;
- Additional relief for hedging relationships: the Standard also amends a number of existing hedge accounting requirements such that the Group will not have to discontinue any hedge accounting relationships solely because of changes made because of the reform if all other hedge accounting criteria are met; and
- Additional disclosure requirements: the Standard amended AASB 7 *Financial Instruments: Disclosures* which requires additional qualitative and quantitative disclosures in relation to the impact of IBOR reforms on the Group. These disclosures are contained within this note.

Financial Impacts of IBOR reform

The following sets out the Group's impact assessment in relation to IBOR reforms as at 30 September 2021:

i) Impact for the year ended 30 September 2021

For the year ended 30 September 2021, the net impact of the IBOR reforms recognised in the Group's net profit after tax is not material. The impacts recognised in the current year include:

a) changes in the fair values of certain derivative financial instruments for which it is known at balance sheet date – as a result of regulatory pronouncements confirming IBOR cessation – that the fair valuation will incorporate a change to an RFR at a future date; and

b) revenue from a small number of customers in the Institutional division who have transitioned to loan and derivative contracts referencing an RFR by 30 September.

ii) Exposures subject to benchmark reform as at 30 September 2021

The table below shows the Group's exposure to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

	Financial Instruments yet to transition to RFRs			
	USD Libor	JPY Libor	GBP Libor	Others[1]
As at 30 September 2021	$m	$m	$m	$m
Loan and advances[2]	12,744	635	508	465
Non-derivative financial assets[2]	3,115	-	1,655	78
Non-derivative financial liabilities[3]	614	-	-	55
Derivative asset (notional value)[4]	515,816	58,264	21,916	16,096
Derivative liability (notional value)[4]	486,716	83,039	21,524	14,855
Loan commitments[2,5]	26,982	4	762	3,695

1. Comprises financial instruments referencing other significant benchmark rates subject to cessation yet to transition to alternative benchmarks.
2. Excludes Expected Credit Losses (ECL).
3. Comprises floating rate debt issuances by the Group.
4. For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Group discloses the Australian dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Group discloses the notional amount of the receive leg.
5. For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the base currency of the facility. In the event the base currency interest rate is not subject to cessation, but can be drawn in a currency subject to cessation, the allocation is based on most likely currency of drawdown.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

iii) Hedge accounting exposures subject to IBOR reform

The Group has hedge-accounted relationships referencing IBORs, with the most significant being USD LIBOR, primarily due to fixed rate investment securities and the Group's fixed rate debt issuances denominated in USD that are designated in fair value hedge accounting relationships.

The table below details the carrying values of the Group's USD exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform. The nominal value of the associated hedging instruments is also included:

	As at 30 September 2021
Hedged items	$m
Investment securities at FVOCI	13,096
Net loans and advances	236
Deposits and other borrowings	577
Debt issuances	24,249

Hedging instruments	Notional designated up to 30 June 2023 $m	Notional designated beyond 30 June 2023 $m	Total notional amount $m
Fair value hedges	13,335	23,043	36,379
Cash flow hedges	458	258	716

As at 30 September 2021, the Group also has GBP, CHF and JPY exposures designated in hedge accounting relationships of $1,510 million, $940 million and $1,853 million respectively subject to IBOR reform.

Other hedge accounting relationships referencing the Euro Interbank Offered Rate (Euribor), the AUD Bank Bill Swap Rate (BBSW) and the NZ Bank Bill Market (BKBM) are not impacted by IBOR reform as these benchmark rates are expected to remain for the foreseeable future.

iv) Future Developments

As the most widely referenced USD LIBOR benchmark tenors will continue to be published up to 30 June 2023, the Group's transition program supporting our customers and the Group's own risk management activities will continue beyond 2021.

REVISED CONCEPTUAL FRAMEWORK

On 1 October 2020, the Group adopted the revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The adoption of the revised conceptual framework did not have a material impact on the Group.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2021, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 *Financial Instruments* (AASB 9) introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have a material impact on the Group.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED (continued)

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends AASB 112 Income Taxes and clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may include transactions such as leases and decommissioning or restoration obligations. This amendment is effective for the Group from 1 October 2023 and is not expected to have a significant impact.

CHANGE IN ACCOUNTING POLICY

INTRAGROUP TRANSACTIONS WITH CONSOLIDATED SECURITISATION ENTITIES

During the year, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all the instruments issued by the SE. The Company will no longer separately record a liability to pass the cash flows from the underlying loans to the SE and an asset in the form of notes issued by the SE which entitle the Company to those same cash flows. Rather the transactions will be considered together with the Company recording a net nil position with the SE in order to better reflect the economic substance of the intragroup transactions that are fully offsetting. Comparatives have been restated in the financial statements of the Company. There has been no change to the Group because the relevant securitisation SEs are fully consolidated and the intra-group transactions eliminated. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details of this change.

2. NET INTEREST INCOME

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Net interest income				
Interest income by type of financial asset				
Financial assets at amortised cost[1]	18,188	22,625	13,767	17,190
Investment securities at FVOCI	866	1,162	596	883
Trading securities	446	584	325	429
Financial assets designated at FV through profit or loss[1]	29	55	124	159
External interest income	19,529	24,426	14,812	18,661
Controlled entities income[2]	-	-	535	701
Interest income	19,529	24,426	15,347	19,362
Interest expense by type of financial liability				
Financial liabilities at amortised cost[1]	(4,830)	(9,751)	(3,681)	(7,477)
Securities sold short	(91)	(95)	(82)	(91)
Financial liabilities designated at FV through profit or loss[1]	(101)	(125)	(158)	(190)
External interest expense	(5,022)	(9,971)	(3,921)	(7,758)
Controlled entities expense[2]	-	-	(555)	(762)
Interest expense	(5,022)	(9,971)	(4,476)	(8,520)
Major bank levy	(346)	(406)	(346)	(406)
Net interest income[3]	14,161	14,049	10,525	10,436

1. Prior year comparative balances have been restated to align with the classification of the underlying financial asset or liability. The reclassification does not change the reported total interest income or interest expense in the prior year. Prior period comparatives were restated to reclassify interest income from Financial assets at amortised cost to Financial assets at FV through profit and loss (2020: $50 million for the Group and $159 million for the Company) and interest expense from Financial liabilities at amortised cost to Financial liabilities at FV through profit and loss (2020: $32 million for the Group and $125 million for the Company).
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Interest income from Controlled Entities by $2,377 million and Interest expense from Controlled Entities by $2,929 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Includes charges for customer remediation of $86 million (2020: $106 million) for the Group and $82 million (2020: $97 million) for the Company.

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value through profit or loss. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 ('Levy' or 'Major bank levy') applies a rate of 0.06% to certain liabilities of the Company. The Group has determined that the levy represents a finance cost for the Group and the Company and it is presented as interest expense in the Income Statement.

3. NON-INTEREST INCOME

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Non-interest income				
Fee and commission income				
Lending fees[1]	474	579	436	532
Non-lending fees	2,552	2,687	1,961	2,087
Commissions	97	121	65	67
Funds management income	287	275	5	34
External fee and commission income	3,410	3,662	2,467	2,720
Controlled entities[2]	-	-	235	303
Fee and commission income	3,410	3,662	2,702	3,023
Fee and commission expense	(1,267)	(1,337)	(836)	(999)
Net fee and commission income	2,143	2,325	1,866	2,024
Other income				
Net foreign exchange earnings and other financial instruments income[3]	1,371	1,809	1,064	1,443
Impairment of AmBank	-	(595)	-	-
Impairment of PT Panin	-	(220)	-	-
Disposal of ANZ Share Investing[4]	(251)	-	12	-
Sale of New Zealand legacy insurance portfolio	13	-	-	-
Sale of UDC	-	(7)	-	-
Dividend income on equity securities	1	26	1	26
Dividends received from controlled entities	-	-	1,845	195
Other	48	17	66	(36)
Other income	1,182	1,030	2,988	1,628
Other operating income	3,325	3,355	4,854	3,652
Net income from insurance business	110	78	-	-
Share of associates' profit/(loss)[5]	(176)	155	(1)	(1)
Non-interest income[6]	3,259	3,588	4,853	3,651

1. Lending fees exclude fees treated as part of the effective yield calculation in interest income.
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Other operating income from Controlled Entities by $552 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
4. CMC Markets has provided a share trading solution under the ANZ Share Investing brand since 2018. During the year ANZ reached agreement to transition customers from the ANZ Share Investing branded platform to a CMC Markets-branded platform.
5. Includes ANZ's share of litigation settlement provisions ($212 million) and goodwill impairment ($135 million) recorded by the Group in 2021.
6. Includes charges for customer remediation of $56 million (2020: $68 million) for the Group and $84 million (2020: $189 million) for the Company.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on other ANZ products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission it retains as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in Other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

When a non-financial asset or group of assets is classified as held for sale, the difference between the carrying value immediately prior to reclassification and the fair value less costs to sell is recognised in Other operating income to align with the classification of gain or loss on sale that would have applied if the sale had completed during the year.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT/(LOSS)

The equity method is applied to accounting for associates. Under the equity method, our share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

4. OPERATING EXPENSES

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Personnel				
Salaries and related costs	4,425	4,310	3,241	3,147
Superannuation costs	337	329	281	277
Other	184	239	110	142
Personnel[1]	4,946	4,878	3,632	3,566
Premises				
Rent	85	84	62	58
Depreciation	446	517	371	427
Other	174	188	131	139
Premises	705	789	564	624
Technology				
Depreciation and amortisation[2,3]	638	858	585	786
Subscription licences and outsourced services	786	780	587	586
Other	164	186	170	189
Technology[1]	1,588	1,824	1,342	1,561
Restructuring	127	161	77	127
Other				
Advertising and public relations	178	177	134	136
Professional fees	769	667	714	614
Freight, stationery, postage and communication	185	205	141	166
Other[3]	553	682	990	994
Other[1]	1,685	1,731	1,979	1,910
Operating expenses[1]	9,051	9,383	7,594	7,788

1. Includes customer remediation expenses of $185 million (2020: $209 million) for the Group and $148 million (2020: $146 million) for the Company allocated across Personnel, Technology and Other expenses.
2. 2020 includes accelerated amortisation of $197 million for the Group and $184 million for the Company following the Group's change in the application of its software amortisation policy in 2020.
3. Includes litigation settlement expenses of $69 million in 2021 for the Group and $69 million for the Company in 2021 and goodwill write-off of $77 million for the Group and $10 million for the Company in 2020.

4. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

5. INCOME TAX

INCOME TAX EXPENSE

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

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Profit before income tax from continuing operations	8,936	5,516	8,253	3,962
Prima facie income tax expense at 30%	2,681	1,655	2,476	1,189
Tax effect of permanent differences:				
Gains or losses on sale from divestments	(4)	2	-	-
Impairment of investment in AmBank and PT Panin	-	245	-	-
Share of associates' (profit)/loss	53	(47)	-	-
Disposal of ANZ Share Investing	75	-	(4)	-
Interest on convertible instruments	44	52	44	52
Overseas tax rate differential	(88)	(86)	(33)	(31)
Provision for foreign tax on dividend repatriation	37	20	33	18
Rebatable and non-assessable dividends	-	-	(554)	(58)
Wealth Australia divestment adjustments	-	-	-	8
Other	(26)	25	(23)	(2)
Subtotal	2,772	1,866	1,939	1,176
Income tax (over)/under provided in previous years	(16)	(26)	(17)	(20)
Income tax expense	2,756	1,840	1,922	1,156
Current tax expense	2,616	2,637	1,743	1,689
Adjustments recognised in the current year in relation to the current tax of prior years	(16)	(26)	(17)	(20)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	156	(771)	196	(513)
Income tax expense	2,756	1,840	1,922	1,156
Australia	1,897	1,115	1,806	1,028
Overseas	859	725	116	128
Effective tax rate	30.8%	33.4%	23.3%	29.2%

5. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences of the members of the tax-consolidated group. The Company (as head entity in the tax-consolidated group) recognises current tax liabilities and assets of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax-consolidated group.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $6 million (2020: $10 million) for the Group and $2 million (2020: $5 million) for the Company.

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $344 million (2020: $329 million) for the Group and $15 million (2020: $14 million) for the Company.

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2020			
2019 final dividend paid[1,2]		80 cents	2,268
2020 interim dividend paid[1,3]		25 cents	709
Bonus option plan adjustment			(55)
Dividends paid during the year ended 30 September 2020			2,922
Cash	91.6%		2,676
Dividend reinvestment plan[4]	8.4%		246
Dividends paid during the year ended 30 September 2020			2,922
Financial Year 2021			
2020 final dividend paid[1,3]		35 cents	994
2021 interim dividend paid[1,3]		70 cents	1,992
Bonus option plan adjustment			(58)
Dividends paid during the year ended 30 September 2021			2,928
Cash	90.0%		2,635
Dividend reinvestment plan[4]	10.0%		293
Dividends paid during the year ended 30 September 2021			2,928

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2021 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 8 cents per share)	16 December 2021	72 cents	2,030

1. Carries New Zealand imputation credits of NZD 8 cents for the 2021 interim dividend, NZD 4 cents for the 2020 final dividend, NZD 3 cents for the 2020 interim dividend, and NZD 9 cents for the 2019 final dividend.
2. Partially franked at 70% for Australian tax purposes (30% tax rate).
3. Fully franked for Australian tax purposes (30% tax rate).
4. Includes on-market share purchases for the Dividend Reinvestment Plan of $199 million (2020: $185 million).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2021 final dividend, DRP participation will be satisfied by an on-market purchase, and BOP participation will be satisfied by an issue, of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

See Note 23 Shareholders' Equity for details of shares the Company purchased or issued in respect of the DRP and BOP.

6. DIVIDENDS (continued)

DIVIDEND FRANKING ACCOUNT

	Currency	2021 $m	2020 $m
Australian franking credits available at 30% tax rate	AUD	772	477
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	5,020	4,583

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed final 2021 dividend will utilise the entire balance of $772 million franking credits available at 30 September 2021. Instalment tax payments on account of the 2021 financial year, which will be made after 30 September 2021, will generate sufficient franking credits to enable the final 2021 dividend to be fully franked. The extent to which future dividends will be franked will depend on a number of factors, including the level of profits generated by the Group that will be subject to tax in Australia.

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares if:

- the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

In response to the uncertain impacts of COVID-19, in July 2020 APRA provided guidance on capital management, including its expectations in relation to limits on the amount of dividends to be paid out of that year's earnings. The Company's 2020 interim dividend of 25 cents per share (paid to shareholders on 30 September 2020) and 2020 final dividend of 35 cents per share (paid to shareholders on 16 December 2020) took into account this guidance.

Following an improvement in the economic outlook and stability in financial markets, APRA updated their guidance in December 2020, whereby from the 2021 calendar year, APRA will no longer hold ADIs to a minimum level of earnings retention but emphasised the requirement for ADIs to maintain vigilance and careful planning in capital management, including conducting regular stress testing and assurance on the capacity to continue to lend. APRA also stated that the onus will be on Boards to consider carefully the sustainable rate for dividends, taking into account the outlook for profitability, capital and economic environment.

7. EARNINGS PER ORDINARY SHARE

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

Earnings per ordinary share (EPS) - Basic	2021 cents	2020 cents
Earnings Per Share	217.1	126.4
Earnings Per Share from continuing operations	217.7	129.8
Earnings Per Share from discontinued operations	(0.6)	(3.4)

Earnings per ordinary share (EPS) - Diluted	2021 cents	2020 cents
Earnings Per Share	204.9	118.0
Earnings Per Share from continuing operations	205.4	121.1
Earnings Per Share from discontinued operations	(0.5)	(3.1)

Reconciliation of earnings used in earnings per share calculations	2021 $m	2020 $m
Basic:		
Profit for the year	6,163	3,578
Less: Profit attributable to non-controlling interests	1	1
Earnings used in calculating basic earnings per share	6,162	3,577
Less: Profit/(Loss) after tax from discontinued operations	(17)	(98)
Earnings used in calculating basic earnings per share from continuing operations	6,179	3,675
Diluted:		
Earnings used in calculating basic earnings per share	6,162	3,577
Add: Interest on convertible subordinated debt	187	201
Earnings used in calculating diluted earnings per share	6,349	3,778
Less: Profit/(Loss) after tax from discontinued operations	(17)	(98)
Earnings used in calculating diluted earnings per share from continuing operations	6,366	3,876

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1]	2021 millions	2020 millions
WANOS used in calculating basic earnings per share	2,838.6	2,830.9
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	250.3	362.2
Share based payments (options, rights and deferred shares)	9.9	8.0
WANOS used in calculating diluted earnings per share	3,098.8	3,201.1

1. Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST Pty Ltd of 4.6 million (2020: 5.0 million).

8. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Group's five continuing operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the 'Other Items' section of this note. Transactions between business units across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail and Commercial

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

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

Institutional

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

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

New Zealand

The New Zealand division comprises the following business units:

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

Pacific

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

Technology, Services & Operations (TSO) and Group Centre

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

Refer to Note 29 Discontinued Operations and Assets and Liabilities Held for Sale for further details.

OPERATING SEGMENTS

There have been no material structural changes during the year which have impacted the presentation of the Group's operating segments in 2021. As such, the presentation of the divisional results remains consistent with the prior period.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2021	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,989	3,105	2,870	96	101	-	14,161
Net fee and commission income							
- Lending fees	216	241	10	7	-	-	474
- Non-lending fees	1,268	683	585	20	(4)	-	2,552
- Commissions	64	1	32	-	-	-	97
- Funds management income	32	1	254	-	-	-	287
- Fee and commission expense	(560)	(274)	(430)	(2)	(1)	-	(1,267)
Net income from insurance business	110	-	-	-	-	-	110
Other income	(242)	1,227	18	40	166	(27)	1,182
Share of associates' profit/(loss)	1	(1)	-	-	(176)	-	(176)
Other operating income	889	1,878	469	65	(15)	(27)	3,259
Operating income	8,878	4,983	3,339	161	86	(27)	17,420
Operating expenses	(4,024)	(2,447)	(1,325)	(144)	(1,111)	-	(9,051)
Profit before credit impairment and income tax	4,854	2,536	2,014	17	(1,025)	(27)	8,369
Credit impairment (charge)/release	426	89	76	(21)	(3)	-	567
Profit before income tax	5,280	2,625	2,090	(4)	(1,028)	(27)	8,936
Income tax expense and non-controlling interests	(1,663)	(738)	(582)	1	217	8	(2,757)
Profit after tax from continuing operations	3,617	1,887	1,508	(3)	(811)	(19)	6,179
Profit/(Loss) after tax from discontinued operations							(17)
Profit after tax attributable to shareholders							6,162
Includes non-cash items:							
Share of associates' profit/(loss)	1	(1)	-	-	(176)	-	(176)
Goodwill write-off[2]	(251)	-	-	-	-	-	(251)
Impairment of associates	-	-	-	-	-	-	-
Depreciation and amortisation	(108)	(115)	(117)	(11)	(739)	-	(1,090)
Equity-settled share based payment expenses	(4)	(63)	(6)	(1)	(17)	-	(91)
Credit impairment (charge)/release	426	89	76	(21)	(3)	-	567

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill[2]	140	1,100	1,849	-	-	-	3,089
Investments in associates	17	4	-	-	1,951	-	1,972

1. Cash profit represents our preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 140 if we consider them not integral to the ongoing performance of the segment.
2. During 2021, the Group wrote off $251 million of goodwill upon the reclassification of ANZ Share Investing to held for sale with the remaining $13 million derecognised on completion of the disposal.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2020	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,916	3,182	2,731	109	111	-	14,049
Net fee and commission income							
- Lending fees	267	288	14	10	-	-	579
- Non-lending fees	1,310	776	586	29	(14)	-	2,687
- Commissions	67	-	54	-	-	-	121
- Funds management income	30	2	243	-	-	-	275
- Fee and commission expense	(588)	(308)	(436)	(5)	-	-	(1,337)
Net income from insurance business	77	-	-	-	1	-	78
Other income	(1)	1,891	12	50	(807)	(115)	1,030
Share of associates' profit/(loss)	(1)	-	-	-	156	-	155
Other operating income	1,161	2,649	473	84	(664)	(115)	3,588
Operating income	9,077	5,831	3,204	193	(553)	(115)	17,637
Operating expenses	(4,091)	(2,558)	(1,435)	(205)	(1,094)	-	(9,383)
Profit before credit impairment and income tax	4,986	3,273	1,769	(12)	(1,647)	(115)	8,254
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)
Profit before income tax	3,339	2,579	1,424	(64)	(1,647)	(115)	5,516
Income tax expense and non-controlling interests	(1,002)	(725)	(407)	2	259	32	(1,841)
Profit after tax from continuing operations	2,337	1,854	1,017	(62)	(1,388)	(83)	3,675
Profit/(Loss) after tax from discontinued operations							(98)
Profit after tax attributable to shareholders							3,577
Includes non-cash items:							
Share of associates' profit/(loss)	(1)	-	-	-	156	-	155
Goodwill impairment	-	-	(27)	(50)	-	-	(77)
Impairment of associates[2]	-	-	-	-	(815)	-	(815)
Depreciation and amortisation[3]	(197)	(188)	(103)	(11)	(892)	-	(1,391)
Equity-settled share based payment expenses	(7)	(70)	(7)	(1)	(25)	-	(110)
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill	403	1,068	1,793	-	-	-	3,264
Investments in associates[2]	17	4	-	-	2,143	-	2,164

1. Cash profit represents our preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 140 if we consider them not integral to the ongoing performance of the segment.
2. Includes $815 million impairment after tax in respect of two of the Group's equity accounted investments. AmBank was impaired by $595 million and PT Panin was impaired by $220 million. Refer to Note 26 Investments in Associates for further details.
3. Includes accelerated amortisation of $197 million following the Group's change in the application of its software amortisation policy in 2020 (Australia Retail and Commercial $31 million, Institutional $38 million, New Zealand $2 million, TSO and Group Centre $126 million). Refer to Note 21 Goodwill and Other Intangible Assets for further details.

8. SEGMENT REPORTING (continued)

OTHER ITEMS

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Profit after tax	
Item	Related segment	2021 $m	2020 $m
Economic hedges	Institutional, New Zealand, TSO and Group Centre	77	(121)
Revenue and expense hedges	TSO and Group Centre	(96)	36
Structured credit intermediation trades	Institutional	-	2
Total from continuing operations		(19)	(83)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are interest income and other operating income. The Australia Retail and Commercial, New Zealand, and Pacific divisions derive income from products and services from retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

The reportable segments operate across three geographical regions as follows:

- Australia Retail and Commercial division - Australia
- Institutional division - all three geographical regions
- New Zealand division - New Zealand
- Pacific division - International
- TSO and Group Centre division - all three geographical regions
- Discontinued operations - Australia

The International region includes Asia, Pacific, Europe and Americas.

	Australia		International		New Zealand		Total	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Total operating income[1]	11,822	11,838	1,778	1,975	3,892	3,773	17,492	17,586
Assets to be recovered in more than one year[2]	362,588	362,846	28,213	27,632	112,966	100,377	503,767	490,855

1. Includes operating income earned from Discontinued operations of $72 million (2020: -$51 million).
2. Based on the contractual maturity of net loans and advances.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

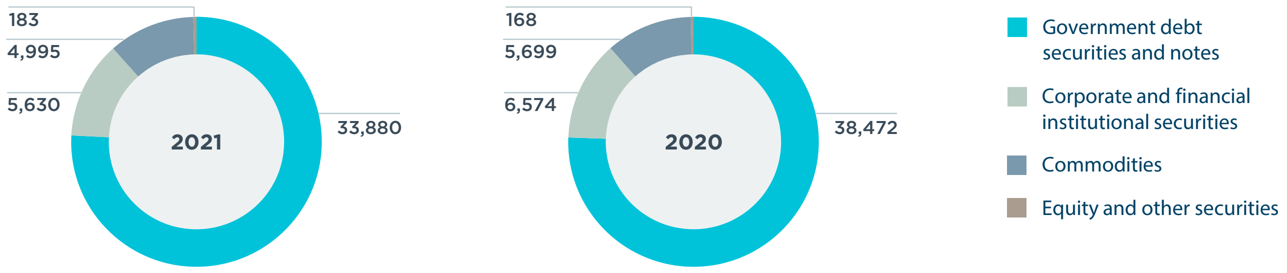
A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

9. CASH AND CASH EQUIVALENTS

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Coins, notes and cash at bank	1,127	1,514	721	1,084
Securities purchased under agreements to resell in less than 3 months	17,571	35,603	16,465	34,501
Balances with central banks	107,915	46,091	101,400	39,362
Settlement balances owed to ANZ within 3 months	24,647	24,715	22,850	23,136
Cash and cash equivalents	151,260	107,923	141,436	98,083

10. TRADING SECURITIES



	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Government debt securities and notes	33,880	38,472	26,119	27,917
Corporate and financial institution securities	5,630	6,574	3,493	4,873
Commodities	4,995	5,699	4,957	5,464
Equity and other securities	183	168	183	169
Total	44,688	50,913	34,752	38,423

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in the profit and loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Derivative financial instruments - held for trading	38,080	(35,833)	130,097	(130,227)
Derivative financial instruments - designated in hedging relationships	656	(202)	5,234	(4,484)
Derivative financial instruments	38,736	(36,035)	135,331	(134,711)

The Company Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Derivative financial instruments - held for trading	37,700	(36,847)	126,561	(128,028)
Derivative financial instruments - designated in hedging relationships	592	(158)	3,991	(3,202)
Derivative financial instruments	38,292	(37,005)	130,552	(131,230)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Group offers or uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange one series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Risk of default by customers or third parties.

The Group uses a number of central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions, are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

In August 2021, the Group amended the terms of its legal agreements with one of its central clearing counterparties giving effect to this form of legal settlement. As a result of this change, collateral paid and received by the Group under these agreements is no longer separately recognised, instead settling the Group's outstanding derivative exposures and reducing the associated carrying values of the derivative asset and liability balances. The impact of this change as at 30 September 2021 is a reduction in derivative assets of $55.1 billion, derivative liabilities of $55.2 billion, and a reduction in net collateral paid of $0.1 billion.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Consolidated Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Interest rate contracts				
Forward rate agreements	2	(23)	86	(86)
Futures contracts	105	(24)	31	(128)
Swap agreements	10,267	(8,065)	104,814	(101,277)
Options purchased	971	-	1,676	-
Options sold	-	(1,207)	-	(2,609)
Total	11,345	(9,319)	106,607	(104,100)
Foreign exchange contracts				
Spot and forward contracts	13,869	(11,462)	11,815	(11,435)
Swap agreements	11,109	(12,425)	8,703	(12,334)
Options purchased	277	-	372	-
Options sold	-	(577)	-	(502)
Total	25,255	(24,464)	20,890	(24,271)
Commodity and other contracts	1,445	(2,017)	2,577	(1,834)
Credit default swaps				
Structured credit derivatives purchased	-	-	18	-
Other credit derivatives purchased	-	(33)	4	(3)
Credit derivatives purchased	-	(33)	22	(3)
Structured credit derivatives sold	-	-	-	(18)
Other credit derivatives sold	35	-	1	(1)
Credit derivatives sold	35	-	1	(19)
Total	35	(33)	23	(22)
Derivative financial instruments - held for trading[1]	38,080	(35,833)	130,097	(130,227)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company

Fair Value	Assets 2021 $m	Liabilities 2021 $m	Assets 2020 $m	Liabilities 2020 $m
Interest rate contracts				
Forward rate agreements	3	(24)	92	(91)
Futures contracts	87	(19)	23	(124)
Swap agreements	11,598	(10,538)	102,260	(100,765)
Options purchased	969	-	1,673	-
Options sold	-	(1,206)	-	(2,609)
Total	12,657	(11,787)	104,048	(103,589)
Foreign exchange contracts				
Spot and forward contracts	11,840	(9,658)	10,525	(10,105)
Swap agreements	11,463	(12,940)	9,008	(12,002)
Options purchased	267	-	378	-
Options sold	-	(408)	-	(476)
Total	23,570	(23,006)	19,911	(22,583)
Commodity and other contracts	1,422	(2,015)	2,571	(1,834)
Credit default swaps				
Structured credit derivatives purchased	-	-	18	-
Other credit derivatives purchased	-	(39)	4	(3)
Credit derivatives purchased	-	(39)	22	(3)
Structured credit derivatives sold	-	-	-	(18)
Other credit derivatives sold	51	-	9	(1)
Credit derivatives sold	51	-	9	(19)
Total	51	(39)	31	(22)
Derivative financial instruments - held for trading[1]	37,700	(36,847)	126,561	(128,028)

1. Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Group utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Under the policy choice provided by AASB 9 *Financial Instruments*, the Group has continued to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

The fair value of derivative financial instruments designated in hedging relationships are:

	2021			2020		
Consolidated	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	548	-	(13)	558	-	(9)
Interest rate swap agreements	95,384	370	(121)	105,249	2,871	(3,532)
Interest rate futures contracts	8,704	191	(2)	9,380	-	(103)
Cash flow hedges						
Interest rate swap agreements	105,416	27	(20)	97,170	2,233	(769)
Foreign exchange swap agreements	642	22	-	2,943	63	(54)
Foreign exchange spot and forward contracts	153	-	(1)	153	-	-
Net investment hedges						
Foreign exchange spot and forward contracts	1,097	46	(45)	1,269	67	(17)
Derivative financial instruments - designated in hedging relationships	211,944	656	(202)	216,722	5,234	(4,484)

	2021			2020		
The Company	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	548	-	(13)	558	-	(9)
Interest rate swap agreements	68,708	358	(116)	79,416	2,272	(2,773)
Interest rate futures contracts	8,704	191	(2)	9,380	-	(103)
Cash flow hedges						
Interest rate swap agreements	78,852	19	(16)	59,037	1,643	(261)
Foreign exchange swap agreements	642	22	-	2,943	63	(54)
Foreign exchange spot and forward contracts	153	-	(1)	153	-	-
Net investment hedges						
Foreign exchange spot and forward contracts	299	2	(10)	404	13	(2)
Derivative financial instruments - designated in hedging relationships	157,906	592	(158)	151,891	3,991	(3,202)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The maturity profile of the nominal amounts of our hedging instruments held is:

Consolidated Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.26%	2,597	14,328	58,658	28,505	104,088
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.17%	4,593	14,180	84,924	1,719	105,416
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.81 24.18	456	641	-	-	1,097
As at 30 September 2020							
Fair value hedges							
Interest rate	Interest Rate	1.47%	3,548	12,736	69,836	28,509	114,629
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.72%	9,062	30,364	55,549	2,195	97,170
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.29 21.63	591	678	-	-	1,269

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Company

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.37%	2,445	10,884	43,063	21,020	77,412
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.06%	2,125	7,233	67,799	1,695	78,852
Foreign exchange[1]	AUD/USD FX Rate	0.74	38	115	-	642	795
	USD/EUR FX Rate	0.91					
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.81	150	149	-	-	299
As at 30 September 2020							
Fair value hedges							
Interest rate	Interest Rate	1.57%	3,475	7,852	53,250	24,219	88,796
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.65%	4,253	12,692	40,013	2,079	59,037
Foreign exchange[1]	AUD/USD FX Rate	0.72	38	613	1,157	1,288	3,096
	USD/EUR FX Rate	0.91					
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.29	258	146	-	-	404

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

Consolidated	Ineffectiveness			
As at 30 September 2021	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	1,005	(1,006)	(1)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(934)	909	(25)	4
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	61	(61)	-	-
As at 30 September 2020				
Fair value hedges[1]				
Interest rate	372	(358)	14	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	451	(449)	2	10
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	94	(94)	-	(15)

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market.

The Company	Ineffectiveness			
As at 30 September 2021	Change in value of hedging instrument[2] $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	731	(734)	(3)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(797)	772	(25)	(6)
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	(6)	6	-	-
As at 30 September 2020				
Fair value hedges[1]				
Interest rate	166	(154)	12	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	352	(351)	1	(5)
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	16	(16)	-	(15)

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market.

Hedge ineffectiveness recognised is classified within Other operating income. Reclassification adjustments to the Statement of Comprehensive Income are recognised within Net interest income and Other operating income.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Group's fair value hedges are:

Consolidated	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	9	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(53,885)	-	(999)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	53,321	-	(209)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			57,285	(53,885)	(180)	(999)
As at 30 September 2020						
Fixed rate loans and advances	Net loans and advances	Interest rate	7,375	-	52	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(61,355)	-	(2,518)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	55,233	-	2,256	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			63,166	(61,355)	2,337	(2,518)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is $2 million (2020: nil).

The hedged items in relation to the Company's fair value hedges are:

The Company	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	7	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(38,222)	-	(769)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	41,944	-	129	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			45,908	(38,222)	156	(769)
As at 30 September 2020						
Fixed rate loans and advances	Net loans and advances	Interest rate	5,946	-	43	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(44,159)	-	(1,923)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	46,747	-	1,958	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			53,251	(44,159)	2,030	(1,923)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is nil (2020: nil).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The hedged items in relation to the Group's cash flow and net investment hedges are:

		Cash flow hedge reserve		Foreign currency translation reserve	
Consolidated	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	546	20	-	-
Floating rate customer deposits	Interest rate	4	(6)	-	-
Foreign currency debt issuance	Foreign exchange	(4)	(1)	-	-
Foreign currency investment securities	Foreign exchange	-	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(19)	(149)
As at 30 September 2020					
Cash flow hedges					
Floating rate loans and advances	Interest rate	2,013	38	-	-
Floating rate customer deposits	Interest rate	(562)	(18)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(80)	(149)

		Cash flow hedge reserve		Foreign currency translation reserve	
The Company	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	541	11	-	-
Floating rate customer deposits	Interest rate	8	(6)	-	-
Foreign currency debt issuance	Foreign exchange	(4)	(1)	-	-
Foreign currency investment securities	Foreign exchange	-	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	30	(149)
As at 30 September 2020					
Cash flow hedges					
Floating rate loans and advances	Interest rate	1,508	30	-	-
Floating rate customer deposits	Interest rate	(193)	(15)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	36	(149)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The table below details the reconciliation of the Group's cash flow hedge reserve by risk type:

Consolidated	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2019	716	15	731
Fair value gains/(losses)	449	(15)	434
Transferred to income statement	10	(2)	8
Income taxes and others	(141)	6	(135)
Balance at 30 September 2020	1,034	4	1,038
Fair value gains/(losses)	(909)	(10)	(919)
Transferred to income statement	4	(1)	3
Income taxes and others	269	2	271
Balance at 30 September 2021	398	(5)	393

Hedges of net investments in a foreign operation resulted in a $61 million increase in FCTR during the year (2020: $94 million). Of that, nil (2020: $15 million) was reclassified from FCTR to the income statement during the year.

The table below details the reconciliation of the Company's cash flow hedge reserve by risk type:

The Company	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2019	690	17	707
Fair value gains/(losses)	351	(15)	336
Transferred to income statement	(5)	(2)	(7)
Income taxes and others	(105)	4	(101)
Balance at 30 September 2020	931	4	935
Fair value gains/(losses)	(772)	(10)	(782)
Transferred to income statement	(6)	(1)	(7)
Income taxes and others	236	2	238
Balance at 30 September 2021	389	(5)	384

Hedges of net investments in a foreign operation resulted in a $6 million decrease in FCTR during the year (2020: $16 million increase). Of that, nil (2020: $15 million) was reclassified from FCTR to the income statement during the year.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

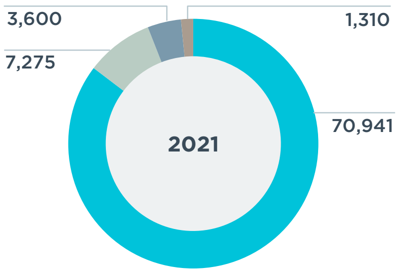
RECOGNITION AND MEASUREMENT

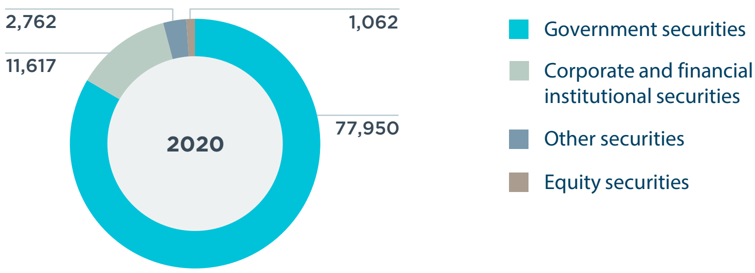
Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the Income Statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 147 for profit or loss treatment for each hedge type. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting, a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

12. INVESTMENT SECURITIES





	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Investment securities measured at fair value through other comprehensive income				
Debt securities	74,743	85,460	61,623	73,936
Equity securities	1,310	1,062	1,054	994
Investment securities measured at amortised cost				
Debt securities[1]	7,031	6,816	5,263	5,354
Investment Securities measured at fair value through profit or loss				
Debt securities	42	53	-	-
Total	83,126	93,391	67,940	80,284

1. Includes allowance for expected credit losses of $31 million (2020: $20 million) for the Group and $1 million (2020: $1 million) for the Company.

The maturity profile of investment securities is as follows:

Consolidated 2021 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	6,396	12,984	32,179	19,382	-	70,941
Corporate and financial institution securities	285	1,179	5,701	110	-	7,275
Other securities	129	295	553	2,623	-	3,600
Equity securities[1]	-	-	-	-	1,310	1,310
Total	6,810	14,458	38,433	22,115	1,310	83,126
2020 Investment securities						
Government securities	7,175	14,436	37,656	18,683	-	77,950
Corporate and financial institution securities	701	2,698	8,128	90	-	11,617
Other securities	-	-	532	2,230	-	2,762
Equity securities[1]	-	-	-	-	1,062	1,062
Total	7,876	17,134	46,316	21,003	1,062	93,391

1. The carrying value of equity securities classified as FVOCI securities includes the Group's $991 million (2020: $934 million) investment in the Bank of Tianjin (BoT).

During the year, the Group recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in other comprehensive income of $303 million (2020: $23 million) in respect of investment securities.

12. INVESTMENT SECURITIES (continued)

The Company

2021 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	5,453	11,646	24,390	16,350	-	57,839
Corporate and financial institution securities	175	830	4,371	71	-	5,447
Other securities	129	295	553	2,623	-	3,600
Equity securities[1]	-	-	-	-	1,054	1,054
Total	5,757	12,771	29,314	19,044	1,054	67,940

2020 Investment securities						
Government securities	5,770	12,763	30,887	17,600	-	67,020
Corporate and financial institution securities	633	1,700	7,104	71	-	9,508
Other securities	-	-	532	2,230	-	2,762
Equity securities[1]	-	-	-	-	994	994
Total	6,403	14,463	38,523	19,901	994	80,284

1. The carrying value of equity securities classified as FVOCI securities includes the Company's $991 million (2020: $934 million) investment in the Bank of Tianjin (BoT).

During the year, the Company recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in other comprehensive income of $301 million (2020: $21 million) in respect of investment securities.

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 141. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at fair value through other comprehensive income' the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

13. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Group:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Overdrafts	5,360	5,214	4,465	4,466
Credit cards	6,570	7,194	5,494	5,990
Commercial bills	6,000	6,383	6,000	6,383
Term loans – housing	372,572	358,350	278,372	275,579
Term loans – non-housing	239,277	241,725	194,150	197,117
Other	2,985	2,406	2,733	2,133
Subtotal	632,764	621,272	491,214	491,668
Unearned income[1]	(434)	(460)	(390)	(406)
Capitalised brokerage and other origination costs[1]	1,434	1,262	1,050	959
Gross loans and advances	633,764	622,074	491,874	492,221
Allowance for expected credit losses (refer to Note 14)	(4,045)	(4,981)	(3,387)	(4,219)
Net loans and advances	629,719	617,093	488,487	488,002
Residual contractual maturity:				
Within one year	125,952	126,238	98,214	98,736
More than one year	503,767	490,855	390,273	389,266
Net loans and advances	629,719	617,093	488,487	488,002
Carried on Balance Sheet at:				
Amortised cost	626,099	613,155	485,015	483,986
Fair value through profit or loss	3,620	3,938	3,472	4,016
Net loans and advances	629,719	617,093	488,487	488,002

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million for the Group; $387 million for the Company).

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's balance sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 141. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES

Consolidated	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m	2020 Collectively assessed $m	2020 Individually assessed $m	2020 Total $m
Net loans and advances at amortised cost	3,379	666	4,045	4,130	851	4,981
Off-balance sheet commitments	785	21	806	858	40	898
Investment securities - debt securities at amortised cost	31	-	31	20	-	20
Total	4,195	687	4,882	5,008	891	5,899
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	11	-	11	10	-	10

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

The Company	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m	2020 Collectively assessed $m	2020 Individually assessed $m	2020 Total $m
Net loans and advances at amortised cost	2,824	563	3,387	3,515	704	4,219
Off-balance sheet commitments	667	7	674	711	20	731
Investment securities - debt securities at amortised cost	1	-	1	1	-	1
Total	3,492	570	4,062	4,227	724	4,951
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	7	-	7	7	-	7

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

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

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	927	1,378	413	791	3,509
Transfer between stages	200	(308)	(112)	220	-
New and increased provisions (net of releases)	110	1,428	162	1,324	3,024
Write-backs	-	-	-	(321)	(321)
Bad debts written off (excluding recoveries)	-	-	-	(1,109)	(1,109)
Foreign currency translation and other movements[2]	(33)	(33)	(2)	(54)	(122)
As at 30 September 2020	1,204	2,465	461	851	4,981
Transfer between stages	399	(421)	(137)	159	-
New and increased provisions (net of releases)	(639)	(53)	90	663	61
Write-backs	-	-	-	(365)	(365)
Bad debts written off (excluding recoveries)	-	-	-	(626)	(626)
Foreign currency translation and other movements[2]	4	3	3	(16)	(6)
As at 30 September 2021	968	1,994	417	666	4,045

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of discount unwind on individually assessed allowance for ECL or the impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	746	1,181	361	633	2,921
Transfer between stages	168	(258)	(122)	212	-
New and increased provisions (net of releases)	122	1,198	135	1,171	2,626
Write-backs	-	-	-	(286)	(286)
Bad debts written off (excluding recoveries)	-	-	-	(1,003)	(1,003)
Foreign currency translation and other movements[2]	(8)	(7)	(1)	(23)	(39)
As at 30 September 2020	1,028	2,114	373	704	4,219
Transfer between stages	392	(382)	(130)	120	-
New and increased provisions (net of releases)	(620)	(49)	106	619	56
Write-backs	-	-	-	(308)	(308)
Bad debts written off (excluding recoveries)	-	-	-	(556)	(556)
Foreign currency translation and other movements[2]	(3)	(4)	(1)	(16)	(24)
As at 30 September 2021	797	1,679	348	563	3,387

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	473	151	21	23	668
Transfer between stages	18	(24)	(1)	7	-
New and increased provisions (net of releases)	115	115	3	24	257
Write-backs	-	-	-	(14)	(14)
Foreign currency translation and other movements[2]	(10)	(3)	-	-	(13)
As at 30 September 2020	596	239	23	40	898
Transfer between stages	51	(49)	(3)	1	-
New and increased provisions (net of releases)	(92)	19	-	1	(72)
Write-backs	-	-	-	(21)	(21)
Foreign currency translation	-	2	(1)	-	1
As at 30 September 2021	555	211	19	21	806

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2019	405	126	14	12	557
Transfer between stages	15	(20)	(2)	7	-
New and increased provisions (net of releases)	100	78	3	13	194
Write-backs	-	-	-	(12)	(12)
Foreign currency translation	(7)	(1)	-	-	(8)
As at 30 September 2020	513	183	15	20	731
Transfer between stages	45	(41)	(5)	1	-
New and increased provisions (net of releases)	(72)	28	2	1	(41)
Write-backs	-	-	-	(15)	(15)
Foreign currency translation	(2)	1	-	-	(1)
As at 30 September 2021	484	171	12	7	674

[1] The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	20	-	-	-	20
As at 30 September 2021	31	-	-	-	31

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	1	-	-	-	1
As at 30 September 2021	1	-	-	-	1

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	10	-	-	-	10
As at 30 September 2021	11	-	-	-	11

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2020	7	-	-	-	7
As at 30 September 2021	7	-	-	-	7

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
New and increased provisions (net of releases)[1,2]				
- Collectively assessed	(823)	1,717	(726)	1,420
- Individually assessed	824	1,575	741	1,403
Write-backs[3]	(386)	(335)	(323)	(298)
Recoveries of amounts previously written-off	(182)	(219)	(161)	(188)
Total credit impairment charge	(567)	2,738	(469)	2,337

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

	Consolidated				The Company			
	2021		2020		2021		2020	
	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m
Net loans and advances at amortised cost	(761)	822	1,479	1,544	(683)	739	1,243	1,383
Off-balance sheet commitments	(74)	2	226	31	(43)	2	174	20
Investment securities - debt securities at amortised cost	11	-	9	-	-	-	1	-
Investment securities - debt securities at FVOCI	1	-	3	-	-	-	2	-
Total	(823)	824	1,717	1,575	(726)	741	1,420	1,403

3. Consists of write-backs in Net loans and advances at amortised cost of $365 million (2020: $321 million) for the Group and $308 million (2020: $286 million) for the Company, and Off-balance sheet commitments of $21 million (2020: $14 million) for the Group and $15 million (2020: $12 million) for the Company.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is $168 million (2020: $340 million) for the Group, and $138 million (2020: $321 million) for the Company.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives

Facilities previously subject to the COVID-19 repayment deferral arrangements have been subsumed into the normal loan portfolios and SICR applied accordingly.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

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

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

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

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

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The support packages offered to customers in response to COVID-19 in 2020 and 2021 have ceased with the majority of customers who took up the support packages having reverted back to their normal loan repayments. Given the recency of cessation of these packages, the Group has provided a component of ECL for expected delinquencies that may have been obscured by the support measures.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. In the 2021 year, an adjustment was made to the modelled outcome to account for increased model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the year ended 30 September 2021.
Base case economic forecast	The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2021, the base case assumptions have been updated to reflect the evolving situation with respect to COVID-19, including emergence from lockdowns, government stimulus measures and roll-out of vaccines. In determining the expected path of the economy, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals) were considered. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2021 are described below under the heading 'Base case economic forecast assumptions'.
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continued uncertain economic impacts of COVID-19. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes taking into account short and long term inter-relationships within the Group's credit portfolios. As at 30 September 2021, a base case weighting of 41.3% has been applied and more weight has been applied to the downside scenario given the Group's assessment of downside risks. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2021
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines and their efficacy, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail including home loans, small business and commercial banking in Australia, for personal and business banking in New Zealand, and for tourism in the Pacific.

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic and associated government, business and consumer responses, increases the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures, including the roll-out of vaccines and the relaxation of containment measures, impacting the spread of COVID-19;
- the expected impact on the economy, including the timing and speed of the economic response and differences between sectors; and
- the effects of progressive reductions in government stimulus measures, in particular their impact on the extent and duration of economic recovery.

The economic drivers of the base case economic forecasts at 30 September 2021 are set out below. These reflect ANZ Economics' view of future macro-economic conditions at 30 September 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2021	2022	2023
Australia			
GDP (annual % change)	3.4%	3.8%	3.4%
Unemployment rate	5.3%	4.3%	4.1%
Residential property prices (annual % change)	20.5%	6.7%	3.5%
Consumer price index	2.4	1.9	2.2
New Zealand			
GDP (annual % change)	4.3%	4.3%	2.9%
Unemployment rate	4.1%	3.9%	3.9%
Residential property prices (annual % change)	22.4%	0.4%	5.2%
Consumer price index	3.3	2.9	1.9
Rest of world			
GDP (annual % change)	6.2%	4.2%	2.5%
Consumer price index	3.9	2.5	2.2

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

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

Probability weightings

Probability weightings for each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 relaxation of containment measures by governments, and the take-up of vaccines limiting the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential ongoing recovery in the economy, the average base case weighting across geographies has been reduced to 41.3% (Sep 20: 50.0%) and the downside scenario increased to 47.7% (Sep 20: 33.3%).

The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Group's credit portfolios. The average weightings applied across the Group are set out below:

	Consolidated		The Company	
	2021	2020	2021	2020
Base	41.3%	50.0%	40.0%	50.0%
Upside	5.2%	10.4%	5.4%	10.9%
Downside	47.7%	33.3%	48.8%	33.4%
Severe Downside	5.8%	6.3%	5.8%	5.7%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2021:

	Consolidated		The Company	
	ECL $m	Impact $m	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	4,250	55	3,541	49
If 1% of Stage 2 facilities were included in Stage 1	4,188	(7)	3,486	(6)
100% upside scenario	1,774	(2,421)	1,469	(2,024)
100% base scenario	2,337	(1,858)	1,946	(1,547)
100% downside scenario	4,337	142	3,668	175
100% severe downside scenario	5,358	1,163	4,476	983

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

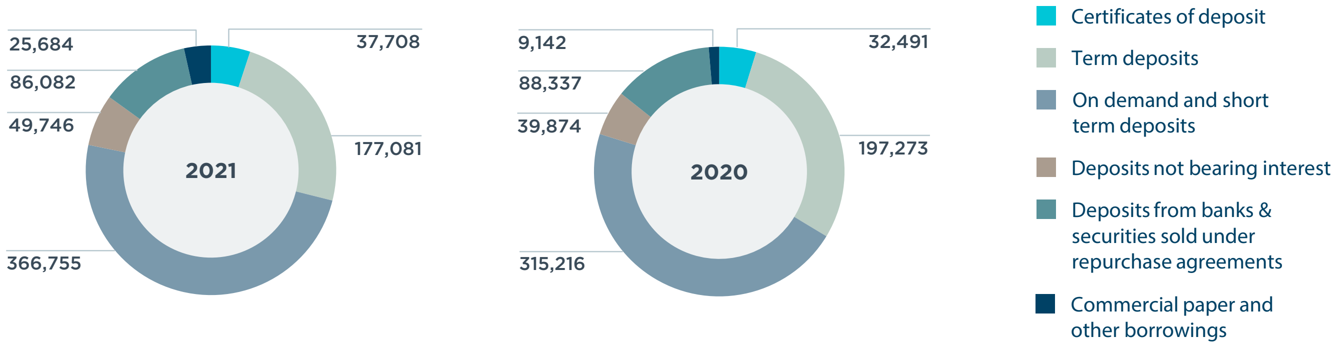
Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

15. DEPOSITS AND OTHER BORROWINGS



	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Certificates of deposit	37,708	32,491	35,696	30,574
Term deposits	177,081	197,273	136,067	148,839
On demand and short term deposits	366,755	315,216	303,381	262,236
Deposits not bearing interest	49,746	39,874	26,836	22,016
Deposits from banks & securities sold under repurchase agreements[1]	86,082	88,337	83,294	86,947
Commercial paper and other borrowings	25,684	9,142	21,449	7,524
Deposits and other borrowings	743,056	682,333	606,723	558,136
Residual contractual maturity:				
Within one year	717,889	665,151	584,816	544,324
More than one year	25,167	17,182	21,907	13,812
Deposits and other borrowings	743,056	682,333	606,723	558,136
Carried on Balance Sheet at:				
Amortised cost	738,772	679,255	606,673	556,676
Fair value through profit or loss	4,284	3,078	50	1,460
Deposits and other borrowings	743,056	682,333	606,723	558,136

1. Includes $20.1 billion (2020: $12.0 billion) of funds drawn under the RBA's Term Funding Facility (TFF) for the Group and the Company, and $1.2 billion (2020: nil) under the Reserve Bank of New Zealand's (RBNZ) Funding for Lending Programme (FLP) and Term Lending Facility (TLF) for the Group.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit and loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit and loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the profit and loss.

16. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Senior debt	58,952	80,835	45,348	64,591
Covered bonds	15,399	15,948	11,342	11,761
Securitisation	1,424	1,824	-	-
Total unsubordinated debt	75,775	98,607	56,690	76,352
Subordinated debt				
- Additional Tier 1 capital	8,506	8,196	8,191	7,833
- Tier 2 capital	16,207	12,865	16,207	12,865
- Other subordinated debt securities	566	-	-	-
Total subordinated debt	25,279	21,061	24,398	20,698
Total debt issued	101,054	119,668	81,088	97,050
Residual contractual maturity[1]:				
Within one year	22,621	25,688	18,512	20,937
More than one year	76,594	92,059	60,605	74,122
No maturity date (instruments in perpetuity)	1,839	1,921	1,971	1,991
Total debt issued	101,054	119,668	81,088	97,050

1. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		Consolidated		The Company	
		2021 $m	2020 $m	2021 $m	2020 $m
USD	United States dollars	29,788	41,100	22,354	31,836
EUR	Euro	22,984	23,038	15,294	15,325
AUD	Australian dollars	35,709	43,697	34,299	41,857
NZD	New Zealand dollars	3,276	3,682	839	923
JPY	Japanese yen	1,854	2,131	1,853	2,131
CHF	Swiss francs	940	975	-	-
GBP	Pounds sterling	4,286	2,387	4,287	2,387
HKD	Hong Kong dollars	727	1,088	727	1,088
Other	Chinese yuan, Norwegian kroner, Singapore dollars and Canadian dollars	1,490	1,570	1,435	1,503
Total debt issued		101,054	119,668	81,088	97,050

SUBORDINATED DEBT

At 30 September 2021, all subordinated debt issued by the Company and certain other subordinated debt issued by its subsidiary ANZ Bank New Zealand Limited (ANZ NZ) qualify as regulatory capital for the Group. They are classified as either Additional Tier 1 (AT1) capital, in the case of the ANZ Capital Notes (ANZ CN), ANZ Capital Securities (ANZ CS) or ANZ NZ Capital Notes (ANZ NZ CN), or Tier 2 capital, in the case of perpetual or term subordinated notes, for APRA's capital adequacy purposes depending on the terms and conditions of the instruments.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments only rank ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

16. DEBT ISSUANCES (continued)

AT1 CAPITAL

All outstanding AT1 capital instruments are Basel III fully compliant instruments (refer to Note 24 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's and, in respect of the ANZ NZ CN, the Reserve Bank of New Zealand's (RBNZ) prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- ANZ's or, in the case of the ANZ NZ CN, ANZ Bank New Zealand Limited's (ANZ NZ) Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable or, in the case of the ANZ NZ CN, the RBNZ directs ANZ NZ to convert or write-off the notes, or a statutory manager is appointed to ANZ NZ and decides that ANZ NZ must convert or write-off the notes – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			Consolidated		The Company	
			2021 $m	2020 $m	2021 $m	2020 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]						
ANZ Capital Notes (ANZ CN)						
AUD	1,120m	ANZ CN1[2]	-	1,119	-	1,119
AUD	1,610m	ANZ CN2	1,609	1,608	1,609	1,608
AUD	970m	ANZ CN3	968	967	998	997
AUD	1,622m	ANZ CN4	1,617	1,614	1,617	1,614
AUD	931m	ANZ CN5	927	926	927	926
AUD	1,500m	ANZ CN6	1,486	-	1,486	-
ANZ Capital Securities (ANZ CS)						
USD	1,000m	ANZ Capital Securities	1,422	1,499	1,554	1,569
ANZ NZ Capital Notes (ANZ NZ CN)						
NZD	500m	ANZ NZ Capital Notes	477	463	-	-
Total Additional Tier 1 capital[3]			8,506	8,196	8,191	7,833

1. Carrying values are net of issuance costs, and where appropriate include fair value hedge accounting adjustments.
2. Approximately $750 million of ANZ Capital Notes 1 were reinvested into ANZ Capital Notes 6 on 8 July 2021 with the remaining $370m being redeemed on 1 September 2021.
3. This forms part of qualifying Additional Tier 1 capital. Refer to Note 24 Capital Management for further details.

16. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN1	CN2	CN3
Issuer	ANZ	ANZ	ANZ, acting through its New Zealand branch
Issue date	7 August 2013	31 March 2014	5 March 2015
Issue amount	$1,120 million	$1,610 million	$970 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Semi-annually in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.4%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	1 September 2021[1]	24 March 2022	24 March 2023
Mandatory conversion date	1 September 2023[2]	24 March 2024	24 March 2025
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$nil (2020: $1,119 million)	$1,609 million (2020: $1,608 million)	$968 million (2020: $967 million)

	CN4	CN5	CN6
Issuer	ANZ	ANZ	ANZ
Issue date	27 September 2016	28 September 2017	8 July 2021
Issue amount	$1,622 million	$931 million	$1,500 million
Face value	$100	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2024	20 March 2025	20 March 2028
Mandatory conversion date	20 March 2026	20 March 2027	20 September 2030
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$1,617 million (2020: $1,614 million)	$927 million (2020: $926 million)	$1,486 million (2020: $nil)

1. Approximately $750 million of ANZ Capital Notes 1 were reinvested into ANZ Capital Notes 6 on 8 July 2021 with the remaining $370m being redeemed on 1 September 2021.
2. The mandatory conversion date is no longer applicable as all of CN1 has been redeemed.

16. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$1,422 million (2020: $1,499 million)

ANZ NZ Capital Notes (ANZ NZ CN)

Issuer	ANZ Bank New Zealand Limited (ANZ NZ)
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ NZ's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$477 million (2020: $463 million)

In April 2020, the RBNZ informed New Zealand-incorporated registered banks (including ANZ NZ) that they should not redeem capital instruments. In March 2021, the RBNZ announced that it would remove these restrictions on the redemption of non-CET1 capital instruments. However, as the restriction was in place in May 2020, ANZ NZ was not able to redeem its ANZ NZ CNs and decided not to exercise its option to convert at the optional exchange date in May 2020. As ANZ NZ did not exercise its option to convert in May 2020, the terms of the ANZ NZ CNs provide for their conversion into a variable number of shares of the Company in May 2022 subject to certain conditions.

The RBNZ has released new capital adequacy requirements for New Zealand banks, which are being implemented from October 2021 to July 2028. Under these changes, from 1 January 2022, the ANZ NZ CNs are subject to a reduction in their regulatory capital recognition, and as a result, ANZ NZ has determined that a Regulatory Event (as defined in the ANZ NZ CN Deed Poll) has occurred in respect of these notes. The occurrence of a Regulatory Event means that ANZ NZ may choose to redeem the ANZ NZ CNs at its discretion. A redemption of the ANZ NZ CNs is subject to certain conditions, including approval from the RBNZ and APRA. At the date of this financial report, no decision had been made on whether ANZ NZ will redeem the ANZ NZ CNs (subject to regulatory approvals).

16. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

Convertible term subordinated notes issued by the Company are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, each of the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

APRA has granted transitional Basel III capital treatment for the USD 300 million perpetual subordinated notes until the end of the transitional period (December 2021). These subordinated notes do not contain a Non-Viability Trigger Event.

The table below shows the Tier 2 capital subordinated notes the Group holds at 30 September in both the current and prior year:

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	2021 $m	2020 $m	2021 $m	2020 $m
Basel III transitional subordinated notes (perpetual)								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	417	422	417	422
Total Basel III transitional subordinated notes					417	422	417	422
Basel III fully compliant convertible subordinated notes (term)								
USD	800m	2024	N/A	Fixed	1,173	1,225	1,173	1,225
SGD	500m	2027	2022	Fixed	515	529	515	529
AUD	200m	2027	2022	Fixed	200	200	200	200
JPY	20,000m	2026	N/A	Fixed	250	270	250	270
AUD	700m	2026	2021	Floating	-	700	-	700
USD	1,500m	2026	N/A	Fixed	2,137	2,253	2,137	2,253
JPY	10,000m	2026	2021	Fixed	-	133	-	133
JPY	10,000m	2028	2023	Fixed	124	133	124	133
AUD	225m	2032	2027	Fixed	225	225	225	225
AUD	1,750m	2029	2024	Floating	1,740	1,750	1,740	1,750
EUR	1,000m	2029	2024	Fixed	1,608	1,657	1,608	1,657
AUD	265m	2039	N/A	Fixed	253	265	253	265
USD	1,250m	2030	2025	Fixed	1,782	1,859	1,782	1,859
AUD	1,250m	2031	2026	Floating	1,235	1,244	1,235	1,244
USD	1,500m	2035	2030	Fixed	1,955	-	1,955	-
AUD	330m	2040	N/A	Fixed	304	-	304	-
AUD	195m	2040	N/A	Fixed	178	-	178	-
EUR	750m	2031	2026	Fixed	1,193	-	1,193	-
GBP	500m	2031	2026	Fixed	918	-	918	-
Total Basel III fully compliant subordinated notes					15,790	12,443	15,790	12,443
Total Tier 2 capital[1,2]					16,207	12,865	16,207	12,865

1. Carrying value are net of issuance costs, and where applicable include fair value hedge accounting adjustments.
2. This forms part of qualifying Tier 2 capital. Refer to Note 24 Capital Management for further details.

OTHER SUBORDINATED DEBT SECURITIES

A subsidiary of the Group, ANZ Bank New Zealand Limited, issued NZ$600 million of unsecured subordinated notes in September 2021. Whilst these notes constitute Tier 2 capital under RBNZ requirements, the notes do not contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the Group.

16. DEBT ISSUANCES (continued)

RECOGNITION AND MEASUREMENT

Debt issuances are measured at amortised cost, except where designated at fair value through profit or loss. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt. Interest expense is recognised using the effective interest rate method.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit and loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

17. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management sections of this Annual Report.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

17. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures* (AASB 7). It should be read in conjunction with the Governance and Risk Management sections of this Annual Report.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.
Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.	

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
On-balance sheet positions						
Net loans and advances	629,719	617,093	-	-	629,719	617,093
Other financial assets:						
Cash and cash equivalents	151,260	107,923	1,127	1,514	150,133	106,409
Settlement balances owed to ANZ	7,530	7,541	7,530	7,541	-	-
Collateral paid	9,166	14,308	-	-	9,166	14,308
Trading securities	44,688	50,913	4,996	5,698	39,692	45,215
Derivative financial instruments	38,736	135,331	-	-	38,736	135,331
Investment securities						
- debt securities at amortised cost	7,031	6,816	-	-	7,031	6,816
- debt securities at FVOCI	74,743	85,460	-	-	74,743	85,460
- equity securities at FVOCI	1,310	1,062	1,310	1,062	-	-
- debt securities at FVTPL	42	53	-	-	42	53
Regulatory deposits	671	801	-	-	671	801
Other financial assets[2]	2,054	2,407	-	-	2,054	2,407
Total other financial assets	337,231	412,615	14,963	15,815	322,268	396,800
Subtotal	966,950	1,029,708	14,963	15,815	951,987	1,013,893
Off-balance sheet positions						
Undrawn and contingent facilities[3]	259,789	266,716	-	-	259,789	266,716
Total	1,226,739	1,296,424	14,963	15,815	1,211,776	1,280,609

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The Company	Reported 2021 $m	Reported 2020 $m	Excluded[1] 2021 $m	Excluded[1] 2020 $m	Maximum exposure to credit risk 2021 $m	Maximum exposure to credit risk 2020 $m
On-balance sheet positions						
Net loans and advances	488,487	488,002	-	-	488,487	488,002
Other financial assets:						
Cash and cash equivalents	141,436	98,083	721	1,084	140,715	96,999
Settlement balances owed to ANZ	7,183	7,116	7,183	7,116	-	-
Collateral paid	8,343	13,012	-	-	8,343	13,012
Trading securities	34,752	38,423	4,957	5,465	29,795	32,958
Derivative financial instruments	38,292	130,552	-	-	38,292	130,552
Investment securities						
- debt securities at amortised cost	5,263	5,354	-	-	5,263	5,354
- debt securities at FVOCI	61,623	73,936	-	-	61,623	73,936
- equity securities at FVOCI	1,054	994	1,054	994	-	-
- debt securities at FVTPL	-	-	-	-	-	-
Regulatory deposits	213	199	-	-	213	199
Due from controlled entities[2]	23,530	24,017	-	-	23,530	24,017
Other financial assets[3]	1,371	1,460	-	-	1,371	1,460
Total other financial assets	323,060	393,146	13,915	14,659	309,145	378,487
Subtotal	811,547	881,148	13,915	14,659	797,632	866,489
Off-balance sheet positions						
Undrawn and contingent facilities[4]	220,445	226,714	-	-	220,445	226,714
Total	1,031,992	1,107,862	13,915	14,659	1,018,077	1,093,203

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.
3. Other financial assets mainly comprise accrued interest and acceptances.
4. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	412,821	12,596	-	-	425,417
Satisfactory	146,368	31,228	-	-	177,596
Weak	7,921	12,907	-	-	20,828
Defaulted	-	-	3,754	1,549	5,303
Gross loans and advances at amortised cost	567,110	56,731	3,754	1,549	629,144
Allowance for ECL	(968)	(1,994)	(417)	(666)	(4,045)
Net loans and advances at amortised cost	566,142	54,737	3,337	883	625,099
Coverage ratio	0.17%	3.51%	11.11%	43.00%	0.64%
Loans and advances at fair value through profit or loss					3,620
Unearned income[1]					(434)
Capitalised brokerage and other origination costs[1]					1,434
Net carrying amount					629,719
As at 30 September 2020					
Strong	395,608	18,262	-	-	413,870
Satisfactory	133,558	37,577	-	-	171,135
Weak	8,461	16,850	-	-	25,311
Defaulted	-	-	4,762	2,256	7,018
Gross loans and advances at amortised cost	537,627	72,689	4,762	2,256	617,334
Allowance for ECL	(1,204)	(2,465)	(461)	(851)	(4,981)
Net loans and advances at amortised cost	536,423	70,224	4,301	1,405	612,353
Coverage ratio	0.22%	3.39%	9.68%	37.72%	0.81%
Loans and advances at fair value through profit or loss					3,938
Unearned income[1]					(460)
Capitalised brokerage and other origination costs[1]					1,262
Net carrying amount					617,093

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Net loans and advances

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	297,511	9,329	-	-	306,840
Satisfactory	131,979	25,538	-	-	157,517
Weak	7,913	11,038	-	-	18,951
Defaulted	-	-	3,089	1,345	4,434
Gross loans and advances at amortised cost	437,403	45,905	3,089	1,345	487,742
Allowance for ECL	(797)	(1,679)	(348)	(563)	(3,387)
Net loans and advances at amortised cost	436,606	44,226	2,741	782	484,355
Coverage ratio	0.18%	3.66%	11.27%	41.86%	0.69%
Loans and advances at fair value through profit or loss					3,472
Unearned income[1]					(390)
Capitalised brokerage and other origination costs[1]					1,050
Net carrying amount					488,487
As at 30 September 2020					
Strong	300,174	12,692	-	-	312,866
Satisfactory	115,745	30,200	-	-	145,945
Weak	8,348	14,740	-	-	23,088
Defaulted	-	-	3,936	1,817	5,753
Gross loans and advances at amortised cost	424,267	57,632	3,936	1,817	487,652
Allowance for ECL	(1,028)	(2,114)	(373)	(704)	(4,219)
Net loans and advances at amortised cost	423,239	55,518	3,563	1,113	483,433
Coverage ratio	0.24%	3.67%	9.48%	38.75%	0.87%
Loans and advances at fair value through profit or loss					4,016
Unearned income[1]					(406)
Capitalised brokerage and other origination costs[1]					959
Net carrying amount					488,002

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $387 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	174,808	1,754	-	-	176,562
Satisfactory	23,799	3,564	-	-	27,363
Weak	1,030	1,185	-	-	2,215
Defaulted	-	-	138	50	188
Gross undrawn and contingent facilities subject to ECL	199,637	6,503	138	50	206,328
Allowance for ECL included in Other provisions (refer to Note 22)	(555)	(211)	(19)	(21)	(806)
Net undrawn and contingent facilities subject to ECL	199,082	6,292	119	29	205,522
Coverage ratio	0.28%	3.24%	13.77%	42.00%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					54,267
Net undrawn and contingent facilities					259,789
As at 30 September 2020					
Strong	171,979	3,045	-	-	175,024
Satisfactory	22,983	3,972	-	-	26,955
Weak	1,123	1,132	-	-	2,255
Defaulted	-	-	144	203	347
Gross undrawn and contingent facilities subject to ECL	196,085	8,149	144	203	204,581
Allowance for ECL included in Other provisions (refer to Note 22)	(596)	(239)	(23)	(40)	(898)
Net undrawn and contingent facilities subject to ECL	195,489	7,910	121	163	203,683
Coverage ratio	0.30%	2.93%	15.97%	19.70%	0.44%
Undrawn and contingent facilities not subject to ECL[1]					63,033
Net undrawn and contingent facilities					266,716

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

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	162,232	1,745	-	-	163,977
Satisfactory	19,790	2,662	-	-	22,452
Weak	1,005	966	-	-	1,971
Defaulted	-	-	91	28	119
Gross undrawn and contingent facilities subject to ECL	183,027	5,373	91	28	188,519
Allowance for ECL included in Other provisions (refer to Note 22)	(484)	(171)	(12)	(7)	(674)
Net undrawn and contingent facilities subject to ECL	182,543	5,202	79	21	187,845
Coverage ratio	0.26%	3.18%	13.19%	25.00%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					32,600
Net undrawn and contingent facilities					220,445
As at 30 September 2020					
Strong	159,158	2,984	-	-	162,142
Satisfactory	18,874	2,944	-	-	21,818
Weak	1,107	915	-	-	2,022
Defaulted	-	-	102	165	267
Gross undrawn and contingent facilities subject to ECL	179,139	6,843	102	165	186,249
Allowance for ECL included in Other provisions (refer to Note 22)	(513)	(183)	(15)	(20)	(731)
Net undrawn and contingent facilities subject to ECL	178,626	6,660	87	145	185,518
Coverage ratio	0.29%	2.67%	14.71%	12.12%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					41,196
Net undrawn and contingent facilities					226,714

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

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	5,574	-	-	-	5,574
Satisfactory	121	-	-	-	121
Weak	1,367	-	-	-	1,367
Gross investment securities - debt securities at amortised cost	7,062	-	-	-	7,062
Allowance for ECL	(31)	-	-	-	(31)
Net investment securities - debt securities at amortised cost	7,031	-	-	-	7,031
Coverage ratio	0.44%	-	-	-	0.44%
As at 30 September 2020					
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Gross investment securities - debt securities at amortised cost	6,661	175	-	-	6,836
Allowance for ECL	(20)	-	-	-	(20)
Net investment securities - debt securities at amortised cost	6,641	175	-	-	6,816
Coverage ratio	0.30%	0.00%	-	-	0.29%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	5,162	-	-	-	5,162
Satisfactory	102	-	-	-	102
Gross investment securities - debt securities at amortised cost	5,264	-	-	-	5,264
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,263	-	-	-	5,263
Coverage ratio	0.02%	-	-	-	0.02%
As at 30 September 2020					
Strong	5,271	-	-	-	5,271
Satisfactory	84	-	-	-	84
Gross investment securities - debt securities at amortised cost	5,355	-	-	-	5,355
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,354	-	-	-	5,354
Coverage ratio	0.02%	-	-	-	0.02%

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	74,541	-	-	-	74,541
Satisfactory	202	-	-		202
Investment securities - debt securities at FVOCI	74,743	-	-	-	74,743
Allowance for ECL recognised in other comprehensive income	(11)	-	-	-	(11)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2020					
Strong	85,287	-	-	-	85,287
Satisfactory	173	-	-	-	173
Investment securities - debt securities at FVOCI	85,460	-	-	-	85,460
Allowance for ECL recognised in other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	61,623	-	-	-	61,623
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	61,623	-	-	-	61,623
Allowance for ECL recognised in other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2020					
Strong	73,936	-	-	-	73,936
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	73,936	-	-	-	73,936
Allowance for ECL recognised in other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVTPL

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021					
Strong	42	-	-	-	42
Investment securities - debt securities at FVTPL	42	-	-	-	42
Allowance for ECL	-	-	-	-	-
Coverage ratio	-	-	-	-	-
As at 30 September 2020					
Strong	53	-	-	-	53
Investment securities - debt securities at FVTPL	53	-	-	-	53
Allowance for ECL	-	-	-	-	-
Coverage ratio	-	-	-	-	-

Other financial assets

	Consolidated 2021 $m	Consolidated 2020 $m	The Company 2021 $m	The Company 2020 $m
Strong	235,847	293,171	238,452	365,532
Satisfactory	3,471	10,671	3,026	9,724
Weak	1,122	628	769	577
Defaulted	12	1	12	1
Total carrying amount	240,452	304,471	242,259	375,834

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CONCENTRATIONS OF CREDIT RISK

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

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Agriculture, forestry, fishing and mining	34,862	36,458	335	1,092	16,034	17,188	51,231	54,738
Business services	9,161	8,642	119	172	6,429	6,506	15,709	15,320
Construction	5,886	5,807	46	44	6,458	6,679	12,390	12,530
Electricity, gas and water supply	6,513	5,881	807	2,386	9,053	8,663	16,373	16,930
Entertainment, leisure and tourism	12,710	13,179	157	600	3,862	4,114	16,729	17,893
Financial, investment and insurance	56,107	51,857	229,273	279,468	50,568	48,537	335,948	379,862
Government and official institutions	4,651	4,645	83,741	98,017	1,798	1,968	90,190	104,630
Manufacturing	23,752	25,163	741	2,306	37,696	41,114	62,189	68,583
Personal lending	361,814	361,459	664	1,170	57,410	50,433	419,888	413,062
Property services	50,396	50,406	489	2,044	16,673	27,992	67,558	80,442
Retail trade	9,967	10,739	104	231	8,444	9,602	18,515	20,572
Transport and storage	11,710	12,657	437	1,280	8,257	8,587	20,404	22,524
Wholesale trade	12,434	11,816	583	2,649	20,899	19,494	33,916	33,959
Other	32,801	22,563	4,803	5,361	17,014	16,737	54,618	44,661
Gross total	632,764	621,272	322,299	396,820	260,595	267,614	1,215,658	1,285,706
Allowance for ECL	(4,045)	(4,981)	(31)	(20)	(806)	(898)	(4,882)	(5,899)
Subtotal	628,719	616,291	322,268	396,800	259,789	266,716	1,210,776	1,279,807
Unearned income[1]	(434)	(460)	-	-	-	-	(434)	(460)
Capitalised brokerage and other origination costs[1]	1,434	1,262	-	-	-	-	1,434	1,262
Maximum exposure to credit risk	629,719	617,093	322,268	396,800	259,789	266,716	1,211,776	1,280,609

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Composition of financial instruments that give rise to credit risk by industry group are presented below:

The Company	Loans and advances 2021 $m	Loans and advances 2020 $m	Other financial assets 2021 $m	Other financial assets 2020 $m	Off-balance sheet credit related commitments 2021 $m	Off-balance sheet credit related commitments 2020 $m	Total 2021 $m	Total 2020 $m
Agriculture, forestry, fishing and mining	18,283	19,555	297	946	14,305	15,837	32,885	36,338
Business services	8,096	7,544	73	105	5,618	5,747	13,787	13,396
Construction	4,710	4,649	30	19	5,241	5,331	9,981	9,999
Electricity, gas and water supply	5,523	4,842	580	1,843	7,356	6,841	13,459	13,526
Entertainment, leisure and tourism	10,934	11,477	138	560	3,404	3,522	14,476	15,559
Financial, investment and insurance	52,230	49,254	236,430	364,478	46,971	44,678	335,631	458,410
Government and official institutions	4,621	3,347	65,429	75,554	1,113	1,224	71,163	80,125
Manufacturing	20,143	21,452	369	1,661	30,794	33,716	51,306	56,829
Personal lending	278,526	279,899	638	697	45,886	49,421	325,050	330,017
Property services	37,580	37,605	379	1,024	14,424	14,526	52,383	53,155
Retail trade	8,273	9,023	82	164	7,298	7,279	15,653	16,466
Transport and storage	10,564	11,599	339	1,016	7,229	7,412	18,132	20,027
Wholesale trade	10,345	9,973	380	2,237	17,462	17,151	28,187	29,361
Other	21,386	21,449	3,982	4,821	14,018	14,760	39,386	41,030
Gross total	491,214	491,668	309,146	455,125	221,119	227,445	1,021,479	1,174,238
Allowance for ECL	(3,387)	(4,219)	(1)	(1)	(674)	(731)	(4,062)	(4,951)
Subtotal	487,827	487,449	309,145	455,124	220,445	226,714	1,017,417	1,169,287
Unearned income[1]	(390)	(406)	-	-	-	-	(390)	(406)
Capitalised brokerage and other origination costs[1]	1,050	959	-	-	-	-	1,050	959
Maximum exposure to credit risk	488,487	488,002	309,145	455,124	220,445	226,714	1,018,077	1,169,840

1. During 2021, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $387 million).

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which the margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, Investment securities, Derivatives and Other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Net loans and advances	629,719	617,093	515,866	510,995	113,853	106,098
Other financial assets	322,268	396,800	24,410	45,246	297,858	351,554
Off-balance sheet positions	259,789	266,716	52,512	51,361	207,277	215,355
Total	1,211,776	1,280,609	592,788	607,602	618,988	673,007

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Net loans and advances	488,487	488,002	387,273	393,548	101,214	94,454
Other financial assets[1]	309,145	378,487	22,027	42,000	287,118	336,487
Off-balance sheet positions	220,445	226,714	36,676	36,372	183,769	190,342
Total	1,018,077	1,093,203	445,976	471,920	572,101	621,283

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Other financial assets by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

Consolidated	2021 As at $m	2021 High for year $m	2021 Low for year $m	2021 Average for year $m	2020 As at $m	2020 High for year $m	2020 Low for year $m	2020 Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	3.8	10.0	1.3	3.9	2.0	6.1	1.2	3.1
Interest rate	9.6	19.6	4.3	8.8	9.6	13.8	3.3	7.2
Credit	6.3	22.2	5.3	13.7	13.9	17.1	1.8	8.6
Commodity	3.1	5.0	1.3	2.8	3.0	4.7	1.3	2.6
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(9.4)	n/a	n/a	(9.7)	(10.9)	n/a	n/a	(8.0)
Total VaR	13.4	30.0	8.7	19.5	17.6	31.9	5.7	13.5

The Company	2021 As at $m	2021 High for year $m	2021 Low for year $m	2021 Average for year $m	2020 As at $m	2020 High for year $m	2020 Low for year $m	2020 Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	3.4	7.6	1.5	3.5	2.0	5.6	1.0	2.8
Interest rate	9.0	16.4	4.1	7.5	7.2	10.6	2.9	5.8
Credit	5.8	22.1	5.3	13.3	13.6	16.9	1.6	8.2
Commodity	2.3	5.4	1.4	2.7	2.7	4.3	1.3	2.2
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(6.0)	n/a	n/a	(10.1)	(10.5)	n/a	n/a	(7.9)
Total VaR	14.5	26.0	9.6	16.9	15.0	24.5	5.3	11.1

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2021				2020			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	67.0	81.8	61.9	69.8	60.8	60.8	18.8	33.4
New Zealand	21.6	32.8	21.6	26.7	26.3	26.3	9.4	15.2
Asia Pacific, Europe & America	31.5	34.9	29.0	32.0	29.4	30.2	17.8	24.2
Diversification benefit[1]	(32.9)	n/a	n/a	(53.7)	(61.4)	n/a	n/a	(29.5)
Total VaR	87.2	87.2	59.3	74.8	55.1	58.3	31.5	43.3

	2021				2020			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	67.0	81.8	61.9	69.8	60.8	60.8	18.8	33.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Asia Pacific, Europe & America	30.8	35.2	27.5	31.2	28.5	30.9	17.7	24.1
Diversification benefit[1]	(31.9)	n/a	n/a	(36.2)	(43.3)	n/a	n/a	(21.4)
Total VaR	65.9	69.9	55.0	64.8	46.0	47.6	25.5	36.1

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income.

	Consolidated		The Company	
	2021	2020	2021	2020
Impact of 1% rate shock				
As at period end	2.43%	1.25%	2.02%	0.78%
Maximum exposure	2.43%	1.61%	2.02%	1.78%
Minimum exposure	0.98%	0.52%	0.54%	0.06%
Average exposure (in absolute terms)	1.55%	1.01%	1.08%	0.78%

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise investments we hold for longer-term strategic reasons. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 12 Investment Securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

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

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF was established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage backed securities, that are eligible to be pledged as security with the RBA. The total amount of the CLF available to a qualifying Authorised Deposit-taking Institution (ADI) is set annually by APRA. The total amount of the CLF available to a qualifying Australian Deposit-taking Institution is set annually by APRA. In September 2021, APRA wrote to ADI's to advise that APRA and the RBA consider there to be sufficient HQLA for ADI's to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022.

From 1 January 2021, ANZ's CLF is $10.7 billion (2020 calendar year end: $35.7 billion). Consistent with APRA's requirement, ANZ's CLF will decrease to zero through equal reductions on 1 January, 30 April, 31 August and 31 December 2022. This reduction will be managed as part of ANZ's funding plans over this period.

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment and to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio

ANZ's Liquidity Coverage Ratio (LCR) averaged 136% for 2021, a decrease from the 2020 average of 139%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio

ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2021 was 124% (2020: 124%), above the regulatory minimum of 100%.

[1] This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of budgeting process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a term funding facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25%. APRA has determined that the TFF qualifies for inclusion in determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). ADIs can obtain initial funding of up to 3% of their existing credit outstanding to Australian households and businesses, and have access to additional funding if they increase lending to business, especially to small and medium-sized businesses. The TFF closed to drawdowns on 30 June 2021.

As at 30 September 2021, ANZ had drawn $20.1 billion under the RBA's TFF.

RBNZ Funding for Lending Programme and Term Lending Facility

- Between May 2020 and July 2021, the RBNZ made funds available under a term lending facility (TLF) to promote lending to businesses. The TLF is a three to five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.
- In November 2020, the RBNZ announced a funding for lending programme (FLP) which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks can obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). An additional allocation of up to 2% of eligible loans is available, subject to certain conditions. The additional allocation is available until 6 December 2022, and the initial allocation is available until 6 June 2022.

As at 30 September 2021, ANZ NZ had drawn $0.3 billion under the TLF and $0.9 billion under the FLP.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities, including financial liabilities reclassified to held for sale, at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the 'Less than 3 months' category. Any other items without a specified maturity date are included in the 'After 5 years' category. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet. For the purpose of this note, liabilities presented as liabilities held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 196.

Consolidated	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021					
Settlement balances owed by ANZ	17,427	-	-	-	17,427
Collateral received	5,657	-	-	-	5,657
Deposits and other borrowings	634,145	84,357	25,247	227	743,976
Liability for acceptances	392	-	-	-	392
Debt issuances[1]	4,218	24,928	65,198	14,588	108,932
Derivative liabilities (excluding those held for balance sheet management)[2]	30,474	-	-	-	30,474
Lease liabilities	86	224	755	301	1,366
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(29,186)	(36,462)	(62,061)	(14,334)	(142,043)
Pay leg	28,538	35,082	61,867	14,473	139,960
- Other balance sheet management					
Receive leg	(104,036)	(37,275)	(14,982)	(8,029)	(164,322)
Pay leg	103,586	36,804	15,457	9,974	165,821
As at 30 September 2020					
Settlement balances owed by ANZ	22,241	-	-	-	22,241
Collateral received	9,304	-	-	-	9,304
Deposits and other borrowings	576,506	90,241	18,025	159	684,931
Liability for acceptances	449	-	-	-	449
Debt issuances[1]	5,174	26,642	78,181	16,948	126,945
Derivative liabilities (excluding those held for balance sheet management)[2]	123,865	-	-	-	123,865
Lease liabilities	72	248	809	390	1,519
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(11,170)	(21,569)	(69,594)	(18,243)	(120,576)
Pay leg	10,856	20,206	66,455	17,403	114,920
- Other balance sheet management					
Receive leg	(75,098)	(40,956)	(9,738)	(8,512)	(134,304)
Pay leg	75,226	40,401	10,031	7,271	132,929

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group, and perpetual debt instruments after 5 years.
2. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. Include derivatives designated into hedging relationships of $202 million (2020: $4,484 million) and $5,359 million (2020: $6,362 million) categorised as held for trading but form part of Group's balance sheet activities.

At 30 September 2021, $212,265 million (2020: $227,819 million) of the Group's undrawn facilities and $48,330 million (2020: $39,795 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

The Company	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2021					
Settlement balances owed by ANZ	14,922	-	-	-	14,922
Collateral received	5,148	-	-	-	5,148
Deposits and other borrowings	524,654	60,427	21,844	227	607,152
Liability for acceptances	223	-	-	-	223
Debt issuances[1]	4,108	20,244	54,465	8,965	87,782
Derivative liabilities (excluding those held for balance sheet management)[2]	34,240	-	-	-	34,240
Lease liabilities	81	208	814	989	2,092
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(25,170)	(26,362)	(48,026)	(7,364)	(106,922)
Pay leg	24,523	25,344	47,467	7,318	104,652
- Other balance sheet management					
Receive leg	(102,921)	(35,426)	(11,063)	(7,633)	(157,043)
Pay leg	102,346	34,908	11,501	9,587	158,342
As at 30 September 2020					
Settlement balances owed by ANZ	19,556	-	-	-	19,556
Collateral received	8,074	-	-	-	8,074
Deposits and other borrowings	479,498	65,779	14,419	158	559,854
Liability for acceptances	224	-	-	-	224
Debt issuances[1]	4,627	21,483	64,102	12,775	102,987
Derivative liabilities (excluding those held for balance sheet management)[2]	124,027	-	-	-	124,027
Lease liabilities	66	234	855	1,114	2,269
Derivative assets and liabilities (balance sheet management)[3]					
- Funding					
Receive leg	(8,430)	(14,025)	(51,487)	(13,620)	(87,562)
Pay leg	8,038	12,930	49,365	12,942	83,275
- Other balance sheet management					
Receive leg	(74,219)	(40,186)	(8,321)	(8,343)	(131,069)
Pay leg	74,097	39,327	8,048	7,029	128,501

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company, and perpetual debt instruments after 5 years.
2. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. Include derivatives designated into hedging relationships of $158 million (2020: $3,202 million) and $2,607 million (2020: $4,001 million) categorised as held for trading but form part of Company's balance sheet activities.

At 30 September 2021, $176,077 million (2020: $191,300 million) of the Company's undrawn facilities and $45,042 million (2020: $36,146 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group carries a significant number of financial instruments on the balance sheet at fair value. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (which we acquired to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: Trading securities - Securities sold short - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or yield curve appropriate for the remaining term to maturity.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with their carrying amounts as recognised on the balance sheet.

		2021			2020		
Consolidated	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	151,260	-	151,260	107,923	-	107,923
Settlement balances owed to ANZ		7,530	-	7,530	7,541	-	7,541
Collateral paid		9,166	-	9,166	14,308	-	14,308
Trading securities	10	-	44,688	44,688	-	50,913	50,913
Derivative financial instruments	11	-	38,736	38,736	-	135,331	135,331
Investment securities	12	7,031	76,095	83,126	6,816	86,575	93,391
Net loans and advances	13	626,099	3,620	629,719	613,155	3,938	617,093
Regulatory deposits		671	-	671	801	-	801
Other financial assets		2,054	-	2,054	2,407	-	2,407
Total		803,811	163,139	966,950	752,951	276,757	1,029,708
Financial liabilities							
Settlement balances owed by ANZ		17,427	-	17,427	22,241	-	22,241
Collateral received		5,657	-	5,657	9,304	-	9,304
Deposits and other borrowings	15	738,772	4,284	743,056	679,255	3,078	682,333
Derivative financial instruments	11	-	36,035	36,035	-	134,711	134,711
Payables and other liabilities		4,734	3,913	8,647	5,285	3,843	9,128
Debt issuances	16	99,092	1,962	101,054	117,509	2,159	119,668
Total		865,682	46,194	911,876	833,594	143,791	977,385

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Company	Note	2021 At amortised cost $m	2021 At fair value $m	2021 Total $m	2020 At amortised cost $m	2020 At fair value $m	2020 Total $m
Financial assets							
Cash and cash equivalents	9	141,436	-	141,436	98,083	-	98,083
Settlement balances owed to ANZ		7,183	-	7,183	7,116	-	7,116
Collateral paid		8,343	-	8,343	13,012	-	13,012
Trading securities	10	-	34,752	34,752	-	38,423	38,423
Derivative financial instruments	11	-	38,292	38,292	-	130,552	130,552
Investment securities	12	5,262	62,678	67,940	5,354	74,930	80,284
Net loans and advances	13	485,015	3,472	488,487	483,986	4,016	488,002
Regulatory deposits		213	-	213	199	-	199
Due from controlled entities[1]		21,489	2,041	23,530	22,089	1,928	24,017
Other financial assets		1,371	-	1,371	1,460	-	1,460
Total		670,312	141,235	811,547	631,299	249,849	881,148
Financial liabilities							
Settlement balances owed by ANZ		14,922	-	14,922	19,556	-	19,556
Collateral received		5,148	-	5,148	8,074	-	8,074
Deposits and other borrowings	15	606,673	50	606,723	556,676	1,460	558,136
Derivative financial instruments	11	-	37,005	37,005	-	131,230	131,230
Due to controlled entities[1]		23,079	-	23,079	24,295	-	24,295
Payables and other liabilities		3,999	3,245	7,244	4,377	3,693	8,070
Debt issuances	16	77,053	4,035	81,088	92,832	4,218	97,050
Total		730,874	44,335	775,209	705,810	140,601	846,411

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities and Due to controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 *Fair Value Measurement* based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

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

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Assets								
Trading securities[1]	36,025	44,004	8,663	6,909	-	-	44,688	50,913
Derivative financial instruments	494	681	38,187	134,588	55	62	38,736	135,331
Investment securities[1]	68,007	85,330	6,756	137	1,332	1,108	76,095	86,575
Net loans and advances	-	-	3,510	3,925	110	13	3,620	3,938
Total	104,526	130,015	57,116	145,559	1,497	1,183	163,139	276,757
Liabilities								
Deposits and other borrowings	-	-	4,284	3,078	-	-	4,284	3,078
Derivative financial instruments	1,131	1,120	34,874	133,536	30	55	36,035	134,711
Payables and other liabilities[2]	3,690	3,830	223	13	-	-	3,913	3,843
Debt issuances (designated at fair value)	-	-	1,962	2,159	-	-	1,962	2,159
Total	4,821	4,950	41,343	138,786	30	55	46,194	143,791

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Assets								
Trading securities[1]	27,764	35,170	6,988	3,253	-	-	34,752	38,423
Derivative financial instruments	470	662	37,788	129,832	34	58	38,292	130,552
Investment securities[1]	56,277	73,838	5,354	105	1,046	987	62,677	74,930
Net loans and advances	-	-	3,362	4,016	110	-	3,472	4,016
Due from controlled entities	-	-	2,041	1,928	-	-	2,041	1,928
Total	84,511	109,670	55,533	139,134	1,190	1,045	141,234	249,849
Liabilities								
Deposits and other borrowings	-	-	50	1,460	-	-	50	1,460
Derivative financial instruments	1,121	1,109	35,854	130,066	30	55	37,005	131,230
Payables and other liabilities[2]	3,040	3,680	205	13	-	-	3,245	3,693
Debt issuances (designated at fair value)	998	996	3,037	3,222	-	-	4,035	4,218
Total	5,159	5,785	39,146	134,761	30	55	44,335	140,601

1. During the year, $3,845 million of assets were transferred from Level 1 to Level 2 (2020: $127 million transferred from Level 2 to Level 1) for the Group and the Company due to a change of the observability of inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. Payables and other liabilities relates to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,467 million (2020: $1,128 million) for the Group and $1,160 million (2020: $1,003 million) for the Company.

The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- net loans and advances that are required to be measured at fair value for which there is no observable market data; and
- derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

The increase in the net balance of Level 3 financial instruments is Investment Securities, due to the revaluation of the investment in Bank of Tianjin (Group and Company), and an increase in unlisted equity investments (Group).

During the year, the Group and Company transferred $5 million of derivative liabilities from Level 3 to Level 2, where valuation parameters for these financial instruments became observable during the year, and $105 million of Loan and advances measured at fair value from Level 2 to Level 3, where valuation parameters for these loans became unobservable during the year. There were no other transfers in or out of Level 3 in the current or prior year.

Bank of Tianjin (BoT)

The investment is valued based on comparator bank price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $99 million (2020: $93 million) increase or decrease to the fair value of the investment, which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in inputs have a minimal impact on net profit and net assets of the Group.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight line basis over the life of the transaction or until all inputs become observable.

Day one gains and losses which have been deferred are not material.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Financial assets										
Net loans and advances	**626,099**	613,155	**-**	-	**16,906**	22,862	**609,541**	591,296	**626,447**	614,158
Investment securities	**7,031**	6,816	**-**	-	**7,043**	6,816	**-**	-	**7,043**	6,816
Total	**633,130**	619,971	**-**	-	**23,949**	29,678	**609,541**	591,296	**633,490**	620,974
Financial liabilities										
Deposits and other borrowings	**738,772**	679,255	**-**	-	**738,840**	679,544	**-**	-	**738,840**	679,544
Debt issuances	**99,092**	117,509	**27,785**	26,107	**73,332**	93,187	**-**	-	**101,117**	119,294
Total	**837,864**	796,764	**27,785**	26,107	**812,172**	772,731	**-**	-	**839,957**	798,838

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Financial assets										
Net loans and advances	485,015	483,986	-	-	16,050	22,350	469,363	462,073	485,413	484,423
Investment securities	5,263	5,354	-	-	5,275	5,352	-	-	5,275	5,352
Due from controlled entities[1]	21,489	22,089	-	-	-	-	21,489	22,089	21,489	22,089
Total	511,767	511,429	-	-	21,325	27,702	490,852	484,162	512,177	511,864
Financial liabilities										
Deposits and other borrowings	606,673	556,676	-	-	606,723	556,805	-	-	606,723	556,805
Debt issuances	77,053	92,832	24,280	23,214	54,421	71,133	-	-	78,701	94,347
Due to controlled entities[1]	23,079	24,295	-	-	-	-	23,079	24,295	23,079	24,295
Total	706,805	673,803	24,280	23,214	661,144	627,938	23,079	24,295	708,503	675,447

1. From 1 April 2021, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation structured entities (SEs) in which it holds all of the issued securities of the SE. Transactions with an SE are no longer recorded on a gross basis. Comparatives have been restated, reducing Due from controlled entities and Due to controlled entities by $76,637 million at 30 September 2020. Refer to Note 35 Impact of Adoption of New Standards and Other Changes for further details.

KEY JUDGEMENTS AND ESTIMATES

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

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

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 11 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in determining fair value.

19. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Securities sold under arrangements to repurchase[1]	51,208	61,415	48,663	60,612
Residential mortgages provided as security for covered bonds	28,816	28,559	17,925	17,937
Other	4,039	4,990	3,963	4,921

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial transactions. Under certain arrangements ANZ has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Fair value of assets which can be sold or repledged	26,814	54,242	25,679	53,118
Fair value of assets sold or repledged	18,741	32,578	18,189	32,308

20. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

Consolidated	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Amount subject to master netting agreement or similar: Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2021						
Derivative financial assets[1]	38,736	(3,078)	35,658	(24,186)	(5,750)	5,722
Reverse repurchase, securities borrowing and similar agreements[2]	26,082	(3,166)	22,916	(1,052)	(21,864)	-
Total financial assets	64,818	(6,244)	58,574	(25,238)	(27,614)	5,722
Derivative financial liabilities[1]	(36,035)	2,822	(33,213)	24,186	5,530	(3,497)
Repurchase, securities lending and similar agreements[3]	(46,147)	11,461	(34,686)	1,052	33,634	-
Total financial liabilities	(82,182)	14,283	(67,899)	25,238	39,164	(3,497)
As at 30 September 2020						
Derivative financial assets	135,331	(3,862)	131,469	(117,982)	(6,397)	7,090
Reverse repurchase, securities borrowing and similar agreements[2]	53,434	(5,922)	47,512	(1,566)	(45,946)	-
Total financial assets	188,765	(9,784)	178,981	(119,548)	(52,343)	7,090
Derivative financial liabilities	(134,711)	2,824	(131,887)	117,982	10,059	(3,846)
Repurchase, securities lending and similar agreements[3]	(55,716)	14,354	(41,362)	1,566	39,796	-
Total financial liabilities	(190,427)	17,178	(173,249)	119,548	49,855	(3,846)

1. In August 2021, the Group amended the terms of its legal agreements with one of its central clearing counterparties whereby the payment or receipt of collateral results in a legal settlement of associated derivative assets and liabilities, and an associated reduction in the carrying values of the related derivative instruments. These derivative remain subject to a master netting agreement. The impact of this change as at 30 September 2021 is a decrease in the derivative assets of $55.1 billion and a decrease in derivative liabilities of $55.2 billion and reduction in net collateral paid of $0.1 billion. Refer to Note 11 Derivative Financial Instruments for further information.
2. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
3. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

20. OFFSETTING (continued)

The Company	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Amount subject to master netting agreement or similar: Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2021						
Derivative financial assets[1]	38,292	(1,539)	36,753	(27,288)	(5,189)	4,276
Reverse repurchase, securities borrowing and similar agreements[2]	24,958	(2,042)	22,916	(1,052)	(21,864)	-
Total financial assets	63,250	(3,581)	59,669	(28,340)	(27,053)	4,276
Derivative financial liabilities[1]	(37,005)	1,343	(35,662)	27,288	5,425	(2,949)
Repurchase, securities lending and similar agreements[3]	(43,925)	10,480	(33,445)	1,052	32,393	-
Total financial liabilities	(80,930)	11,823	(69,107)	28,340	37,818	(2,949)
As at 30 September 2020						
Derivative financial assets	130,552	(2,531)	128,021	(117,039)	(5,625)	5,357
Reverse repurchase, securities borrowing and similar agreements[2]	52,322	(4,810)	47,512	(1,566)	(45,946)	-
Total financial assets	182,874	(7,341)	175,533	(118,605)	(51,571)	5,357
Derivative financial liabilities	(131,230)	1,567	(129,663)	117,039	9,402	(3,222)
Repurchase, securities lending and similar agreements[3]	(54,951)	13,589	(41,362)	1,566	39,796	-
Total financial liabilities	(186,181)	15,156	(171,025)	118,605	49,198	(3,222)

1. In August 2021, the Company amended the terms of its legal agreements with one of its central clearing counterparties whereby the payment or receipt of collateral results in a legal settlement of associated derivative assets and liabilities, and an associated reduction in the carrying values of the related derivative instruments. These derivative remain subject to a master netting agreement. The impact of this change as at 30 September 2021 is a decrease in the derivative assets of $51.4 billion and a decrease in derivative liabilities of $51.3 billion and reduction in net collateral paid of $0.1 billion. Refer to Note 11 Derivative Financial Instruments for further information.
2. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
3. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
Consolidated	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Balance at start of year	3,264	3,467	1,039	1,323	76	71	4,379	4,861
Additions	-	-	356	375	-	6	356	381
Amortisation expense[2]	-	-	(434)	(657)	(2)	(1)	(436)	(658)
Impairment expense[3]	(251)	(77)	(1)	(2)	-	-	(252)	(79)
Written off on disposal	(13)	(124)	-	-	-	-	(13)	(124)
Foreign currency exchange difference	89	(2)	-	-	1	-	90	(2)
Balance at end of year	3,089	3,264	960	1,039	75	76	4,124	4,379
Cost[4]	3,089	3,264	7,639	7,300	78	77	10,806	10,641
Accumulated amortisation	n/a	n/a	(6,679)	(6,261)	(3)	(1)	(6,682)	(6,262)
Carrying amount	3,089	3,264	960	1,039	75	76	4,124	4,379

	Goodwill[1]		Software		Other Intangibles		Total	
The Company	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Balance at start of year	62	82	1,030	1,285	5	-	1,097	1,367
Additions	-	-	345	372	-	6	345	378
Amortisation expense[2]	-	-	(422)	(625)	(2)	(1)	(424)	(626)
Impairment expense	-	(10)	(1)	(2)	-	-	(1)	(12)
Written off on disposal	-	(10)	-	-	-	-	-	(10)
Foreign currency exchange difference	-	-	-	-	-	-	-	-
Balance at end of year	62	62	952	1,030	3	5	1,017	1,097
Cost[4]	62	62	7,342	7,006	6	6	7,410	7,074
Accumulated amortisation	n/a	n/a	(6,390)	(5,976)	(3)	(1)	(6,393)	(5,977)
Carrying amount	62	62	952	1,030	3	5	1,017	1,097

1. Goodwill excludes notional goodwill in equity accounted investments.
2. During 2020, the Group amended the application of its software amortisation policy and recognised an accelerated amortisation of $197 million for the Group and $184 million for the Company in 2020.
3. 2021 goodwill impairment expense relates to the write-off on reclassification of ANZ Share Investing to held for sale. This is recognised in Other income to align with the classification on completion of the disposal in 2021.
4. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS (CGUs) CONTAINING GOODWILL

An assessment as to whether the current carrying value of goodwill is impaired is undertaken annually or where there are indicators of potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are ANZ's reportable segments. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount.

We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value-in-use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

During the year ended 30 September 2021, $251 million of goodwill was written off upon reclassification of ANZ Share Investing to held for sale in the Group (Company: nil) with a remaining $13 million of goodwill derecognised upon completion of the disposal.

During the year ended 30 September 2020, the Group wrote off $124 million of goodwill in relation to completed divestments (Company: $10 million). In addition, the Group announced its intention to begin winding up the Bonus Bonds business, a managed investment product in New Zealand and the Group wrote off the associated goodwill of $27 million (Company: nil). The Group wrote off $50 million of goodwill in the Pacific division (Company: $10 million) as a result of changes in economic outlook.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Fair Value Less Cost of Disposal

The recoverable amount of each CGU to which goodwill is allocated is estimated on a FVLCOD basis, calculated using a market multiple approach. Under this approach, we determine the estimated fair value of each CGU by applying observable price earnings multiples of appropriate comparator companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management's approach and the key assumptions used to determine FVLCOD, for those CGUs where recoverable amount was determined on the basis of FVLCOD were as follows:

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU have been estimated as the sum of: • The Group's 2022 financial plan for each CGU; plus • An allocation of the central costs recorded outside of the CGU's to which goodwill is allocated. Where relevant, adjustments are made to the Group's financial plan to reflect the long term expectations for items such as expected credit losses and investment spend.
Price/Earnings (P/E) multiple applied	The P/E multiples used have been derived from valuations of comparable publicly traded companies relevant to the respective CGU. In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to comparator group multiples to address specific factors relevant to those CGUs. The median P/E multiples applied (including a 30% control premium discussed below) were as follows: Division – 2021 – 2020 Australia Retail and Commercial – 18.9 – 16.0 New Zealand – 16.4 – 12.7 Institutional – 15.5 – 13.4 **Control premium:** A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.
Costs of disposal	Costs of disposal have been estimated as 2% of the fair value of the CGU based on input from historical and recent transactions.

As noted above, our impairment testing did not result in any material impairment of goodwill being identified as at 30 September 2021.

FVLCOD assessment outcomes

For each CGU, the surplus of the recoverable amount over the carrying amount determined on the basis of FVLCOD was as follows:

Cash generating unit:	Surplus 2021 $m
Australia Retail and Commercial	12,168
New Zealand	6,332
Institutional	4,249

Sensitivity analysis

The surpluses disclosed above are sensitive to judgements and estimates however the FVLCOD estimates for the respective CGUs would continue to show a surplus in recoverable amount over carrying amount even where reasonably possible alternative estimates were used.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangible Assets
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the Group is capitalised. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and an intangible asset arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. The contractual rights intangible asset is amortised over 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight line for those with a limited life.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU including:
  - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

Software and other intangible assets

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the increasing pace of technological change.

22. OTHER PROVISIONS

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
ECL allowance on undrawn and contingent facilities[1]	806	898	674	731
Customer remediation	886	1,109	791	969
Restructuring costs	99	105	44	70
Non-lending losses, frauds and forgeries	61	79	54	57
Other	362	388	310	330
Total other provisions	2,214	2,579	1,873	2,157

1. Refer to Note 14 Allowance for Expected Credit Losses for movement analysis.

Consolidated	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2020	1,109	105	79	388
New and increased provisions made during the year	379	89	41	121
Provisions used during the year	(449)	(84)	(56)	(127)
Unused amounts reversed during the year[1]	(153)	(11)	(3)	(20)
Balance at 30 September 2021	886	99	61	362

1. Customer remediation includes a $52 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

The Company	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2020	969	70	57	330
New and increased provisions made during the year	360	37	-	116
Provisions used during the year	(390)	(55)	(1)	(118)
Unused amounts reversed during the year[1]	(148)	(8)	(2)	(18)
Balance at 30 September 2021	791	44	54	310

1. Customer remediation includes a $52 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

22. OTHER PROVISIONS (continued)

Customer remediation

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

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advices and adjustments are made to the provisions where appropriate.

23. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Ordinary share capital	25,984	26,531	25,907	26,454
Reserves				
Foreign currency translation reserve	611	155	(145)	(131)
Share option reserve	76	85	76	85
FVOCI reserve	170	245	26	129
Cash flow hedge reserve	393	1,038	384	935
Transactions with non-controlling interests reserve	(22)	(22)	-	-
Total reserves	1,228	1,501	341	1,018
Retained earnings	36,453	33,255	29,132	25,800
Share capital and reserves attributable to shareholders of the Company	63,665	61,287	55,380	53,272
Non-controlling interests	11	10	-	-
Total shareholders' equity	63,676	61,297	55,380	53,272

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2021		2020	
Consolidated	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,840,370,225	26,531	2,834,584,923	26,490
Dividend reinvestment plan ('DRP') Issuances[1]	4,242,368	94	3,373,022	61
Bonus option plan[2]	2,259,507	-	2,412,280	-
Group employee share acquisition scheme	-	13	-	(20)
Share buy-back[3]	(23,308,448)	(654)	-	-
Balance at end of year	2,823,563,652	25,984	2,840,370,225	26,531
Less: Treasury Shares	(4,401,593)	-	(4,927,878)	-
Balance at end of year	2,819,162,059	25,984	2,835,442,347	26,531

	2021		2020	
The Company	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,840,370,225	26,454	2,834,584,923	26,413
Dividend reinvestment plan ('DRP') Issuances[1]	4,242,368	94	3,373,022	61
Bonus option plan[2]	2,259,507	-	2,412,280	-
Group employee share acquisition scheme	-	13	-	(20)
Share buy-back[3]	(23,308,448)	(654)	-	-
Balance at end of year	2,823,563,652	25,907	2,840,370,225	26,454

1. The Company issued 4.2 million shares under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend). No shares were issued for the 2021 interim dividend and 2019 final dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP.
2. The Company issued 1.3 million shares under the Bonus Option Plan (BOP) for the 2021 interim dividend and 0.9 million shares for the 2020 final dividend (0.8 million shares for the 2020 interim dividend and 1.6 million shares for the 2019 final dividend).
3. The Company commenced a $1.5 billion on-market share buy-back on 4 August 2021. This resulted in 23 million shares ($654 million) being cancelled in the September 2021 half and a further 2 million shares ($55 million) being cancelled after 30 September 2021 in respect of purchase orders placed but not settled at 30 September 2021.

23. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

24. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital ('stress capital buffer') needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision ('BCBS'). APRA requirements are summarised below:

Regulatory Capital Definition			
Common Equity Tier 1 (CET1) Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.
Minimum Prudential Capital Ratios (PCRs)			
CET1 Ratio	Tier 1 Ratio	Total Capital Ratio	
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.	
Reporting Levels			
Level 1	Level 2	Level 3	
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.	

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

24. CAPITAL MANAGEMENT (continued)

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	Consolidated	
	2021 $m	2020 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	63,676	61,297
Prudential adjustments to shareholders' equity[2]	3	189
Gross Common Equity Tier 1 capital	63,679	61,486
Deductions[2]	(12,320)	(12,784)
Common Equity Tier 1 capital	51,359	48,702
Additional Tier 1 capital[3]	8,114	7,779
Tier 1 capital	59,473	56,481
Tier 2 capital[4]	17,125	13,957
Total qualifying capital	76,598	70,438
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	12.3%	11.3%
Tier 1	14.3%	13.2%
Tier 2	4.1%	3.3%
Total capital ratio	18.4%	16.4%
Risk weighted assets	416,086	429,384

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. During 2021, deferred expenses previously netted within Prudential adjustments to shareholders' equity were reclassified to Deductions to better align with the nature of the balances. Comparatives have been restated accordingly (2020: $394 million).
3. This includes Additional Tier 1 capital of $8,506 million (2020: $8,196 million) (refer to Note 16 Debt Issuances), reduced for regulatory adjustments and deductions of $392 million (2020: $417 million).
4. This includes Tier 2 capital of $16,207 million (2020: $12,865 million) (refer to Note 16 Debt Issuances), general reserve for impairment of financial assets of $1,412 million (2020: $1,813 million) and deductions for regulatory adjustments of $494 million (2020: $721 million).

25. CONTROLLED ENTITIES

	Incorporated in	Nature of Business
The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Australia	Banking
All controlled entities are 100% owned, unless otherwise noted.		
The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Capel Court Limited	Australia	Securitisation Manager
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ Wealth New Zealand Limited[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Asia Limited[1]	Hong Kong	Banking
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
PT Bank ANZ Indonesia[1] **(99% ownership)**	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

25. CONTROLLED ENTITIES (continued)

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

When the Group ceases to control a subsidiary, it:

- measures any retained interest in the entity at fair value; and
- recognises any resulting gain or loss in profit or loss.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

26. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

		Ordinary share interest		Carrying amount $m	
Name of entity	Principal activity	2021	2020	2021	2020
AMMB Holdings Berhad ('AmBank')	Banking and insurance	22%	24%	719	1,056
PT Bank Pan Indonesia ('PT Panin')	Consumer and business bank	39%	39%	1,210	1,084
Aggregate other individually immaterial associates		n/a	n/a	43	24
Total carrying value of associates[1]				1,972	2,164

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as both associates have different financial years to the Group (PT Panin 31 December, AmBank 31 March).

	AMMB Holdings Berhad		PT Bank Pan Indonesia	
Principal place of business and country of incorporation	Malaysia		Indonesia	
	2021 $m	2020 $m	2021 $m	2020 $m
Summarised results				
Operating income	2,663	3,156	1,222	1,105
Profit/(Loss) for the year	(1,192)	456	298	319
Other comprehensive income/(loss)	(39)	105	(56)	72
Total comprehensive income/(loss)	(1,231)	561	242	391
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(25)	(26)	1	(11)
Total comprehensive income/(loss) attributable to owners of associate	(1,256)	535	243	380
Summarised financial position				
Total assets[1]	55,711	53,301	18,323	19,669
Total liabilities[1]	49,773	48,530	15,377	16,599
Total net assets[1]	5,938	4,771	2,946	3,070
Less: Non–controlling interests of associate	(327)	(343)	(304)	(294)
Net assets attributable to owners of associate	5,611	4,428	2,642	2,776
Reconciliation to carrying amount of Group's interest in associate				
Carrying amount at the beginning of the year	1,056	1,586	1,084	1,350
Group's share of total comprehensive income/(loss)[2]	(313)	126	90	150
Dividends received from associate	-	(32)	-	-
Group's share of other reserve movements of associate and foreign currency translation reserve adjustments	(24)	(29)	36	(128)
Group's equity accounted share of AASB 9 transition adjustment[3]	-	-	-	(68)
Impairment charges[4]	-	(595)	-	(220)
Carrying amount at the end of the year	719	1,056	1,210	1,084
Market value of Group's investment in associate	756	727	675	653

1. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).
2. Includes the Group's share of settlement provision expenses ($212 million) recorded by AmBank in relation to an agreement with the Malaysian Ministry of Finance to resolve potential claims to its involvement with 1Malaysia Development Berhad and the Group's share of impairments ($135 million) recognised by AmBank during 2021.
3. In 2020, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 *Financial Instruments* on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the current financial year recognising a transition adjustment in retained earnings.
4. The Group recorded an impairment charge of $815 million in other operating income based on impairment assessments performed in 2020 with AmBank impaired by $595 million and PT Panin impaired by $220 million. No impairment charges were recorded in 2021.

26. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

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

At 30 September 2021, the impairment assessment of non-lending assets identified that two of the Group's associate investments AmBank and PT Panin had indicators of impairment. No impairment was recognised as their carrying values are supported by their value-in-use (VIU) calculations.

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill recognised by the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin remains uncertain. Significant management judgment is required in determining the key assumptions underpinning the VIU calculations. Factors may change in subsequent periods and lead to potential future impairments or reversals of prior period impairments. These include forecast earnings levels in the near term and/or changes in the long term growth forecasts, required levels of regulatory capital and post-tax discount rate.

The key assumptions used in the value-in-use calculations are outlined below:

As at 30 September 2021	AmBank	PT Panin
Post-tax discount rate	10.6%	14.4%
Terminal growth rate	5.0%	5.1%
Expected earnings growth (compound annual growth rate – 5 years)	4.2%	6.4%
Common Equity Tier 1 ratio (5 year average)	13.4%	12.8%

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the September 2021 post-tax discount rate by +/- 50 bps would impact the VIU outcome for PT Panin by ($55 million)/$60 million, and ($84 million)/$106 million for AmBank.
- A change in the September 2021 terminal growth rate by +/- 25 bps would impact the VIU outcome for PT Panin by $9 million/($10 million), and $49 million/($45 million) for AmBank.

Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

27. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below.

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2020: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

27. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
On-balance sheet interests						
Investment securities	2,624	2,280	-	-	2,624	2,280
Gross loans and advances	7,697	8,479	53	74	7,750	8,553
Total on-balance sheet	10,321	10,759	53	74	10,374	10,833
Off-balance sheet interests						
Commitments (facilities undrawn)	2,034	2,072	-	22	2,034	2,094
Guarantees	50	40	-	-	50	40
Total off-balance sheet	2,084	2,112	-	22	2,084	2,134
Maximum exposure to loss	12,405	12,871	53	96	12,458	12,967

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $192 million (2020: $285 million) during the year.

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place - regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with a maximum value of approximately $4.3 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2020: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

27. STRUCTURED ENTITIES (continued)

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand Limited. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns);
- exposure to variable returns of the entity; and
- the ability to use its power over the entity to affect the Group's returns.

28. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Group is also the holder of the securitised notes issued by the SEs. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

During the 2021 financial year, the Company changed its accounting policy regarding intragroup positions with consolidated securitisation SEs in which it holds all of the issued securities of the SE. The Company records a net nil position with the securitisation SE to reflect the economic substance of these fully offsetting intercompany transactions. Refer to Note 35 Impacts of Adoption of New Standards and Other Changes for further details of the change in accounting policy.

28. TRANSFERS OF FINANCIAL ASSETS (continued)

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing and commodity prepayment arrangements. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets or financed commodity and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The tables below set out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities.

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2021	2020	2021	2020	2021	2020	2021	2020
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	**1,430**	1,831	**28,816**	28,559	**51,208**	61,415	**55**	67
Carrying amount of associated liabilities	**1,424**	1,824	**15,399**	15,948	**46,147**	55,716	**55**	67

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2021	2020	2021	2020	2021	2020	2021	2020
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	**1,430**	1,831	**17,925**	17,937	**48,663**	60,612	**-**	-
Carrying amount of associated liabilities	**1,430**	1,831	**17,925**	17,937	**43,925**	54,951	**-**	-

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

DISCONTINUED OPERATIONS

The Group completed the sale of its Aligned Dealer Groups business to IOOF Holdings Limited (IOOF) on 1 October 2018, its life insurance business to Zurich Financial Services Australia (Zurich) on 31 May 2019 and its OnePath pensions and investments business to IOOF on 31 January 2020.

The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective. The financial results after transaction completion primarily relate to residual operational costs on separation and part recovery based on the respective Transition Service Agreements. The loss after tax from discontinued operations for the year was $17 million (2020: $98 million loss).

INCOME STATEMENT IMPACT RELATING TO DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

During the 2021 financial year, the Group recognised the following impacts in relation to discontinued operations:

- $17 million loss after tax attributable to customer remediation charges of $3 million and an associated $1 million tax benefit, and ongoing sale completion costs net of recoveries.

During the 2020 financial year, the Group recognised the following impacts in relation to discontinued operations:

- $13 million loss after tax recorded in operating income attributable to sale completion costs.
- $126 million of customer remediation charges and an associated $30 million tax benefit.
- $101 million charge recognised in operating income offset by a $101 million tax benefit within income tax expense relating to the finalisation of the policyholder tax position associated with the sale of the life insurance business to Zurich.

KEY JUDGEMENTS AND ESTIMATES

A significant level of judgement is used by the Group to determine:

- whether an asset or group of assets is classified and presented as held for sale or as a discontinued operation; and
- the fair value of the assets and liabilities classified as being held for sale.

Management is required to exercise significant judgement when assessing the fair value less costs to sell for assets and liabilities held for sale. The judgemental factors include determining: costs to sell, allocation of goodwill, indemnities provided under the sale contract and consideration received - particularly where elements of consideration are contingent in nature. Any impairment we record is based on the best available evidence of fair value compared to the carrying value before the impairment. The final sale price may be different to the fair value we estimate when recording the impairment. Management regularly assess the appropriateness of the underlying assumptions against actual outcomes and other relevant evidence and adjustments are made to fair value where appropriate. We expect that sales will complete within 12 months after balance date, subject to the relevant regulatory approvals and customary terms of sale for such assets.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Defined benefit obligation and scheme assets				
Present value of funded defined benefit obligation	(1,477)	(1,478)	(1,319)	(1,282)
Fair value of scheme assets	1,679	1,693	1,514	1,541
Net defined benefit asset	202	215	195	259
As represented in the Balance Sheet				
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(11)	(59)	(11)	(15)
Net assets arising from defined benefit obligations included in other assets	213	274	206	274
Net defined benefit asset	202	215	195	259
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.9	14.9	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $109 million (2020 surplus of $104 million). In 2021, the Group made defined benefit contributions totaling $3 million (2020: $4 million). It expects to make contributions of around $2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an effect on the Statement of Other Comprehensive Income and Balance Sheet.

Consolidated	2021	2020	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2021 $m	2020 $m
Discount rate (% p.a.)	0.4 - 2.15	0.5 - 1.7	0.5% increase	(103)	(103)
Future salary increases (% p.a.)	1.9 - 3.5	1.6 - 3.0			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	1.05 - 3.35/2.7	1.1 - 2.8/2.2	0.5% increase	84	85
Life expectancy at age 60 for current pensioners			1 year increase	74	73
– Males (years)	26.1 - 28.8	26.0 - 28.7			
– Females (years)	29.0 - 30.5	28.9 - 30.4			

The Company	2021	2020	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2021 $m	2020 $m
Discount rate (% p.a.)	1.95 - 2.15	1.55 - 1.7	0.5% increase	(94)	(91)
Future salary increases (% p.a.)	3.5	2.95			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	2.0 - 3.35/2.7	1.5 - 2.8/2.15	0.5% increase	75	73
Life expectancy at age 60 for current pensioners			1 year increase	67	65
– Males (years)	26.1 - 28.8	26.0 - 28.7			
– Females (years)	29.0 - 30.5	28.9 - 30.4			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during the 2021 and 2020 years were the Employee Share Offer (2020 only) and the Deferred Share Plan.

Employee Share Offer

The details below relate to the grant of the Employee Share Offer in December 2019.

Eligibility	Most permanent employees employed in either Australia or New Zealand with three years continuous service.
Grant	The Board approved AUD 1,000 in Australia (and AUD 800 in New Zealand) of ANZ shares.
Allocation value	One week Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Australia	ANZ ordinary shares were granted to eligible employees for nil consideration. The shares vested on grant and are being held in trust for three years from grant date, after which time they may remain in trust, be transferred to the employee's name or sold. Dividends are automatically reinvested in the Dividend Reinvestment Plan.
New Zealand	Shares were granted to eligible employees on payment of NZD one cent per share. Shares vest subject to satisfaction of a three-year service period, after which they may remain in trust, be transferred to the employee's name or sold. Unvested shares are forfeited if the employee resigns or is dismissed for serious misconduct. Dividends are either paid in cash or reinvested into the Dividend Reinvestment Plan.
Expensing value (fair value)	In Australia, the fair value of the shares is expensed in the year shares are granted, as they are not subject to forfeiture. In New Zealand, the fair value is expensed on a straight-line basis over the three year vesting period. The expense is recognised as a share-based compensation expense with a corresponding increase in equity.
2020 grants	698,862 shares were granted on 2 December 2019 at an issue price of $24.96.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives

Eligibility	Group CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Annual Variable Remuneration (AVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, is received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.

ii) ANZIP: Based on the 2020 Performance and Remuneration Review

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive), and select roles in the United Kingdom (UK)/China[1].
Grant	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares.
Conditions	Deferred over three years from grant date.

iii) ANZIP: Based on the 2019 Performance and Remuneration Review (granted in the 2020 financial year)

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive), and select roles in the UK/China[1].
Grant	If VR is at or exceeds AUD 150,000, then 60% of VR amounts exceeding AUD 80,000 (subject to a minimum deferral amount of AUD 42,000) is deferred as shares.
Conditions	Deferred over three years from grant date.

iv) Long Term Incentives (LTIs): Based on the 2019 Performance and Remuneration Review (granted in the 2020 financial year)

Eligibility	Selected employees (excludes the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive)).
Grant	100% deferred shares.
Conditions	Vest three years from grant date.

1. Specific deferral arrangements also exist under ANZIP for roles defined as United Kingdom Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

v) Exceptional circumstances	
Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.

vi) Further information	
Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2021 and 2020 grants	During the 2021 year, we granted 1,653,585 deferred shares (2020: 2,259,897) with a weighted average grant price of \$23.31 (2020: \$24.94).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2021 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2021 (2020: nil).

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2021 under the Deferred Share Plan (in 2020 under the Employee Share Offer and the Deferred Share Plan), measured as at the date of grant of the shares, is \$38.9 million (2020: \$73.4 million) based on 1,653,585 shares (2020: 2,958,759) at VWAP of \$23.53 (2020: \$24.81).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2021 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2021 Remuneration Report.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Option Plans that operated during 2021 and 2020

i) Performance Rights	
Allocation	We grant performance rights to the CEO and ExCo as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.3a of the 2021 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2021, the performance rights that vested (previously granted in November/December 2017) were satisfied through a share allocation, other than 36,103 performance rights for which a cash payment was made. In 2020, all performance rights (previously granted in November/December 2016) lapsed due to not meeting the performance hurdles.
2021 and 2020 grants	During the 2021 year, we granted 485,032 performance rights (2020: 520,172).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2021 (2020: nil).

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period. Also, see section 5.2.3b of the 2021 Remuneration Report.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 89,296 deferred share rights (2020: 99,891) for which a cash payment was made.
2021 and 2020 grants	During the 2021 year, 2,258,774 deferred share rights (no performance hurdles) were granted (2020: 2,393,424).
Malus (downward adjustment)	Board discretion was exercised to adjust downward 8,414 deferred share rights to zero in 2021 (2020: nil).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Options, Deferred Share Rights and Performance Rights on Issue

As at 27 October 2021, there were 442 holders of 4,537,088 deferred share rights on issue and 97 holders of 1,709,028 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2021 and the movements during 2021:

	Opening balance 1 Oct 2020	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2021
Number of options/rights	6,724,557	2,743,806	(918,589)	0	(2,241,996)	6,307,778
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.34
WA remaining contractual life						1.8 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						227,412

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2020 and the movements during 2020:

	Opening balance 1 Oct 2019	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2020
Number of options/rights	6,688,538	2,913,596	(976,468)	0	(1,901,109)	6,724,557
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$19.94
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						151,829

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2021 and 2020, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 27 October 2021:

- no options/rights over ordinary shares have been granted since the end of 2021; and
- no shares issued as a result of the exercise of options/rights since the end of 2021.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2021		2020	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights[1]
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	23.37	23.32	24.78	24.93
Expected volatility of ANZ share price (%)[2]	26.5	25.0	20.0	20.0
Equity term (years)	2.3	6.0	2.5	6.0
Vesting period (years)	2.0	4.0	2.1	4.0
Expected life (years)	2.0	4.0	2.1	4.0
Expected dividend yield (%)	4.85	5.25	6.0	6.0
Risk free interest rate (%)	0.10	0.21	0.77	0.74
Fair value ($)	21.15	9.56	21.95	9.07

1. Relates to grants made in November 2019.
2. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2021 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 3,593,574 shares at an average price of $22.03 per share (2020: 4,882,936 shares at an average price of $25.06 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are defined as all directors of the Group and those personnel with a key responsibility for the strategic direction and management of the Group and report directly to the CEO. KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

	Consolidated	
	2021 $'000[1]	2020 $'000
Short-term benefits	21,109	19,260
Post-employment benefits	383	414
Other long-term benefits	258	397
Termination benefits	250	-
Share-based payments	5,066	8,198
Total	27,066	28,269

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provisions raised in respect of these balances. Details of the terms and conditions of lending products can be found on ANZ.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Loans advanced[1,2]	26,867	32,452	14,012	19,166
Undrawn facilities[2]	531	1,353	277	1,111
Interest charged[3]	777	888	434	518

1. Prior period balance has been restated to reflect minor timing variances.
2. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.
3. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	Consolidated	
	2021 Number[1]	2020 Number
Shares, options and rights	2,319,807	2,211,879
Subordinated debt	26,672	21,052

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $46 million (2020: $48 million) and with the Company were $38 million (2020: $37 million).

During the year, in recognition of the contribution of David Gonski as Group Chairman over the period from 2014-2020 the Group donated a painting (valued at approximately $325,000) from its collection to the Art Gallery of New South Wales, where he is the president on the Board of Trustees. ANZ has enjoyed an association with the Art Gallery of NSW since 2010, through its sponsorship of various annually awarded art prizes and it has been a Leadership Partner since 2017. The transaction between the Group and the Art Gallery New South Wales is not a related party transaction for accounting purposes.

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts in the form of charitable donation amounting to $500 were provided on behalf of the related parties of KMP during the year.

ASSOCIATES

We disclose significant associates in Note 26 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Amounts receivable from associates	7	354	-	-
Amounts payable to associates	1,739	1,354	716	746
Interest expense to associates	2	10	-	-
Other revenue from associates	-	500	-	-
Other expenses paid to associates	9,988	9,018	8,063	7,706
Guarantees given to associates	28	-	28	-
Dividend income from associates	-	32,465	-	-

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 25 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As of 30 September 2021, we consider all outstanding amounts on these transactions to be fully collectible.

Transactions between the Company and its subsidiaries include providing a wide range of banking and other financial facilities. Details of amounts paid to, or received from, related parties, in the form of dividends or interest, are set out in Note 2 Net Interest Income and Note 3 Non-Interest Income.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of Premises and equipment.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	Consolidated		The Company	
	2021 $m	2020 $m	2021 $m	2020 $m
Contract amount of:				
Undrawn facilities	212,265	227,819	176,077	191,300
Guarantees and letters of credit	30,027	22,778	27,957	20,640
Performance related contingencies	18,303	17,017	17,085	15,505
Total	260,595	267,614	221,119	227,445

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of undrawn facilities for the Group and the Company mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

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

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

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

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies for the Group and the Company mature within 12 months.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES

As at 30 September 2021, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 22 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

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

BENCHMARK/RATE ACTIONS

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

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

CAPITAL RAISING ACTIONS

In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against a number of companies and individuals, including the Company and a senior employee. It is alleged that the joint lead managers of the Company's August 2015 underwritten institutional equity placement engaged in cartel conduct and that the Company and its senior employee were involved in one of those joint lead managers giving effect to a cartel. The Company and its senior employee are defending the allegations. The trial is currently scheduled to start in April 2022.

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

CONSUMER CREDIT INSURANCE LITIGATION

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

ESANDA DEALER CAR LOAN LITIGATION

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

ONEPATH SUPERANNUATION LITIGATION

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

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

NEW ZEALAND LOAN INFORMATION LITIGATION

In September 2021, a representative proceeding was brought against ANZ Bank New Zealand Limited, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ Bank New Zealand Limited is defending the allegations.

ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

SECURITY RECOVERY ACTIONS

Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

WARRANTIES AND INDEMNITIES

The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESSES

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973.

Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	Consolidated		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
KPMG Australia				
Audit or review of financial reports	7,434	8,059	7,021	7,262
Audit-related services[1]	2,772	3,693	2,696	3,540
Non-audit services[2]	106	25	106	25
Total[3]	10,312	11,777	9,823	10,827
Overseas related practices of KPMG Australia				
Audit or review of financial reports	5,511	6,049	1,965	2,107
Audit-related services[1]	1,657	1,677	917	1,008
Non-audit services[2]	85	98	85	44
Total	7,253	7,824	2,967	3,159
Total auditor fees	17,565	19,601	12,790	13,986

1. Group audit-related services comprise prudential and regulatory services of $3.27 million (2020: $3.61 million), comfort letters $0.49 million (2020: $0.75 million) and other services $0.67 million (2020: $1.01 million). Company audit-related services comprise prudential and regulatory services of $2.78 million (2020: $3.07 million), comfort letters $0.45 million (2020: $0.72 million) and other services $0.38 million (2020: $0.76 million).
2. The nature of non-audit services for Group and Company include controls related assessments and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group and Company's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. IMPACT OF ADOPTION OF NEW STANDARDS AND OTHER CHANGES

INTEREST RATE BENCHMARK REFORM

There was no material impact from the early adoption of AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2*. Refer to Note 1 About Our Financial Statements for further details.

INTRAGROUP TRANSACTIONS WITH CONSOLIDATED SECURITISATION STRUCTURED ENTITIES

During the 2021 financial year, the Company changed its accounting policy relating to intragroup transactions with consolidated securitisation SEs in which it holds all of the issued securities of the SE. These internal securitisation transactions provide an additional source of liquidity for the Group by creating residential mortgage-backed securities (RMBS) which can be sold under repurchase agreements with relevant central banks. A distinguishing feature of these transactions is that all of the RMBS issued by the SE are held by the Company, rather than purchased by third parties. By holding all of the RMBS issued by the SE, the Company retains all of the risk and rewards of the mortgages transferred to the SE which cannot be derecognised for accounting purposes. Furthermore, because the intragroup transactions with the SE fully offset each other, they do not alter the cash position, assets or future cash flows of the Company. Accordingly, under this policy change, these transactions will no longer be recorded on a gross basis. Rather, the Company will recognise a net nil position with the SE in order to better reflect the economic substance of the intragroup transactions.

This accounting policy change has no impact on the Group's consolidated financial statements given the previously recorded intercompany balances were eliminated in consolidation. Comparatives have been restated in the financial statements of the Company as follows:

The Company	2020 $m
Income Statement	
Interest income	(2,377)
Interest expense	2,929
Net interest income	552
Other operating income	(552)
Net profit after tax	-
Balance Sheet	
Due from controlled entities	(76,637)
Total assets	**(76,637)**
Due to controlled entities	(76,637)
Total liabilities	**(76,637)**
Net assets	-

36. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 22 October 2021, a Group fund that owns 19% of the shares in Cashrewards Limited announced it would make an off-market takeover offer to acquire the remaining 81% of the shares, for ~$80 million. The offer is subject to a number of conditions and completion remains uncertain.

Other than the matter above, there have been no significant events from 30 September 2021 to the date of signing this report.

Directors' Declaration

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

a) in the Directors' opinion, the financial statements and notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 September 2021 and of their performance for the year ended on that date; and

b) the notes to the financial statements of the Company and the Consolidated Entity include a statement that the financial statements and notes of the Company and the Consolidated Entity comply with International Financial Reporting Standards; and

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

27 October 2021

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company and Group's financial positions as at 30 September 2021 and of their financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The Financial Report comprises the:

- balance sheets as at 30 September 2021;
- income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the year then ended;
- notes 1 to 36 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of financial instruments held at fair value;
- Carrying value of investment in Asian associates;
- Provisions for customer remediation; and
- IT systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (Group $4,882m; Company $4,062m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 14 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Company and Group's Expected Credit Loss models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Company and Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which gross domestic product (GDP) and unemployment levels are considered key assumptions. Post-model adjustments are made by the Company and Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post model adjustments the Company and Group applies to the ECL results.

The Company and Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Company and Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company and Group in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Company and Group. We exercise significant judgement in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company and Group in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Company and Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included:

Testing key controls of the Company and Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Company and Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Customer credit rating (CCR) for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Company and Group's lending policies, monitoring of counterparty credit quality against the Company and Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of CCR and security indicator (SI) assessments against the requirements of the Company and Group's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Company and Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) in relation to the key IT applications used by the Company and Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Company and Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Company and Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change). For each loan sampled, we challenged management's assessment of CCR and SI, taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Company's and Group's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Company and Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Company and Group's processes to determine ECL allowances, evaluating the Company and Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with our risk consulting specialists, we assessed the accuracy of the Company and Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Company and Group;
- Working with our economic specialists, we challenged the Company and Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Company and Group's ECL models. We compared the Company and Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Company and Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Company and Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Company and Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Company and Group's ECL model and data deficiencies identified by the Company and Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the expected increase in delinquencies. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Company and Group's assessment.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:

GROUP

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,497m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $57,116m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $30m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $41,343m

COMPANY

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,190m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $55,533m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $30m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $39,146m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 18 to the Financial Report.

The Key Audit Matter

The fair value of the Company and Group's Level 3 and 2 financial instruments is determined by the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and level 2 financial instruments held at fair value is considered a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable. Level 3 financial instruments represented 0.8% and 0.9% respectively of the Company and Group's financial assets and 0.07% and 0.06% of the Company and Group's financial liabilities carried at fair value; and
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 39% and 35% respectively of the Company and Group's financial assets and 88% and 89% of the Company and Group's financial liabilities carried at fair value.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

- Performing an assessment of the population of financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - Controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - Controls in relation to the review and challenge of daily profit and loss by a control function;
  - Controls over the collateral management process, including review of margin reconciliations with clearing houses; and
  - Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- With the assistance of our valuation specialists, independently re-valuing a selection of financial instruments and FVAs. This involved sourcing independent inputs from market data providers or external sources and using our own valuation models.
- In relation to the subjective valuation of Level 3 financial instruments, where appropriate, with our valuation specialists:
  - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - Comparing the Company and Group's valuation methodology to industry practice and the criteria in the accounting standards.
- Assessing the financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

CARRYING VALUE OF INVESTMENT IN ASIAN ASSOCIATES (Group $1,929m; Company $Nil)

Refer to the critical accounting estimates, judgements and disclosures in Notes 26 to the Financial Report.

The Key Audit Matter

Carrying value of investment in Asian associates (PT Panin and AmBank) is a key audit matter as:

- The Group's impairment assessment of non-lending assets identified that two of the Group's associate investments (PT Panin and AmBank) had indicators of impairment.
- Significant judgement was required by the Group as a result of the business disruption and economic impacts of the COVID-19 pandemic, raising estimation uncertainty. These conditions and the uncertainty of their continuation increases the possibility of the investments in the associates being impaired, and the risk of inaccurate forecasts or a significantly wider range of possible outcomes in the cash flow models.
- Our evaluation of potential impairment involves critically evaluating the Group's judgement in relation to key forward-looking assumptions for the Group's Asian associates. Instances where the Group's judgement is evaluated include:
  - Forecast earnings and terminal growth rates – The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application; and
  - Discount rates – These are complicated in nature and vary according to the conditions and environment the specific associate investments operate in.
- We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the value in use valuation method applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- Assessing the integrity of the models used, including the accuracy of the underlying calculation formulas;
- Assessing the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- Independently developing a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Asian associates and the market and industry they operate in;
- Comparing the forecast cash flows contained in the models to recent broker consensus reports, reflecting the COVID-19 impacts;
- Considering and challenging the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- Considering the sensitivity of the models by varying key assumptions, such as, forecast growth rates, terminal growth rates and discount rates, within a reasonable possible range, including specific analysis of reasonable possible impacts of COVID-19;

KEY AUDIT MATTERS (continued)

- Assessing the recoverable amount at the reporting date against the recoverable amount of each investment when it was last impaired to assess if any reversal of previous impairment loss was required; and
- Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

PROVISIONS FOR CUSTOMER REMEDIATION (Group $886m; Company $791m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 22 and 33 to the Financial Report.

The Key Audit Matter

The Company and Group have assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a key audit matter due to the judgements required by us in assessing the Company and Group's determination of:

- The completeness of the population of matters requiring remediation;
- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- Reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Company and Group's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- Enquiring with the Company and Group regarding ongoing legal, regulatory and other investigation into remediation activities;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual customer remediation matters, we evaluate the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by obtaining an understanding of the matter, its status and independently assessing these against the recognition requirements of the accounting standard;
- For a sample of individual customer remediation matters, testing the valuation and accuracy of the provision by:
  - Assessing and challenging the method, data and assumptions;
  - Sample checking data accuracy to underlying systems; and
  - Performing model integrity checks
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;
- Assessing the appropriateness of the Company and Group's conclusions against the requirements of Australian Accounting Standards where estimates were unable to be reliably made for a provision to be recognised; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

KEY AUDIT MATTERS (continued)

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Company and Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Company and Group's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company and Group's IT controls. We work with our IT specialists as a core part of our audit team.

How the matter was addressed in our audit

Testing the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger, and testing the automated controls embedded within these systems which link the technology-enabled business processes. Our audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment, including those regarding policy design, review and awareness, and IT Risk Management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Company and Group;
- Design and operating effectiveness testing of controls used by the Company and Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Testing:
  - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations or have no realistic alternative but to do so.

KEY AUDIT MATTERS (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2021, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Martin McGrath
Partner

Melbourne
27 October 2021

shareholder.anz.com


ADAPT
ENGAGE
PREPARE
PROTECT
ANZ
2020 ANNUAL REPORT

Remuneration report

Dear Shareholder,

2020 Remuneration Report – audited

In many respects this was not the year we planned it to be. However, despite the unprecedented combination of challenges from COVID-19, bushfires and ongoing industry transformation, management navigated the year extremely well and delivered the vast majority of the priorities and objectives agreed with the Board. Like many businesses, ANZ has been affected both operationally and financially.

From an operational perspective, we took swift action to ensure our people could safely and productively work at home, while still supporting customers during a period of significant stress.

Since March 2020 we have provided 142,000 home and business loan repayment deferrals in Australia and New Zealand – providing much needed relief for those who had either lost income or face uncertainty due to the pandemic.

Shareholders will be acutely aware of the financial impacts COVID-19 has had on the bank. Increased provisions for potential future credit losses (which the Board determined were appropriate), along with the impairment of two of the Group's Asian associate investments, have reduced profits and our share price has also been adversely affected.

While these provisions were appropriate given the uncertain environment, they have reduced the amount of profit we are able to pay to shareholders in the form of dividends this year.

Aside from the financial impact of COVID-19, the Group Performance Framework met the Board's expectations when considering the stretching objectives we set ourselves at the start of the year. Solid growth in our key markets, a continued simplification of our operations and maintaining our disciplined approach to expense management were key highlights.

The Board was also pleased with the way the bank responded to the challenges of COVID-19 with our plan designed to protect our people and the things that matter, adapt quickly to the new operating environment, increase engagement with important stakeholders, including Governments and regulators and prepare for the future.

In 2020 we also moved to a new approach to how we reward, recognise and manage the performance of our employees as part of the Group's Reimagining Reward program. This included basing variable remuneration on Group rather than individual performance for around 80% of employees.

Fixed remuneration

To ensure remuneration remained market competitive, the Board engaged PricewaterhouseCoopers in September 2019 to assist the Board to conduct a detailed remuneration market benchmarking review for our Chief Executive Officer and our Disclosed Executives.

Shayne Elliott's fixed remuneration was increased (effective 1 October 2019 before the COVID-19 pandemic) from $2.1 million to $2.5 million and this is reflected in this year's Remuneration Report. Shayne's Long Term Variable Remuneration was reduced by $700k, with the target decreasing from 200% to 140% of fixed remuneration. The Annual Variable Remuneration target remained unchanged at 100% of fixed remuneration.

It should be noted that Shayne has not received a fixed remuneration increase since starting as Chief Executive Officer in January 2016, and his target total remuneration remains largely consistent with previous years.

**Ilana Atlas, AO,
Chair – Human
Resources Committee**

Fixed remuneration increases were also applied to five Disclosed Executives on 1 October 2019 to improve market positioning, and one increase was made on permanent appointment. For the year commencing 1 October 2020, the Board determined there would be no fixed remuneration increases for any of the Disclosed Executives, including the Chief Executive Officer.

There were no increases to the Chairman fee or Non-Executive Director base fee for the 2020 year.

Variable remuneration outcomes

Shayne had a successful year and has ANZ well positioned to assist our customers and the community in the most challenging environment in decades, while also delivering a decent result for shareholders.

Shayne has role modelled ANZ's values and culture, demonstrated outstanding leadership as well as making strong progress in simplifying and improving our operations. Despite this good performance, the Board took into account the significant impact of COVID-19 on returns and the profitability of our business as well as the impact on the broader community, and exercised its discretion by applying a 50% reduction to his 2020 Annual Variable Remuneration outcome.

As a result, the Board awarded an Annual Variable Remuneration outcome of $1.25 million (33% of maximum opportunity) for 2020.

Long Term Variable Remuneration of $3.5 million (reduced from $4.2 million the previous year) is proposed. This reinforces Shayne's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders. This allocation of course remains subject to shareholder approval at the 2020 Annual General Meeting and performance hurdles being met.

For Disclosed Executives, the Board also exercised its discretion and applied a 50% reduction to their 2020 Variable Remuneration outcomes resulting in an average outcome of 36% of maximum opportunity. Total remuneration reduced by 15% year-on-year for 2020 Disclosed Executives who were in role for the full year 2019 and 2020.

Performance rights granted in late 2016 to the Chief Executive Officer and Disclosed Executives (excluding the Chief Risk Officer) did not meet their hurdles when tested in November 2019. Therefore, the rights were lapsed and executives received no value from these awards.

This has been a difficult year for all our stakeholders and as a Board we believe we have struck the right balance in rewarding our executives for good performance while also taking into account the broader environment.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders for adoption at the 2020 Annual General Meeting.

Ilana Atlas, AO
Chair – Human Resources Committee

Contents

1. WHO IS COVERED BY THIS REPORT

1.1 DISCLOSED EXECUTIVE AND NED CHANGES

There were several changes to our Key Management Personnel (KMP) during the 2020 year:

- Paul O'Sullivan was appointed as a Non-Executive Director (NED) from November 2019 and as Chairman from 28 October 2020 (following the retirement of Chairman, David Gonski on that date).
- All Group Executive Committee (ExCo) roles with key responsibility for the strategic direction and management of the Group, and who report directly to the Chief Executive Officer (CEO) have been included in this year's report, and so the roles of Group Executive, Talent and Culture (Kathryn van der Merwe) and Group Executive, Technology (Gerard Florian) are now included.
- Antonia Watson was permanently appointed to the Group Executive and Chief Executive Officer, New Zealand (NZ) role in December 2019 (acting since June 2019).

1.2 KEY MANAGEMENT PERSONNEL (KMP)

The KMP whose remuneration is disclosed in this year's report are:

2020 Non-Executive Directors (NEDs)

D Gonski	Chairman (retired 28 October 2020)
I Atlas	Director
P Dwyer	Director
J Halton	Director
J Key	Director
G Liebelt	Director
J Macfarlane	Director
P O'Sullivan	Director – appointed 4 November 2019 (Chairman from 28 October 2020)

2020 Chief Executive Officer (CEO) and Disclosed Executives

S Elliott	Chief Executive Officer and Executive Director
M Carnegie	Group Executive, Digital and Australia Transformation
K Corbally	Chief Risk Officer (CRO)
G Florian	Group Executive, Technology
A George	Deputy Chief Executive Officer (title changed effective 22 September 2020 from Deputy Chief Executive Officer and Group Executive, Wealth Australia)
M Hand	Group Executive, Australia Retail and Commercial Banking
M Jablko	Chief Financial Officer (CFO)
K van der Merwe	Group Executive, Talent and Culture (GE T&C)
A Watson	Group Executive and Chief Executive Officer, New Zealand (NZ) – appointed 18 December 2019 (Acting Group Executive and Chief Executive Officer, NZ to 17 December 2019)
M Whelan	Group Executive, Institutional

There have been no changes to KMP since the end of 2020 up to the date of signing the Directors' Report, other than Paul O'Sullivan commencing as Chairman on the retirement of David Gonski from that role.

The Remuneration Report for the Group outlines our remuneration strategy and framework and the remuneration practices that apply to KMP. This report has been prepared, and audited, as required by the Corporations Act 2001. It forms part of the Directors' Report.

2. 2020 OUTCOMES AT A GLANCE

2020 REMUNERATION CHANGES

The following remuneration changes were made at the start of the 2020 financial year following a detailed review to better align to the external market:

- On 1 October 2019 the CEO's fixed remuneration was increased and Long Term Variable Remuneration (LTVR) was reduced (see section 3.2).
- On 1 October 2019 fixed remuneration was increased for a number of Disclosed Executives (see section 4.1).
- No increase to the Chairman fee or NED base fee, and Committee fees remained unchanged except for the Digital Business and Technology Committee Chair fee in recognition of the significant increase in workload of the Committee Chair (see section 7.1).

2020 OUTCOMES

- For the 2021 financial year (i.e. year commencing 1 October 2020), the Board determined that there would be no increases to fixed remuneration for either the CEO or Disclosed Executives.
- The Board exercised their discretion and applied a 50% reduction to the Annual Variable Remuneration (AVR)/Variable Remuneration (VR) outcomes for the CEO and Disclosed Executives having regard to the impact of COVID-19 (see section 4).
  - The CEO received an AVR award of 33% of maximum opportunity.
  - Disclosed Executives' VR outcomes averaged 36% of maximum opportunity, with individual outcomes ranging from 31% to 44% of maximum opportunity.
- The CEO will be awarded LTVR of $3.5 million subject to shareholder approval at the 2020 Annual General Meeting (AGM).
- 100% of the performance rights granted in late 2016 to the CEO and Disclosed Executives (excluding the CRO) were lapsed, as the performance hurdles were not met when tested at the end of the performance period in November 2019 (see section 4.4.3).
- As part of the Group's Reimagining Reward program effective 1 October 2019, ANZ made adjustments to the remuneration mix for staff (increased fixed/reduced variable remuneration), which included replacing individual variable remuneration for around 80% of employees with variable remuneration based on the overall performance of the Group (see section 4.5.1).
- Enhancements were made to continue to strengthen and further embed ANZ's Accountability and Consequence Framework (A&CF) (see section 6).

3. OVERVIEW OF ANZ'S REMUNERATION FRAMEWORK

3.1 REMUNERATION FRAMEWORK OVERVIEW

The structure of our remuneration framework is aligned with our Reward Principles and has been designed to support ANZ's purpose and strategy.

ANZ'S PURPOSE AND STRATEGY[1]

IS UNDERPINNED BY OUR REMUNERATION POLICY WHICH INCLUDES OUR REWARD PRINCIPLES:

Attract, motivate and keep great people	Reward our people for doing the right thing having regard to our customers and shareholders	Focus on **how** things are achieved as much as **what** is achieved	Are fair and simple to understand

WITH REMUNERATION DELIVERED TO OUR CEO AND DISCLOSED EXECUTIVES THROUGH:

Fixed remuneration Cash salary and superannuation contributions. The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities reflecting their responsibilities, performance, qualifications, experience and location.

Variable remuneration (at risk) The CEO and Disclosed Executives are eligible to receive variable remuneration under the ANZ Incentive Plan (ANZIP), our variable remuneration plan.

CEO

Annual Variable Remuneration (AVR)

- Rewards the achievement of Group, and individual outcomes over a 12-month period
- Determination: ANZ Group Performance Framework, individual strategic objectives, ANZ values[2] and risk/compliance assessments, and Board discretion
- Maximum opportunity: 150% of fixed remuneration
- Delivery: 50% cash and 50% as ANZ shares deferred over four years, subject to malus[3]

Long Term Variable Remuneration (LTVR)

- Reinforces the CEO's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders
- Face value at full vesting: 140% of fixed remuneration
- Delivery: Performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative total shareholder return (TSR) (75%), absolute TSR (25%)

DISCLOSED EXECUTIVES[4]

Variable Remuneration (VR)

- Rewarded under a single VR framework enabling us to:
  - Provide the appropriate mix of short and long-term rewards (including performance hurdles) to drive performance, and attract and retain talent;
  - Tie the full VR award to the performance of ANZ; and
  - Defer VR over the short, medium and longer term.
- Determination: ANZ Group Performance Framework, Divisional Performance Frameworks, ANZ values and risk/compliance assessments, and Board discretion
- Maximum opportunity: 402% of fixed remuneration[5]
- Delivery: 25% cash, 25% as ANZ shares deferred over four years subject to malus, and 50% as performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative TSR (75%), absolute TSR (25%)

Board discretion is applied when determining CEO and Disclosed Executive performance and remuneration outcomes, and also before any scheduled release of previously deferred remuneration (see section 5.3). All deferred variable remuneration is subject to malus adjustment.

REINFORCED BY ALIGNING REMUNERATION AND RISK:

Assessing behaviours based on ANZ's values and risk/compliance standards (including the Banking Executive Accountability Regime (BEAR))	Determining variable remuneration outcomes, with risk as a key input at a pool and individual level	Weighting remuneration toward the longer-term with a significant proportion at risk	Determining accountability and applying consequences where appropriate	Prohibiting the hedging of unvested equity

WHILE SUPPORTING THE ALIGNMENT OF EXECUTIVES AND SHAREHOLDERS THROUGH:

Substantial shareholding requirements	Significant variable remuneration deferral in ANZ equity	Use of relative and absolute TSR hurdles	Consideration of cash profit and economic profit in determining the ANZIP variable remuneration pool	Consideration of the impact to shareholders of the reduction in share price and dividends

WHILE GOVERNED BY:

The Human Resources (HR) Committee and the Board determining fixed remuneration and the variable remuneration outcomes for the CEO and each Disclosed Executive. Additionally, the CEO's LTVR outcome is also subject to shareholder approval at the AGM.

1. See the 'About our business' and 'Our vision and strategy' sections of the Annual Report. **2.** ANZ's values (**I**ntegrity, **C**ollaboration, **A**ccountability, **R**espect, **E**xcellence (ICARE)) – the foundation of how we work, supported by our Code of Conduct and our New Ways of Leading framework. **3.** Malus relates to downward adjustment of unvested remuneration. **4.** The maximum opportunity and delivery of VR differs for the CRO to that of other Disclosed Executives. See section 5 for further details. **5.** Performance rights face value at full vesting.

3.2 CHANGES TO THE CEO AND DISCLOSED EXECUTIVES' REMUNERATION FRAMEWORKS MADE IN 2020

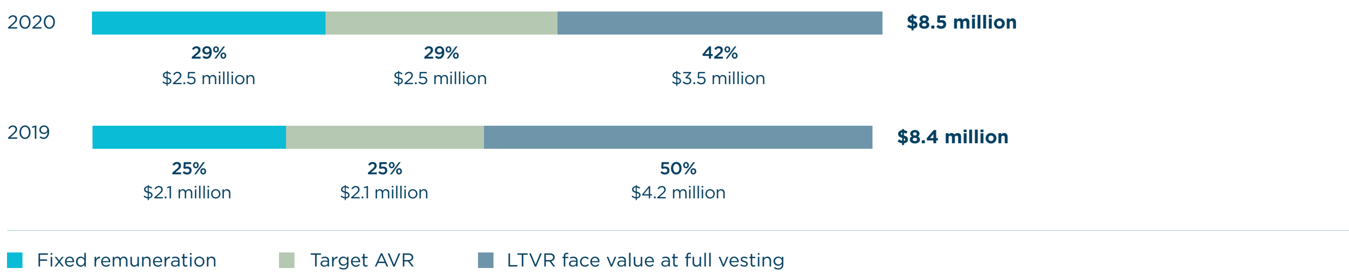
CEO

With the assistance of a detailed market benchmarking review conducted by PricewaterhouseCoopers in September 2019, the Board re-balanced the CEO's remuneration mix from 1 October 2019 to ensure both the CEO's fixed remuneration and total remuneration were market competitive at that time. There have been no changes to the delivery of AVR or LTVR for the 2020 financial year.

In summary:

- Fixed remuneration was increased from \$2.1 million to \$2.5 million (to better align to the external market while also recognising the skills and experience the CEO brings to the role, noting that this was the first increase since his appointment in January 2016).
- Target AVR remains unchanged at 100% of fixed remuneration.
- LTVR has reduced from 200% to 140% of fixed remuneration providing an appropriate balance between rewarding for short-term and long-term performance and ensuring total remuneration at target remains largely unchanged.
- Total remuneration at target increased from \$8.4 million to \$8.5 million (~1%).

CHANGE IN CEO'S REMUNERATION MIX



Disclosed Executives

No changes have been made to the remuneration framework for Disclosed Executives for 2020.

A detailed review of our remuneration frameworks was planned for 2020, however this is now expected to occur in 2021 to enable appropriate consideration of the new APRA Prudential Standard CPS 511 Remuneration and to ensure that our frameworks continue to appropriately support ANZ's purpose, strategy and Reward Principles.

4. 2020 OUTCOMES

Variable remuneration at ANZ is truly at risk and can range from zero to maximum opportunity. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources.

The tables in sections 4.1 and 4.2 supplement, and are different to, the Statutory Remuneration table (see section 9.1) which presents the accounting expense for both vested and unvested awards in accordance with Australian Accounting Standards.

4.1 YEAR-ON-YEAR REMUNERATION AWARDED

These tables show a year-on-year comparison of remuneration awarded to the CEO and Disclosed Executives for the 2018, 2019 and 2020 performance periods. Remuneration awarded includes any cash payments (e.g. fixed remuneration and cash variable remuneration) and the value of deferred shares and performance rights awarded for the year but which have not yet vested (i.e. the value was not received during the year).

Although 2020 performance was assessed as 'Met Expectations', the Board determined it was both necessary and appropriate to use its discretion to ensure the market conditions arising from COVID-19 were factored into the process, resulting in a 50% reduction to the AVR/VR outcomes for the CEO and Disclosed Executives. In determining the 50% reduction, the Board judged what was fair and reasonable having regard to the impact on shareholders, and considering expectations from customers and the community.

CEO

The 2020 LTVR shown below has not yet been awarded to the CEO, approval will be sought from shareholders at the 2020 AGM. Note the CEO's 2018 LTVR award was significantly reduced as a result of the matters raised in the Royal Commission relating to conduct issues and associated reputational damage (as previously disclosed).

YEAR-ON-YEAR REMUNERATION AWARDED – CEO

						Threshold vesting		Full vesting		AVR as % of	
	Financial year	Fixed remuneration $	AVR cash $	AVR deferred shares $	Total AVR $	LTVR performance rights $	Total remuneration awarded $	LTVR performance rights $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
CEO											
S Elliott	**2020**	**2,500,000**	**625,000**	**625,000**	**1,250,000**	**1,750,000**	**5,500,000**	**3,500,000**	**7,250,000**	**50%**	**33%**
	2019	2,100,000	750,000	750,000	1,500,000	2,100,000	5,700,000	4,200,000	7,800,000	71%	48%
	2018	2,100,000	875,000	875,000	1,750,000	1,400,000	5,250,000	2,800,000	6,650,000	83%	56%

Disclosed Executives

- Fixed remuneration increases were applied to five Disclosed Executives on 1 October 2019 to improve alignment to desired market positioning, and one increase was made on permanent appointment (Antonia Watson). External benchmarking conducted by PricewaterhouseCoopers in September 2019 highlighted that ANZ was paying behind the market on fixed remuneration and these increases were designed to deliver more market competitive remuneration reflecting executive's responsibilities, qualifications and experience.
- There were no fixed remuneration increases for the 2021 year commencing 1 October 2020.
- Year-on-year remuneration awarded for both Mark Hand and Antonia Watson is not directly comparable, as they were Disclosed Executives for only part of the 2019 financial year. In addition, Antonia Watson's 2020 remuneration awarded reflects her permanent appointment to the Group Executive and CEO, NZ role.
- The average 2020 VR outcome for Disclosed Executives was 36% (45% in 2019) of maximum opportunity (ranging from 31% to 44%). Despite good performance these outcomes were deemed by the Board to better reflect the impact of the current economic conditions.
- Despite the increases to fixed remuneration applied to a number of executives at the start of 2020, year-on-year total remuneration has reduced by 15%, and VR by 28% (at full vesting), for the 2020 Disclosed Executives who were in role for full year 2019 and 2020.
- Variable remuneration continues to differ both year-on-year and between different executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. See section 4.4 for details.

YEAR-ON-YEAR REMUNERATION AWARDED – DISCLOSED EXECUTIVES

					Threshold vesting		Full vesting		VR as % of	
	Financial year	Fixed remuneration $	VR cash $	VR deferred shares $	VR performance rights[1] $	Total remuneration awarded $	VR performance rights[1] $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
Current Disclosed Executives										
M Carnegie	2020	1,200,000	409,200	409,200	421,600	2,440,000	843,200	2,861,600	52%	34%
	2019	1,000,000	495,000	495,000	510,000	2,500,000	1,020,000	3,010,000	75%	50%
	2018	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
K Corbally	2020	1,100,000	429,000	429,000	442,000	2,400,000	442,000	2,400,000	66%	44%
	2019	950,000	478,500	478,500	493,000	2,400,000	493,000	2,400,000	85%	57%
	2018 (6.5 months in role)	486,000	164,835	164,835	169,830	985,500	169,830	985,500	83%	55%
G Florian	2020	1,075,000	371,250	371,250	382,500	2,200,000	765,000	2,582,500	52%	35%
A George	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
	2018 (12 months/4.5 months as Deputy CEO)	876,000	354,750	354,750	365,500	1,951,000	731,000	2,316,500	61%	41%
M Hand	2020	1,200,000	462,000	462,000	476,000	2,600,000	952,000	3,076,000	58%	39%
	2019 (9 months as Disclosed Executive)	726,000	198,000	198,000	204,000	1,326,000	408,000	1,530,000	41%	28%
M Jablko	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	544,500	544,500	561,000	2,650,000	1,122,000	3,211,000	83%	55%
	2018	1,000,000	577,500	577,500	595,000	2,750,000	1,190,000	3,345,000	88%	58%
K van der Merwe	2020	850,000	330,000	330,000	340,000	1,850,000	680,000	2,190,000	59%	39%
A Watson[2]	2020	1,015,599	334,681	334,681	344,822	2,029,783	689,645	2,374,605	50%	33%
	2019 (3.5 months in role)	219,440	170,255	113,504	-	503,199	-	503,199	65%	43%
M Whelan	2020	1,200,000	363,000	363,000	374,000	2,300,000	748,000	2,674,000	46%	31%
	2019	1,200,000	874,500	874,500	901,000	3,850,000	1,802,000	4,751,000	110%	74%
	2018	1,200,000	717,750	717,750	739,500	3,375,000	1,479,000	4,114,500	91%	60%

1. Deferred share rights for the CRO. **2.** Paid in NZD and converted to AUD.

4.2 2020 ACTUAL REMUNERATION RECEIVED

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2020 performance year as cash, or in the case of prior equity awards, the value which vested in 2020. The final column also shows the value of prior equity awards which lapsed/were forfeited in 2020 (these awards reflect the 2016 performance rights which fully lapsed when tested against their performance hurdles in November 2019).

2020 ACTUAL REMUNERATION RECEIVED – CEO AND DISCLOSED EXECUTIVES

	Fixed remuneration $	Cash variable remuneration $	Total cash $	Deferred variable remuneration which vested during the year[1] $	Other deferred remuneration which vested during the year[1] $	Actual remuneration received $	Deferred variable remuneration which lapsed/forfeited during the year[1,2] $
CEO and Current Disclosed Executives							
S Elliott	2,500,000	625,000	**3,125,000**	597,362	-	**3,722,362**	(3,768,401)
M Carnegie	1,200,000	409,200	**1,609,200**	276,999	-	**1,886,199**	(241,617)
K Corbally	1,100,000	429,000	**1,529,000**	247,891	-	**1,776,891**	(135,003)
G Florian	1,075,000	371,250	**1,446,250**	141,723	-	**1,587,973**	-
A George	1,100,000	363,000	**1,463,000**	222,997	-	**1,685,997**	(117,474)
M Hand	1,200,000	462,000	**1,662,000**	335,786	-	**1,997,786**	(196,368)
M Jablko[3]	1,100,000	363,000	**1,463,000**	326,785	195,305	**1,985,090**	(241,617)
K van der Merwe	850,000	330,000	**1,180,000**	125,309	-	**1,305,309**	-
A Watson[4]	1,015,599	334,681	**1,350,280**	289,148	-	**1,639,428**	(90,473)
M Whelan	1,200,000	363,000	**1,563,000**	570,684	-	**2,133,684**	(1,374,281)

1. The point in time value of previously deferred remuneration granted as shares/share rights and/or performance rights is based on the one day Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of shares/share rights and/or performance rights. **2.** The lapsed/forfeited values relate to the performance rights we awarded in November/December 2016 which lapsed in November/December 2019 due to the performance hurdles not being met. **3.** Other deferred remuneration for M Jablko relates to previously disclosed compensation for deferred remuneration forfeited as a result of joining ANZ. **4.** Paid in NZD and converted to AUD.

4.3 APPLICATION OF REWARD PRINCIPLES

In considering the 2020 outcomes the HR Committee and Board reflected on the application of ANZ's Reward Principles in the current environment:

- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience/ expectations of all stakeholders (including shareholders, customers, employees, community and regulators). On this basis, for 2020 the Board determined to apply a 50% reduction to the outcomes for the CEO (AVR) and Disclosed Executives (VR).
- **Attract, motivate and keep great people:** The Board acknowledged the importance of fixed remuneration being market competitive to ensure retention of key talent – particularly in a more volatile and uncertain environment.
- **Focus on how things are achieved as much as what is achieved:** The Board has ensured that appropriate consideration and weight was given to performance against objectives and how that performance was achieved (i.e. in accordance with our values and purpose).
- **Be fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

4.4 VARIABLE REMUNERATION – DETAIL

4.4.1 CEO performance, AVR and LTVR

Performance

With regard to AVR, the CEO is assessed 50% on the ANZ Group Performance Framework and 50% on achievement of individual strategic objectives aligned to ANZ's strategy. Both the Group Performance Framework and individual strategic objectives are agreed by the Board at the start of the financial year and are stretching.

WEIGHTING OF FINANCIAL METRICS

AVR

Financial metrics have a 35% weighting in the Group Performance Framework and therefore notionally have a 17.5% weighting in the CEO's AVR. However, the CEO's AVR is not formulaic – outcomes are moderated by the Risk and Reputation element of the Group Performance Framework and the Board's judgement on the appropriate AVR considering all aspects of performance.

LTVR

100% of the LTVR hurdles are based on TSR (both relative and absolute).

At the end of the financial year, ANZ's performance is assessed against the Group Performance Framework, and the CEO's performance is assessed against his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk events that have either occurred or come to light in the year (provided by the CRO) are also considered together with input from both the Audit Committee and the Risk Committee of the Board.

The Board has assessed the CEO's 2020 performance as follows:

Group Performance Framework	=	Met Expectations (see section 4.5.3)
Individual strategic objectives	=	Met Expectations (see Board assessment below)
ANZ values	=	Above Expectations
Risk/compliance assessment	=	Met Expectations

The Board has exercised their discretion in determining the appropriate AVR outcome for 2020 and applied a 50% reduction which has resulted in an AVR outcome of 33% of maximum opportunity.

2020 CEO individual strategic objectives

- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ
- Drive the strategic direction of the organisation with a focus on growth
- Show material progress on the productivity initiatives to improve customer and staff experience while driving cost towards a materially reduced run rate by close of 2022
- Continue to build ExCo effectiveness and CEO succession
- Focus on operational excellence, including remediation and system stability, to ensure ANZ has a robust and reliable platform to support long-term growth

Board assessment of performance on individual strategic objectives: **Met Expectations**

The CEO has had a successful year, despite this being a difficult period, marked by the pandemic and other problems affecting Australia. He has been a role model for ANZ's values and culture – including risk culture, demonstrating outstanding leadership both internally and externally, particularly in providing support and caring for our customers, community and employees during COVID-19.

His crafting and leadership of ANZ's response to COVID-19 enabled the organisation to focus on what mattered most:

- **Protecting** our people, our customers and our balance sheet
- **Adapting** to the COVID-19 environment
- **Engaging** and staying connected with all of our stakeholders
- **Preparing** for the future and being ready to embrace opportunities

The CEO has maintained the strength of ANZ's leadership, infrastructure, balance sheet, and employee engagement to allow ANZ to be well positioned to assist our customers and the community in the most challenging environment in decades. He has also enhanced the reputation of ANZ, by embedding purpose and values in our decision making and through his leadership in response to COVID-19.

During the last 12 months the CEO has remained focused on driving the strategic agenda for ANZ with progress towards simplifying the business, improving our IT infrastructure and restoring momentum in our core home loans business, while re-shaping the business for the future. Growth continued to be an area of focus in 2020, however opportunities have had to be balanced against our COVID-19 response.

2020 has seen the bulk of our employees working from home (remotely) and productivity has not faltered. The CEO has focused on the safety, wellbeing and engagement of our people whilst also continuing to invest in the business and cultivating a more efficient workforce at all levels. In difficult times, he has continued productivity improvements, with strong management of expenses.

ExCo is functioning very effectively under his leadership and the addition of the Group Executive, Data and Automation role this year appropriately reflects the importance of data within ANZ.

Infrastructure stability has improved and ANZ is well on track in building a better platform for responsible well managed growth.

AVR and LTVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of the CEO's AVR outcome.

The CEO's AVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

The 2020 AVR awarded to the CEO is 33% of maximum opportunity.

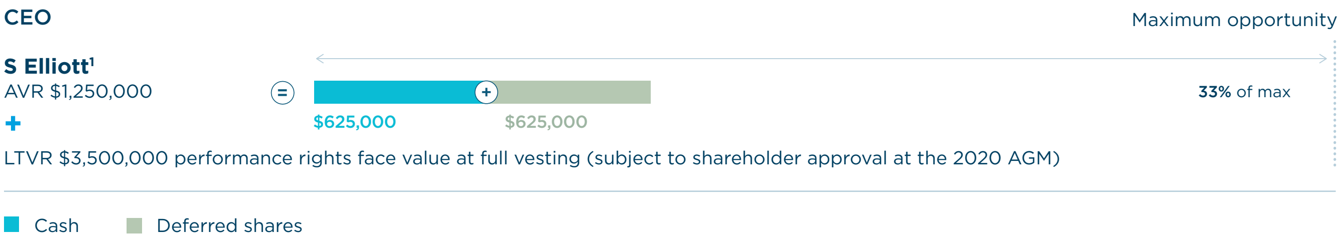
Despite having been assessed as being above expectations on the ANZ values, and having met expectations on risk/compliance assessment, individual strategic objectives and the Group Performance Framework, the Board has exercised its discretion and applied a 50% reduction to the AVR. This takes into account the current environment in light of the COVID-19 pandemic (including the decline in returns and profitability), the impact on shareholders and having regard to customer, community and regulator expectations. Accordingly, the Board determined that an AVR outcome of $1.25 million (33% of maximum opportunity) was appropriate for 2020, noting that this is 17% lower than 2019.

The CEO's proposed LTVR of $3.5 million (performance rights face value at full vesting) (reduced from $4.2 million in 2019) is subject to shareholder approval at the 2020 AGM.

2020 AVR Awarded

This table shows the AVR awarded to the CEO for the year ending 30 September 2020.

2020 AVR AWARDED – CEO



1. Variable remuneration for the CEO = AVR + LTVR.

Summary of Total Remuneration

The remuneration Shayne Elliott received in 2020 differs to the remuneration he was awarded in relation to the 2020 performance year (which may or may not vest in future years). It also differs to his statutory remuneration which reflects the accounting expense value for 2020. Awarded remuneration shown below includes the face value of the performance rights at both threshold (50%) and full (100%) vesting.

SUMMARY OF TOTAL REMUNERATION – CEO

	Total Remuneration			
	Awarded			
	Threshold vesting $	Full vesting $	Received[1] $	Statutory[2] $
2020	**5,500,000**	**7,250,000**	**3,722,362**	**5,225,308**
2019	5,700,000	7,800,000	4,093,464	5,181,339
2018	5,250,000	6,650,000	3,849,666	5,645,295

1. Includes the value of previously awarded AVR deferred shares and LTVR performance rights at the date of vesting. **2.** Includes the value of AVR and LTVR that has been expensed in the year.

The CEO's awarded remuneration based on full vesting value reduced by 7% from 2019 to 2020, despite the increase in fixed remuneration, reflecting the significant reduction in his 2020 variable remuneration awards. Note his 2018 (variable) remuneration reflected ANZ's acknowledgement of the matters raised in the Royal Commission relating to conduct issues and associated reputational damage.

The reduction in the CEO's received remuneration from 2019 to 2020 reflects the reduction in 2020 variable remuneration and the fact that the LTVR performance rights granted in December 2016 failed to vest when tested in November 2019.

Historical AVR and LTVR

This table shows the AVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last three years.

HISTORICAL AVR AND LTVR – CEO

	2018	2019	2020
AVR outcome (% of maximum opportunity)	56%	48%	**33%**
LTVR vesting outcome (% vested)	0%	21.8%	**0%**

4.4.2 Disclosed Executive performance and VR

Performance

At the start of each year, stretching performance objectives are set by the HR Committee in the form of Divisional Performance Frameworks for each of our Disclosed Executives, in alignment with the Group Performance Framework approved by the Board.

Similar to the Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial and Discipline, Customer, and People and Culture, with Risk and Reputation acting as a modifier[1]. The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial and Discipline element weightings range from 20% to 45%.

At the end of the financial year, the performance of each Disclosed Executive[2] is assessed against their contribution to the Group Performance Framework, their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The HR Committee seeks input from the CEO, and independent reports from Risk, Finance, Talent and Culture, and Internal Audit, and also reviews material risk event data provided by the CRO, and seeks input from both the Audit Committee and the Risk Committee of the Board.

The HR Committee reviews and recommends to the Board for approval the overall performance outcomes for each Disclosed Executive.

1. Except for the CRO who has a weighting assigned to Risk and Reputation measures.
2. Performance arrangements for the CRO are addressed additionally by the Risk Committee. Performance arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ HR Committee/ANZ NZ Board in consultation with and endorsed by the HR Committee/Board, consistent with their respective regulatory obligations.

VR

At the end of the financial year, the CEO and HR Committee determine VR recommendations for each Disclosed Executive, which are ultimately approved by the Board[3]. VR should and does vary year-on-year in line with performance – it is not guaranteed and may be adjusted up or down ranging from zero to a maximum opportunity.

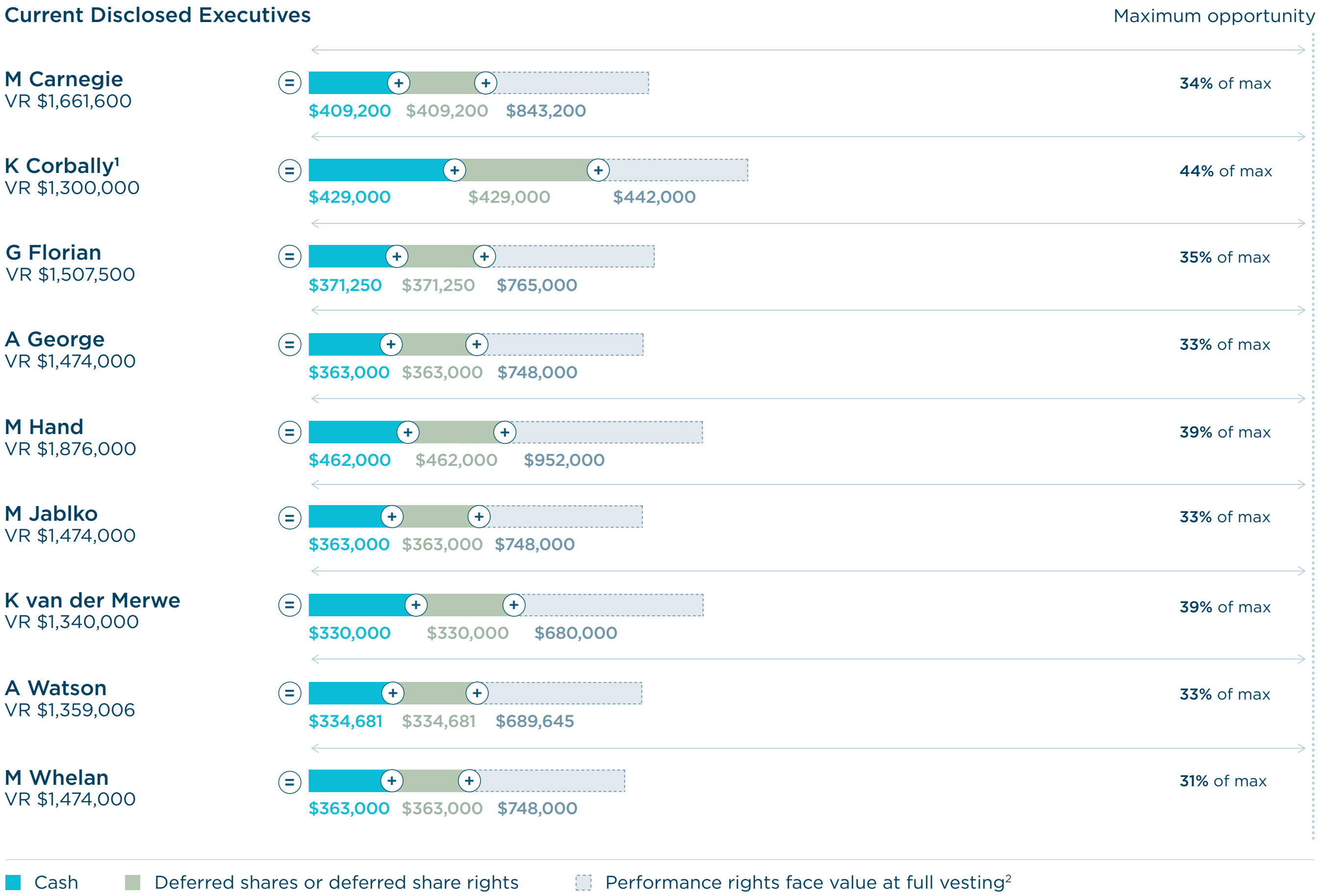
The variance in individual VR outcomes reflect the relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. There is less individual differentiation in 2020 in recognition of the significant collaboration and team work across the Executive Committee throughout 2020 and particularly in managing ANZ's response to COVID-19. The outcomes demonstrate the at risk nature of VR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2020 VR for Disclosed Executives is 36% of maximum opportunity (ranging from 31% to 44%), reflecting the impact of the 50% reduction applied by the Board.

3. Remuneration arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ Board in consultation with and endorsed by the Board, consistent with their respective regulatory obligations.

2020 VR Awarded

This table shows the combined VR awarded to Disclosed Executives for the year ending 30 September 2020.

2020 VR AWARDED – DISCLOSED EXECUTIVES



1. CRO receives deferred share rights instead of performance rights. **2.** Divide by two to convert to face value at threshold vesting for performance rights.

Historical Disclosed Executive VR

This table shows the VR as a % of maximum opportunity for the executives who were disclosed over the last three years. Although ANZ's performance has been stronger this year and the Group has been assessed by the Board as having 'Met Expectations' against the Group Performance Framework, the 50% reduction applied by the Board has resulted in a significant reduction in 2020 VR outcomes compared to prior years.

HISTORICAL DISCLOSED EXECUTIVE VR

	2018	2019	2020
VR outcome (average % of maximum opportunity)	51%	45%	36%
VR outcome (range % of maximum opportunity)	40% – 60%	0% – 74%	31% – 44%
VR performance rights vesting outcome (% vested)	0%	21.8%	0%

4.4.3 Performance rights outcomes (CEO and Disclosed Executives)

Performance rights granted to the CEO in December 2016 and Disclosed Executives (excluding the CRO) in November 2016 reached the end of their performance period in November 2019. As the performance hurdles were not met none of these performance rights vested, the rights were lapsed and executives received no value from these awards.

PERFORMANCE RIGHTS OUTCOMES

Hurdle	Grant date[1]	First date exercisable[1]	ANZ TSR over three years/ CAGR[2] TSR	Median TSR over three years/ CAGR[2] TSR target	% vested	Overall performance rights outcome
75% relative TSR – Select Financial Services (SFS) comparator group[3]	22 Nov 16	22 Nov 19	18.32%	26.21%	0%	0% vested and 100% lapsed
25% absolute CAGR[2] TSR	22 Nov 16	22 Nov 19	5.78%	9.00%	0%	

1. Grant date for the CEO was 16 December 2016, and date first exercisable was 16 December 2019. The CEO's performance period was the same as the performance period for Disclosed Executives. **2.** Compound Annual Growth Rate (CAGR). **3.** See section 5.2.3a for details of the SFS comparator group.

4.5 ANZIP VARIABLE REMUNERATION POOL AND GROUP PERFORMANCE

4.5.1 ANZIP variable remuneration

The ANZ Incentive Plan (ANZIP) is the variable remuneration plan operating across ANZ, and 2020 is the first year employees will participate in a single Group plan where individual variable remuneration for around 80% of employees has been replaced with a variable payment based on the overall performance of the Group. This change addresses many of the concerns about 'bonus culture' raised in the final report of the Royal Commission, and forms part of wide ranging reforms for 2020 as to how we reward, recognise and manage the performance of employees.

With the exception of the CEO, individual variable remuneration outcomes for all other employees including Disclosed Executives are funded under ANZIP. The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 8.1.3.

At the end of each financial year, the HR Committee makes a recommendation to the Board for their approval on the size of the ANZIP variable remuneration pool for that year. The Board exercise their judgement to determine the appropriate pool size – it is not a formulaic outcome.

ANZIP variable remuneration pool recommended to the Board for approval based on performance and affordability > Board review and approve the ANZIP variable remuneration pool > Business and individual allocations from ANZIP variable remuneration pool

The Board considered a range of factors in determining a fair and reasonable ANZIP pool, particularly given the unique circumstances in 2020.

01	The balance between performance in 2020, considering financial and non-financial performance, and the long-term (strengthening the bank):	• Our 2020 financial performance – in particular cash profit and economic profit, informed the pool range. Given financials were down on 2019 (due to the significant impact of the COVID-19 pandemic), the pool range was negatively impacted. • The 'Met Expectations' Group Performance Framework assessment (see 4.5.3) and the quality of the result then guided the broad positioning in the pool range.
02	The final ANZIP pool outcome also considered:	• The shareholder experience during 2020 and customer and community expectations. • Increased volatility and uncertainty in the current environment. • Our Reward Principles.

4.5.2 ANZ Group Performance Framework

The ANZ Group Performance Framework is approved by the Board at the start of each year and is designed around the following three key inputs:

01 Creating a safe bank with sound risk practices

02 Achieving our agreed annual and longer term goals

03 Realising our strategic vision

The key objective of our Group Performance Framework is to enable aligned focus across the organisation on delivering the critical outcomes that matter most in delivering on our strategy. It plays a key role to:

- message internally what matters most;
- reinforce the importance of sound management in addition to risk, customer, people and financial outcomes; and
- inform focus of effort, prioritisation and decision-making across ANZ.

The emergence of the significant economic and social impacts of the COVID-19 pandemic required a rapid response and reprioritisation of resources. We tested our business strategy and resolved it remains relevant to create long-term sustainable value for our stakeholders, notwithstanding changes caused by the impact of COVID-19.

However, our priorities, sequencing and emphasis needed to change, particularly in the short to medium-term. We also reviewed our 2020 Group performance objectives and determined that while they too remained directionally appropriate, the pandemic demanded a material shift in our focus for the second half of the year resulting in a sharpened emphasis on some key objectives and a shift of focus within others.

These in-year adjustments occurred through the lens of our purpose-led approach to managing through COVID-19 with our objectives being to:

- Protect our people, customers, shareholders and ANZ, including strengthening our operational resilience;
- Adapt to the changing environment;
- Engage even more proactively with our stakeholders; and
- Prepare for the future.

For example:

- Balancing our immediate responses and medium-term cost ambitions became even more critical, particularly in the current low interest-rate environment;
- In times of a crisis, restoring and retaining community trust is crucial, making a focus on strong governance, leadership and corporate citizenship vital in supporting our customers and the community to navigate through the pandemic;
- Our focus on providing great digital solutions was accelerated, encouraged by rapid changes in customer behaviour;
- Immediate efforts to embed positive cultural change involved enabling our people to work safely and productively, while supporting them through clear communications to engage and maintain their wellbeing and performance; and
- Our talent priorities shifted partly away from hiring and retaining strategic capabilities and towards supporting rapid internal moves to maintain operational resilience and respond to rapid changes in customer needs.

4.5.3 Assessment against the Group Performance Framework for 2020

RISK & REPUTATION		CUSTOMER		PEOPLE & CULTURE		FINANCIAL & DISCIPLINE		OVERALL
Overall Adjustment	X	**35% weight**	+	**30% weight**	+	**35% weight**	=	**Group Performance**
ASSESSMENT: Met Expectations		ASSESSMENT: Met Expectations		ASSESSMENT: Above Expectations		ASSESSMENT: Below Expectations		ASSESSMENT: Met Expectations

As managing risk appropriately is fundamental to the way ANZ operates, Risk and Reputation forms an integral part of the assessment, directly impacting the overall Group Performance Framework outcome (a modifier ranging from 0% to 110% of the Group Performance assessment).

When assessing Financial and Discipline (see section below), the Board considered a range of factors. This included an assessment of external influences outside of the control of management. In 2020, returns and profitability were significantly impacted by COVID-19 – including higher collective credit provision charges and the impairment of two of the Group's Asian associate investments. Accordingly, cash profit from continuing operations decreased 42% and Return on Equity (ROE) declined to 6.2%. This decline in profitability and returns was also considered when the Board determined the size of the ANZIP variable remuneration pool for the year. For the purpose of assessing performance against the Group Performance Framework, the extent these factors were considered outside of the control of management, have been factored into the assessment of performance.

Overall, ANZ's performance 'Met Expectations' when considering the objectives we set ourselves. While we were largely on track to achieve the targets we set before COVID-19, we also demonstrated appropriate responses to the pandemic, supporting our customers and people while remaining well-managed, including through the demonstration of strong financial discipline.

The below table outlines ANZ's focus areas in 2020 (aligned to the three key inputs), and provides a summary of performance outcomes for each of the key performance categories to inform the overall assessment for 2020. Performance against expectations is evaluated using a range of objective indicators and subjective considerations including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

RISK & REPUTATION (MODIFIER 0% TO 110%)

COVID-19 introduced a range of both new and increased risks for ANZ, our employees and our customers. Our existing strong risk management framework enabled ANZ to respond well to these risks and continue to support our customers and the communities we serve. In anticipation of the potential future impact of COVID-19 on our customers we increased our forward looking expected credit loss provisions using a range of economic scenarios and we have continued to stress test our portfolio to re-assess our provisioning levels. At the same time, management demonstrated accountability for fixing issues in a sustainable manner.

Risk culture measures reached all time high levels as concerted efforts to transform our culture prepared the bank well to manage through the pandemic in a calm, measured and proactive manner. Strong leadership and citizenship have been paramount, centred on regaining the trust of the community through our commitment to fair and responsible banking.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen our financial and non-financial risk, control, governance and compliance focus in line with the risk management framework	• We have continued to develop and improve our financial and operational resilience which has helped position us well to respond to the impact of the evolving external environment including from the impacts of COVID-19, increased regulatory and compliance focus, bushfires and floods, the uncertainty from geopolitical and trade tensions and increased cyber activities. • We prepared and adapted our workforce and increased operational resilience by enabling over 95% of our workforce to work from home.			●
Focus on being well-managed and maintaining or improving across key risk control and cultural indicators	• We have maintained our focus on managing risk controls, and demonstrated accountability for fixing issues in a timely and sustainable manner. • Strong progress continues on risk culture maturity, evidenced in employee engagement scores, with 'Leaders accountable for risk' (87%) – up on 2019, and 'Raise issues without fear of reprisal' (74%) – also up on 2019.		●	
Timely delivery of the APRA Governance, Culture and Accountability (GCA) self-assessment action plan recommendations and success measures	• We have strengthened the bank's focus on non-financial risk (NFR) and progress has been made in uplifting our NFR control, governance and compliance focus, including continuing to deliver sound progress to address the themes identified by the self-assessment and lessons learned from the Royal Commission.		●	
Improve our reputation relative to industry as evaluated by all key stakeholders	• After being the first bank to make Royal Commission commitments, ANZ continues to act on these with a particular focus on supporting our most vulnerable customers in both Australia and NZ. • We remained committed to supporting our customers during the Australian bushfires and COVID-19, through loan payment deferrals and financial support whilst also remaining focused on responsible credit decision making. • Across the industry, community perception scores have fluctuated however, ANZ currently leads the major banks in the IPSOS survey measuring social media sentiment, while in the RepTrak survey ANZ led for the majority of 2020 and was second based on July to September results. An A- rating was achieved in the 2019 CDP climate change assessment, the leading score for Australian banks.			●
Risk & Reputation overall: **Met Expectations**			●	

CUSTOMER (35% WEIGHT)

We have continued to demonstrate our commitment to improve the financial wellbeing of our customers, including ensuring our most vulnerable customers and those undergoing COVID-19 related stress are aware of and can access the support we have available to them.

Despite the serious challenges faced by the sector and community this year, our actions over previous years to simplify and strengthen the bank provided us with the capacity to support our customers at a time of need and strengthen our long-term relationships. A proactive approach to reallocating resources and keeping in close contact with customers through the Australian bushfires and COVID-19 ensured we were available to listen and respond effectively. Across all our retail and commercial businesses in the region, we were also able to work quickly and comprehensively provide an appropriate series of support packages including loan deferrals and access to working capital.

While the focus has clearly been on assisting customers in need, there has also been opportunity to build new customer relationships and enable more digital services that have been especially valued in a restricted COVID-19 environment.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen relationships and maintain customer experience in our target segments	• Net Promoter Score (NPS)[1] centred on key onboarding episodes in Australia, where strong improvements have been made in retail home lending and business lending, while NZ Retail achieved all time high scores. • ANZ was ranked the #1 lead institutional bank by Peter Lee Associates[2] for the fifth year running and #1 for relationship strength for the seventh consecutive year, while a new online payments experience has been processing ~1 million payments daily and providing digital self-service for our Institutional customers. • In Australia, customer complaint resolution and home lending assessment timeframes have remained a challenge, however uplift programs are in place to improve these outcomes. Customer complaint timeframes improved from 63% to 66% resolved within five business days, while median home lending decision times increased from 6.0 days to 9.4 days as improved processes and campaigns drove an overwhelmingly strong demand from customers.		●	
Help our people to make wise customer-focused choices every day	• Launched a public campaign to improve financial wellbeing and behaviours in the community and commenced embedding financial wellbeing principles into key products and services. • Supporting our customers through the Australian bushfires and COVID-19 pandemic has been a priority, incorporating financial relief packages and making sure we have remained available to provide assistance where it has been needed. • In Australia, significant progress was made on the customer commitments and initiatives announced in 2019, including a focus on supporting vulnerable customers. In NZ, our Good Customer Outcome principles and product simplification reviews are delivering better customer experiences, including the removal or reduction of several fees, including on Visa debit, low rate products, payments and statements.		●	
Quickly and effectively remediate individual and systemic customer issues across the Group	• Approximately 1.8 million customer accounts in Australia have been refunded (against a target of 500,000 accounts), with a total of ~$161 million returned. Sound progress continues to be made in closing out large remediation streams in both Australia and NZ.		●	
Customer overall: **Met Expectations**			●	

PEOPLE & CULTURE (30% WEIGHT)

In a challenging year, significant capacity and attention was focused on managing through COVID-19 and the Australian bushfires, however strong progress was still made on key priorities including embedding our new reward framework, building strategic and leadership capabilities, and strengthening governance, accountability and culture. Our ability to make progress in the face of disruption is the product of sustained efforts to embed our purpose and aspirational culture over multiple years, including through implementing agile working practices and strong leadership behaviours.

In response to COVID-19, our core focus was protecting the safety of our people and in turn, our customers. By quickly enabling significant increases in our remote working capacity, over 95% of all employees (excluding Australian branches) were able to continue to work productively and safely from home and continue to deliver great outcomes for our customers.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen governance, accountability, actions and measurement of culture	• Continued to embed the Accountability and Consequence Framework (A&CF) including in support of our new reward model, with 12 full and 26 preliminary accountability reviews completed. • Divisions have continued to share progress and lessons learned through our culture steering groups and we have undertaken a review of our culture measurement and assessment approach.			●
Engaging our people and diversifying our workforce	• Overall engagement score increased to a record high of 86% (up from 77% in 2019), with strong results also seen in key measures, reflecting ANZ's strong support for our employees and clear senior leader communication during the pandemic. • Women in leadership increased 0.9% to 33.4% (against a 34.1% target).		●	
Improve leader capability	• Commenced rollout of a bank wide leadership capability program for all people leaders. • Key leadership survey results continued to improve, including scores for leaders role modelling our values and demonstrating effective leadership behaviours.			●
Embed Reimagining Reward, including new Performance Management approach	• Finalised and embedded changes to how we manage and reward our people to better focus on the interests of our customers, collaboration, and the long-term health of the bank. • Implemented a more dynamic approach to performance management, including a stronger emphasis on more frequent check-in conversations to review and drive performance, as well as maintain employee wellbeing during COVID-19. Some plans to embed performance changes had to be scaled back due to capacity constraints.		●	
Strengthen strategic capabilities	• In response to COVID-19, safe internal workforce movement principles were developed, and we rapidly enabled internal moves to support operational resilience and supplement areas where customer demand was highest. • Enhanced recruiting, assessment and onboarding processes, especially for graduates and high demand capabilities. Achieved targets for hiring into strategic capability areas, such as data and engineering skillsets.			●
People & Culture overall: **Above Expectations**				●

FINANCIAL & DISCIPLINE (35% WEIGHT)

Profitability and returns have been significantly impacted by the COVID-19 pandemic this year, including the impact of higher credit provision charges and the impairment of two of the Group's Asian associate investments. ANZ has been able to manage well through this challenging period given our long-term strategy to simplify the business and strengthen the balance sheet enabled us to enter the COVID-19 environment in a strong financial position. As a result, we have been able to both support our customers and enable prudent dividends to be paid to our shareholders, while absorbing a significant increase in credit reserves and without needing to raise capital. Costs have again been well managed, with expenses broadly flat despite record levels of investment to grow and simplify the business, and increased regulatory and compliance spend. Divestments during the year reduced the complexity of the Group. Ongoing work to identify and rectify customers in need of remediation led to further remediation charges, which impacted financial performance.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Balance appropriately between financial results, safety and soundness, and investment in the future	• On a cash continuing basis, ROE decreased to 6.2% and NPAT fell 42% due to the impacts of COVID-19 outlined above. Excluding large/notable items[3], a 1% decline in profit before provisions (PBP) was on target, noting the difficult operating environment. • Costs remained broadly flat despite record levels of investment to grow and simplify the business, and increased regulatory and compliance spend. • Capital continued to be well managed. CET1 of 11.3% has remained above regulatory minimums, while enabling dividends (albeit reduced) to be paid to our shareholders and the disciplined use of our balance sheet to support our customers. • Liquidity and funding was prudently managed in the environment, with the Liquidity Coverage Ratio (LCR) of 139% and Net Stable Funding Ratio (NSFR) of 124%, well above regulatory minimums.	●		
Progress agreed simplification plan	• We continued to reduce the complexity of our business (e.g. sale of UDC Finance to Shinsei Bank, sale of offsite ATM network to Armaguard). • Through strong cost management, we created capacity to invest into the business and remain committed to building a simpler and better bank.		●	
Prepare NZ business for Reserve Bank of New Zealand (RBNZ) outsourcing policy (BS11) and capital changes	• We are well progressed in the preparation for both the RBNZ capital changes and BS11 compliance.		●	
Financial & Discipline overall: **Below Expectations**		●		

OVERALL

	Below	Met	Above
Group Performance assessment: **Met Expectations** The impact to profitability and returns in 2020 as a result of the COVID-19 pandemic was considered when the Board determined the ANZIP outcome (see section 4.5.1). For the purpose of assessing financial performance against the Group Performance Framework, the extent these factors were considered outside of the control of management, have been considered when forming the overall assessment of performance. On balance, the Board considered an overall assessment of 'Met Expectations' fair and appropriate.		●	

1. Net Promoter Score (NPS) is a customer loyalty metric used globally to evaluate a company's brand, products or services. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld. **2.** Peter Lee Associates 2020 Large Corporate and Institutional Relationship Banking surveys, Australia and NZ. **3.** Large/notable items include the impact of divestments, customer remediation, accelerated software amortisation, Royal Commission legal costs, lease-related items, restructuring and impairments.

4.5.4 ANZ performance outcomes

ANZ's financial performance 2016 – 2020

As discussed in section 4.5.1, when determining variable remuneration outcomes for Disclosed Executives and employees more broadly cash profit and economic profit are considered. The Group uses cash profit[1] as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. Although cash profit is not audited, the external auditor has informed the Audit Committee that recurring adjustments have been determined on a consistent basis across each period presented.

Statutory profit has decreased 40% compared to the prior financial year, while cash profit from continuing operations has decreased 42%. The decline was driven primarily by:

- Credit impairment charges of $2.7 billion pre-tax (up from $795 million in the prior financial year), which included increased credit reserves for the impacts of the ongoing COVID-19 pandemic; and
- An $815 million impairment in the valuation of two of the Group's Asian associate investments, largely due to the impact COVID-19 has had in those markets.

Excluding the movement in these two items, cash profit fell 5% from the prior financial year.

The table below provides ANZ's financial performance, including cash profit, over the last five years.

	2016	2017	2018	2019	2020
Statutory profit ($m)	5,709	6,406	6,400	5,953	**3,577**
Cash profit ($m, unaudited)	5,889	6,938	5,805	6,161	**3,660**
Cash profit – Continuing operations ($m, unaudited)[2]	5,889	6,809	6,487	6,470	**3,758**
Cash profit before provisions – Continuing operations ($m, unaudited)[2]	10,155	10,849	9,966	9,958	**8,369**
Cash ROE (%) – Continuing operations (unaudited)[2]	10.3	11.7	11.0	10.9	**6.2**
Cash EPS – Continuing operations (unaudited)[2]	202.6	232.7	223.4	227.6	**132.7**
Share price at 30 September ($) (On 1 October 2015, opening share price was $27.25)	27.63	29.60	28.18	28.52	**17.22**
Total dividend (cents per share)	160	160	160	160	**60**
Total shareholder return (12 month %)	9.2	13.1	0.6	9.2	**(36.9)**

1. Cash profit excludes non-core items included in statutory profit and is provided to assist readers understand the results of the core business activities of the Group. **2.** Cash profit from continuing operations has been presented for 2017, 2018, 2019 and 2020 (2016 has not been restated). Cash profit from continuing operations represents the Group's cash profit excluding the impact of our discontinued businesses, which consist of OnePath Pensions and Investments and aligned dealer groups, and the Group's life insurance business in Australia. The businesses were reclassified to discontinuing in 2018, and only the 2017 result was restated in the table above. During 2019, the Group adopted AASB 15 Revenue from Contracts with Customers and only 2018 has been restated.

ANZ TSR performance (1 to 10 years)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the performance rights Select Financial Services (SFS) comparator group[1] over one to ten years, noting that for this table TSR is measured over a different timeframe to the performance period for our performance rights, i.e. to 30 September 2020.

- ANZ's TSR performance was slightly above the median TSR of the SFS comparator group[1] when comparing over one and three years;
- slightly below the median over five years; and
- below the median over ten years.

While ANZ's TSR performance over 10 years was lower than the median, since Shayne Elliott's tenure as CEO, ANZ's TSR has performed around the median when assessed over one, three and five years.

	Years to 30 September 2020			
	1	3[2]	5	10
ANZ (%)	**(36.9)**	**(31.8)**	**(15.7)**	**28.5**
Median TSR SFS (%)	(37.3)	(32.0)	(14.9)	40.9
Upper quartile TSR SFS (%)	(18.4)	(1.7)	13.4	111.1

1. See section 5.2.3a for details of the SFS comparator group. **2.** The outcomes for performance rights granted in November/December 2016 and tested in November 2019 are detailed in section 4.4.3.

5. EXECUTIVE REMUNERATION STRUCTURE AND DELIVERY

There are two core components of remuneration at ANZ – fixed remuneration and at risk variable remuneration.

In structuring remuneration, the Board aims to find the right balance between fixed and variable remuneration (at risk), the way it is delivered (cash versus deferred remuneration) and appropriate time frames (the short, medium and long-term).

The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities and reflecting their responsibilities, performance, qualifications, experience and location.

The way variable remuneration operates differs somewhat between the CEO and Disclosed Executives. Namely:

- The CEO's variable remuneration is comprised of AVR and LTVR (subject to shareholder approval), which provides consistency with external market practice, and LTVR reinforces his focus on achieving longer term strategic objectives and long-term stakeholder value creation.
- Disclosed Executives are subject to one combined VR plan which enables us to:
  - provide the appropriate mix of short and long-term rewards (including performance hurdles) to drive performance, and attract and retain talent;
  - tie the full VR award to the performance of ANZ; and
  - defer VR over the short, medium and longer term.

Variable remuneration seeks to differentiate for performance and is designed to focus our CEO and Disclosed Executives on stretching performance objectives supporting our business strategy, and encourage the delivery of long-term stakeholder value.

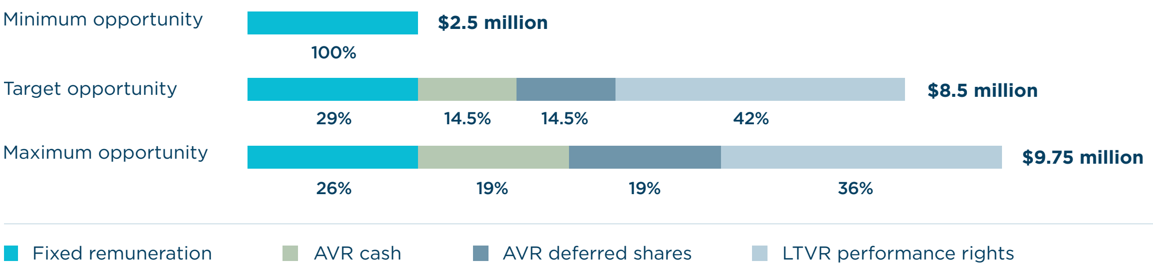
By deferring a significant portion of variable remuneration (74% of maximum opportunity for the CEO, 75% for Disclosed Executives and 67% for the CRO), we seek to ensure alignment with shareholder interests to deliver on ANZ's strategic objectives and ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes, and also before any scheduled release of previously deferred remuneration (i.e. consider malus or further deferral).

5.1 REMUNERATION MIX

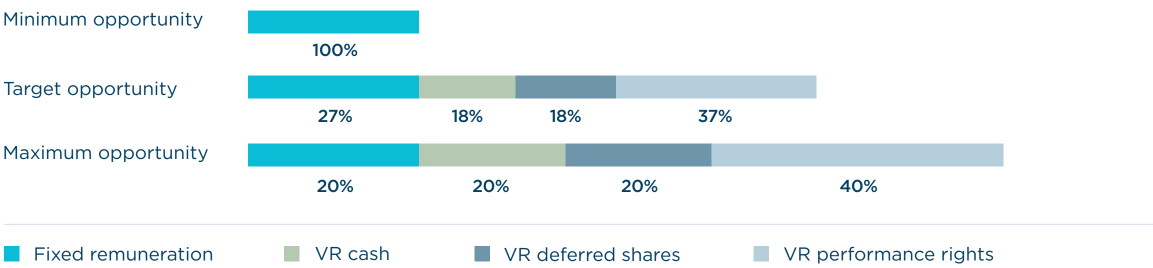
We structure the CEO and Disclosed Executives' remuneration as follows:

REMUNERATION MIX – CEO



Minimum = Fixed remuneration ($2.5 million)
Target = Fixed remuneration + target AVR (100% of fixed remuneration) + LTVR (140% of fixed remuneration (performance rights at full vesting))
Maximum = Fixed remuneration + maximum AVR (150% of fixed remuneration) + LTVR (140% of fixed remuneration (performance rights at full vesting))

REMUNERATION MIX – DISCLOSED EXECUTIVE[1]



Minimum = Fixed remuneration
Target = Fixed remuneration + target VR (268% of fixed remuneration (performance rights at full vesting))
Maximum = Fixed remuneration + maximum VR (402% of fixed remuneration (150% of target VR and performance rights at full vesting))

1. Excluding CRO.

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives.

The remuneration mix is 27% fixed remuneration and 73% VR maximum opportunity. The VR target opportunity is 180% of fixed remuneration and VR maximum opportunity is 270% of fixed remuneration. VR is delivered as 33% cash, 33% deferred shares and 34% deferred share rights (instead of performance rights).

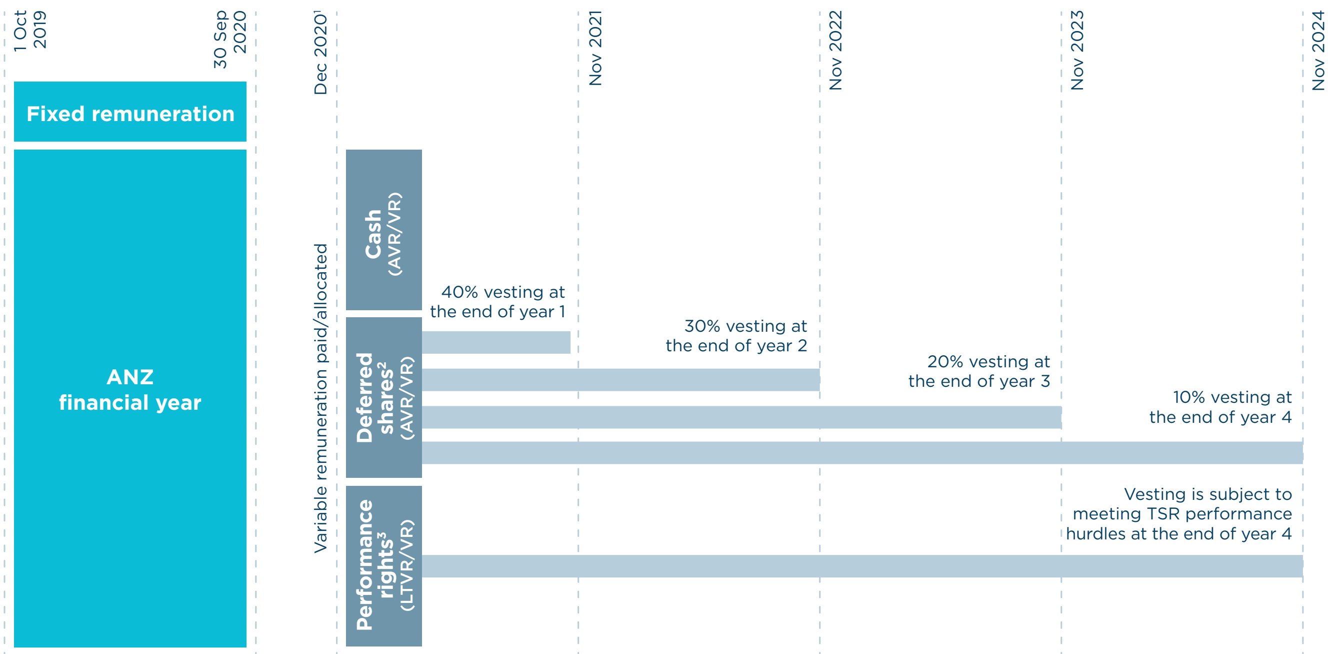
5.2 VARIABLE REMUNERATION DELIVERY

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO) is delivered partly in cash, shares deferred over four years, and performance rights deferred for four years. The performance rights are also subject to performance hurdles which determine whether they vest in four years' time.

60% of variable remuneration (AVR plus LTVR) for the CEO, 53% of VR for Disclosed Executives (other than the CRO), and 41% of VR for the CRO will be deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives.

Before any scheduled release of deferred shares/deferred share rights/performance rights, the Board considers whether any malus/downward adjustment of previously deferred remuneration (or further deferral of vesting) should be made for the CEO and Disclosed Executives. See section 5.3.

VARIABLE REMUNERATION DELIVERY – CEO AND DISCLOSED EXECUTIVES



1. Variable remuneration outcomes were approved by the Board on 21 October 2020 (noting that the CEO's performance rights are subject to shareholder approval at the 2020 AGM). **2.** Deferred shares for the CRO vest as follows: 30% at the end of years 1 and 2, and 20% at the end of years 3 and 4. **3.** Deferred share rights for the CRO.

5.2.1 Cash – CEO (AVR) and Disclosed Executives (VR)

The cash component is paid to executives at the end of the annual Performance and Remuneration Review (December 2020).

5.2.2 Deferred shares – CEO (AVR) and Disclosed Executives (VR)

Deferred shares are ordinary shares, deferred over one to four years. By deferring part of an executives' remuneration over time (and it remaining subject to malus), we enable a substantial amount of their remuneration to be directly linked to delivering long-term shareholder value. We grant deferred shares in respect of performance for the 1 October to 30 September financial year in late November/early December each year.

We calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For disclosure and expensing purposes, we use the one day VWAP to determine the fair value.

In some cases (generally due to regulatory or tax reasons), we may grant deferred share rights to executives instead of deferred shares. Each deferred share right entitles the holder to one ordinary share.

5.2.3a Performance rights – CEO (LTVR) and Disclosed Executives (VR) excluding the CRO

A performance right is a right to acquire one ordinary ANZ share at nil cost – as long as time and performance hurdles are met. The future value of performance rights may range from zero to an indeterminate value. The value depends on our performance against the hurdles and on the share price at the time of exercise.

The performance rights have a four-year performance period (and remain subject to malus up to the vesting date). For the 2020 grant, the performance period is from 22 November 2020 to 21 November 2024. A four-year performance period provides sufficient time for longer term performance to be reflected.

More detail relating to the 2020 performance rights is provided below.

Element	Detail
Performance rights hurdles	The performance rights have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. We will apply two TSR performance hurdles for the 2020 grants of performance rights: • 75% will be measured against a relative TSR hurdle, tranche 1. • 25% will be measured against an absolute TSR hurdle, tranche 2. TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance.
	The combination of relative and absolute TSR hurdles provides balance to the plan by: • Relative: rewarding executives for performance that exceeds that of comparator companies; and • Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining. The two hurdles measure separate aspects of performance: • the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and • the absolute Compound Annual Growth Rate (CAGR) TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes. We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether each tranche of performance rights become exercisable. We measure each tranche independently from the other – for example one tranche may vest fully or partially but the other tranche may not vest.
Relative TSR hurdle for the November/ December 2020 grant	The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group (unchanged from prior years) is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.

If our TSR when compared to the TSR of the comparator group >	then the percentage of performance rights that vest
is less than the 50th percentile	is nil
reaches at least the 50th percentile, but is less than the 75th percentile	is 50% plus 2% for every one percentile increase above the 50th percentile
reaches or exceeds the 75th percentile	is 100%

Element	Detail
Absolute TSR hurdle for the November/ December 2020 grant	The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for that year's award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital. The Cost of Capital is determined using methodologies including the Capital Asset Pricing Model (CAPM). There has been no change to the absolute CAGR TSR targets for 2020.

If the absolute CAGR of our TSR >	then the percentage of performance rights that vest
is less than 8.5%	is nil
is 8.5%	is 50%
reaches at least 8.5%, but is less than 12.75%	is progressively increased on a pro-rata, straight-line, basis from 50% to 100%
reaches or exceeds 12.75%	is 100%

Calculating TSR performance	When calculating performance against TSR, we: • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate ANZ's performance against the TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting.
Calculating the number of performance rights	The number of performance rights we grant is calculated using a face value basis – i.e. the full share price. Face value at full vesting is split into two tranches. Each tranche value is then divided by the market price (five trading day VWAP of ANZ shares at the start of the performance period) to determine the number of performance rights we award in each tranche. Performance rights are allocated in late November/early December for Disclosed Executives and December for the CEO (subject to shareholder approval).
Expensing performance rights	ANZ engages PricewaterhouseCoopers to independently determine the fair value of performance rights, which is only used for expensing purposes. They consider factors including: the performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.

5.2.3b Deferred share rights – CRO (VR)

The CRO receives deferred share rights instead of performance rights to preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation.

The CRO's deferred share rights are subject to a time-based vesting hurdle of four years. The value the Board uses to determine the number of deferred share rights to be allocated to the CRO is the face value of the Company's shares traded on the ASX at the time of grant (five trading day VWAP).

5.3 MALUS (DOWNWARD ADJUSTMENT OF PREVIOUSLY DEFERRED REMUNERATION) – BOARD DISCRETION

All deferred remuneration we award to an employee is subject to ANZ's on-going and absolute discretion to adjust this downward (malus) (including to zero) at any time.

ANZ may exercise this discretion, for example, where:

- there is a need to protect the financial soundness of ANZ or to meet regulatory requirements or there has been a material failure of risk management or controls within ANZ;
- the employee has acted fraudulently or dishonestly, failed to act with due care, skill and diligence, or failed to comply with ANZ policies (including the Code of Conduct), processes or directions;
- the employee is responsible or accountable, directly or indirectly, by virtue of their role or seniority for an occurrence/event which has had an adverse impact on ANZ;
- there has been misconduct and the employee was involved directly or indirectly, failed to take adequate steps, could be considered responsible due to their seniority, or the decision to award or grant the deferred remuneration was made on the basis of misinformation.

Further, where the CEO and/or Disclosed Executives of ANZ have failed to comply with their accountability obligations under the BEAR, their deferred remuneration will be reduced by an amount that is proportionate to the failure, as required by the BEAR.

An employee's deferred remuneration is also subject to ANZ's on-going and absolute discretion to further defer the vesting. Where ANZ exercises this discretion, the vesting date is postponed and will not vest unless and until ANZ determines it should vest.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the Consequence Review Group (CRG) (for other employees) considers whether malus/downward adjustment or further deferral should be applied. See section 6 for details.

6. ACCOUNTABILITY AND CONSEQUENCE FRAMEWORK

In 2020, we continued to strengthen and embed the Accountability and Consequence Framework (A&CF).

The HR Committee and Board determine accountability and consequences for the CEO and Disclosed Executives, including the application of malus to previously deferred remuneration.

The CRO presented a report to the HR Committee of the Board on the most material risk events for 2020, and input was also sought from the Audit and Risk Committees of the Board. All of this information was taken into consideration by the HR Committee and the Board when considering the performance of the Group, and determining the performance and remuneration outcomes for our Group Executives including the CEO and the 2020 ANZIP variable remuneration pool for all employees.

Adjustments were made to 2020 individual variable remuneration outcomes to reflect accountability for relevant matters.

No malus was applied to the previously deferred remuneration of the CEO and Disclosed Executives during 2020.

The Consequence Review Group (CRG) supports the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF, being cognisant of its impact on the culture of ANZ. The CRG is chaired by the CEO and members include the CRO, CFO and GE T&C. The CRG reviews material events, accountability and the application of suitable consequences where appropriate.

When determining consequences consideration will be given to the level of accountability, and the severity of the issue, including customer impacts. Consequences may include, for example, one or more of the following: counselling, formal warnings, impacts to in year performance and remuneration outcomes or application of malus to previously deferred remuneration and ultimately termination of employment for the most serious issues.

Our ongoing focus on accountability, consequences and driving a strong risk culture supports our customer commitment that when things go wrong, we fix them quickly and hold executives, current (and former where we can), to account where appropriate. We are also focused on ensuring that we learn from the cause of the event, and mitigate the risk of future recurrences and continuously seek to strengthen our risk culture.

We review the effectiveness of the A&CF every year and implement enhancements to further strengthen the framework based on regulatory and internal stakeholder input.

We also examined the impact of the A&CF on our 'speak up' culture. Across all measures reviewed, including our annual My Voice survey, and percentage of self-disclosed audit issues and internal audit cultural review data, we found that our speak-up culture had strengthened in 2020 compared to 2019. This gives us confidence that the implementation of the A&CF is consistent with our speak-up culture. We continue to raise employee awareness of, and promote the various ways that employees can speak up including through initiatives such as the annual Whistleblower Awareness Week.

In 2020 across the Group, there were 1,448 Code of Conduct cases managed resulting in 199 employees being terminated for breaches of our Code of Conduct, or who otherwise left the bank after an investigation had been initiated. A further 370 employees received a formal disciplinary outcome, with managers required to apply impacts to their performance and remuneration outcomes as part of the annual review process.

At the senior leadership level, 34 current or former senior leaders (senior executives, executives and senior managers) had consequences applied in 2020 for Code of Conduct breaches or findings of accountability for a relevant event, or otherwise left the bank after an investigation had been initiated. The 34 employees represent 1.4% of our 2,443 senior leaders. The consequences applied included warnings, impacts to performance and/or remuneration outcomes and cessation of employment.

Senior leader consequences in 2020[1]

Formal warnings[2]	19
No longer employed	7
Performance impacts[3]	18

1. Individuals are included under all categories that are relevant meaning one individual may be reflected in multiple categories. **2.** As part of the annual Performance and Remuneration Review process, performance and remuneration consequences are applied in line with our A&CF. **3.** Performance rating impacts are as at end of October 2020. Remuneration impacts will also be applied.

There are also performance and remuneration consequences for employees who are non-compliant with the mandatory learning requirements by over 30 days, with these employees being deemed ineligible to participate in the year-end remuneration review process (unless genuinely exceptional circumstances exist). In 2020, less than 0.4% of employees had a mandatory learning non-compliance flag applied to their profiles as a result of becoming overdue for 30 days on their mandatory learning requirements. The remaining 99.6% of our employees completed their mandatory learning requirements within the required period.

7. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

7.1 REMUNERATION STRUCTURE

The HR Committee reviewed NED fees for 2020 and determined not to increase Chairman, NED or Committee fees except for the Digital Business and Technology Committee Chair fee (which increased from $35,000 to $45,000) in recognition of the significant increase in workload of the Committee Chair.

NEDs receive a base fee for being a Director of the Board, and additional fees for either chairing, or being a member of a Board Committee. The Chairman of the Board does not receive additional fees for serving on a Board Committee.

In setting Board and Committee fees, the Board considers: general industry practice, ASX Corporate Governance Principles and Recommendations, the responsibilities and risks attached to the NED role, the time commitment expected of NEDs on Group and Company matters, and fees paid to NEDs of comparable companies.

ANZ compares NED fees to a comparator group of Australian listed companies with a similar market capitalisation, with particular focus on the major financial services institutions. This is considered an appropriate group, given similarity in size and complexity, nature of work and time commitment by NEDs.

To maintain NED independence and impartiality:

- NED fees are not linked to the performance of the Group; and
- NEDs are not eligible to participate in any of the Group's variable remuneration arrangements.

The current aggregate fee pool for NEDs of $4 million was approved by shareholders at the 2012 AGM. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

This table shows the NED fee policy structure for 2020.

2020 NED FEE POLICY STRUCTURE

	Board[1, 2]	Audit Committee	Risk Committee	HR Committee	Digital Business & Technology Committee	Ethics, Environment, Social & Governance Committee
Chair fee	$825,000	$65,000	$62,000	$57,000	$45,000	$35,000
Member fee	$240,000	$32,500	$31,000	$29,000	$15,000	$15,000

1. Including superannuation. **2.** The Chairman of the Board does not receive additional fees for serving on a Board Committee. The Chairman of the Board and NEDs do not receive a fee for serving on the Nomination and Board Operations Committee.

NED shareholding guidelines

We expect our NEDs to hold ANZ shares. NEDs are required:

- to accumulate shares – over a five-year period from their appointment – to the value of 100% (200% for the Chairman) of the NED member fee; and
- to maintain this shareholding while they are a Director of ANZ.

Based on the ANZ share price as at 30 September 2020, all NEDs who have served five years met the holding requirement. NEDs appointed within the last five years have either met or are building towards their shareholding requirement.

7.2 2020 STATUTORY REMUNERATION – NEDS

2020 STATUTORY REMUNERATION – NEDS

	Financial year	Short-term NED benefits		Post-employment	
		Fees[1] $	Non monetary benefits $	Super contributions[1] $	Total remuneration[2] $
Current Non-Executive Directors					
D Gonski[1]	**2020**	**803,824**	**-**	**21,176**	**825,000**
	2019	639,351	-	20,649	660,000
I Atlas[1]	**2020**	**323,324**	**-**	**21,176**	**344,500**
	2019	275,851	-	20,649	296,500
P Dwyer[1]	**2020**	**354,326**	**-**	**10,674**	**365,000**
	2019	296,351	-	20,649	317,000
J Halton[1]	**2020**	**307,824**	**-**	**21,176**	**329,000**
	2019	246,058	-	20,649	266,707
J Key[1, 3]	**2020**	**279,824**	**-**	**21,176**	**301,000**
	2019	229,131	-	20,649	249,780
G Liebelt[1]	**2020**	**342,324**	**-**	**21,176**	**363,500**
	2019	294,851	-	20,649	315,500
J Macfarlane[1]	**2020**	**297,324**	**-**	**21,176**	**318,500**
	2019	249,851	-	20,649	270,500
P O'Sullivan[4]	**2020**	**243,331**	**-**	**19,207**	**262,538**
Total of all Non-Executive Directors	**2020**	**2,952,101**	**-**	**156,937**	**3,109,038**
	2019	2,231,444	-	144,543	2,375,987

1. Year-on-year differences in fees relate to the 20% reduction to the Chairman fee and the NED member fees in 2019 (as a consequence of a decision taken by the Directors that their fees should reflect shared accountability for the failures highlighted by the Royal Commission), changes in Committee memberships and changes to the superannuation Maximum Contribution Base. From 1 January 2020 to 30 June 2020, P Dwyer elected to receive all payments in fees and therefore did not receive superannuation contributions during this period. **2.** Long-term benefits and share-based payments do not apply for the NEDs. **3.** In addition to the fees shown above that J Key received as a NED for Australia and New Zealand Banking Group Limited (ANZBGL), as Chairman for ANZ Bank New Zealand Limited J Key also received a total of NZD 391,000 in 2020 and NZD 382,950 in 2019. **4.** P O'Sullivan commenced as a NED on 4 November 2019, so 2020 remuneration reflects a partial service year.

8. REMUNERATION GOVERNANCE

8.1 THE HUMAN RESOURCES (HR) COMMITTEE

8.1.1 Role of the HR Committee

The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

During the year the HR Committee met on six occasions[1] and reviewed and approved, or made recommendations to the Board on matters including:

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) covered by the ANZBGL Remuneration Policy, and fees for the NEDs;
- reward structure changes (including the Reimagining Reward initiative);
- ANZ's response to the industry-wide Retail Remuneration Review by Stephen Sedgwick AO;
- updates on APRA's draft Prudential Standard CPS 511 Remuneration, the BEAR Thematic Review, Treasury's Financial Accountability Regime (FAR), and ASIC's review of governance practices in the exercise of board discretion on executive variable pay;
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material risk events that have either occurred or came to light in the year, and malus/downward adjustment;
- key senior executive appointments and terminations;
- the effectiveness of the ANZBGL Remuneration Policy;
- succession plans for key senior executives;
- culture and governance including updates on the strengthened Accountability and Consequence Framework (A&CF); and
- diversity, inclusion, and employee engagement.

More details about the role of the HR Committee, including its Charter, can be found on our website. Go to anz.com > Our company > Strong governance framework > ANZ Human Resources Committee Charter.

1. A subset of the HR Committee also met on a number of occasions during the year to discuss regulatory developments and 2020 outcomes.

8.1.2 Link between remuneration and risk

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy. The chairs of the Risk and Audit Committees are members of the HR Committee and the full Board is in attendance for specific HR Committee meetings.

To further reflect the importance of the link between remuneration and risk:

- the Board had three NEDs (in addition to the Chairman) in 2020 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO provides an independent report to the HR Committee on material risk events to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level; and
- the chairs of the Audit and Risk Committees are asked to provide input to the HR Committee to ensure appropriate consideration of all relevant risk and internal audit issues.

8.1.3 Conflict of interest

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's AVR is funded and determined separately from the ANZIP pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
  - independent reports from Risk, Finance, Talent and Culture and Internal Audit;
  - material risk event data provided by the CRO;
  - input from both the Audit Committee and the Risk Committee of the Board.

8.1.4 External advisors provided information but not recommendations

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external providers: Aon, Ashurst, EY, Mercer Consulting (Australia) Pty Ltd and PricewaterhouseCoopers. This information related to market data, market practices, legislative requirements and the interpretation of governance and regulatory requirements.

During the year, ANZ did not receive any remuneration recommendations from external consultants about the remuneration of KMP.

ANZ employs in-house remuneration professionals who provide recommendations to the HR Committee and the Board. The Board made its decisions independently, using the information provided and with careful regard to ANZ's strategic objectives, purpose and values, risk appetite and the ANZBGL Remuneration Policy and Principles.

8.2 INTERNAL GOVERNANCE

8.2.1 Hedging prohibition

All deferred equity must remain at risk until it has fully vested. Accordingly, executives and their associated persons must not enter into any schemes that specifically protect the unvested value of equity allocated. If they do so, then they forfeit the relevant equity.

8.2.2 CEO and Disclosed Executives' shareholding guidelines

We expect the CEO and each Disclosed Executive to, over a five-year period:

- accumulate ANZ shares to the value of 200% of their fixed remuneration; and
- maintain this shareholding level while they are an executive of ANZ.

For this purpose, shareholdings include all vested and unvested equity that is not subject to performance hurdles.

CEO

While the CEO is still within his five-year accumulation period his shareholdings are above the holding guideline and we note that he has not sold any ANZ shares since his commencement as CEO.

Disclosed Executives

All but one Disclosed Executive are still within their five-year accumulation period and are building their holdings. One Disclosed Executive has passed the five-year period and their shareholding (based on 30 September 2020 share price) was below the holding guideline. The impact of COVID-19 on ANZ's share price has resulted in the overall value of the executive's holding reducing and the Board has exercised its discretion and is not requiring the executive to purchase additional shares at this time.

8.2.3 CEO and Disclosed Executives' contract terms and equity treatment

The details of the contract terms and also the equity treatment on termination (in accordance with the Conditions of Grant) relating to the CEO and Disclosed Executives are below. Although they are similar, they vary in some cases to suit different circumstances.

Type of contract	Permanent ongoing employment contract.
Notice on resignation	• 12 months by CEO; • 6 months by Disclosed Executives.
Notice on termination by ANZ[1]	• 12 months by ANZ for CEO and Disclosed Executives. However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of fixed remuneration up to the date of their termination and their statutory entitlements.
How unvested equity is treated on leaving ANZ	Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise. If an executive is terminated due to redundancy or they are classified as a 'good leaver', then: • their deferred shares/share rights are released at the original vesting date; and • their performance rights[2] are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.
Change of control (applies to the CEO only)	If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's performance rights. They will vest to the extent that the performance conditions are satisfied.

1. For K Corbally and M Hand, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time. For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **2.** Or deferred share rights granted to the CRO instead of performance rights.

9. OTHER INFORMATION

9.1 2020 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the fixed remuneration awarded (cash and superannuation contributions) and also the cash component of the 2020 variable remuneration award, **it does not show the actual variable remuneration awarded or received in 2020** (see sections 4.1 and 4.2), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2020 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

		Short-term employee benefits			Post-employment	
	Financial year	Cash salary[1] $	Non monetary benefits[2] $	Total cash incentive[3] $	Super contributions[4] $	Retirement benefit accrued during year[5] $
CEO and Current Disclosed Executives						
S Elliott	**2020**	**2,478,824**	**15,089**	**625,000**	**21,176**	**-**
	2019	2,079,351	19,383	750,000	20,649	-
M Carnegie	**2020**	**1,178,824**	**20,646**	**409,200**	**21,676**	**-**
	2019	979,351	32,221	495,000	21,149	-
K Corbally[10]	**2020**	**1,078,824**	**9,589**	**429,000**	**21,176**	**-**
	2019	929,351	16,633	478,500	20,649	-
G Florian	**2020**	**1,053,824**	**20,646**	**371,250**	**21,176**	**-**
A George	**2020**	**1,078,824**	**26,146**	**363,000**	**21,676**	**-**
	2019	979,351	37,721	528,000	21,149	-
M Hand[11]	**2020**	**1,178,824**	**9,589**	**462,000**	**21,176**	**25,177**
	2019	710,307	10,868	198,000	15,693	17,851
M Jablko[12]	**2020**	**1,078,824**	**9,589**	**363,000**	**21,676**	**-**
	2019	979,351	17,083	544,500	21,149	-
K van der Merwe	**2020**	**828,824**	**15,089**	**330,000**	**21,676**	**-**
A Watson[13]	**2020**	**975,974**	**11,176**	**334,681**	**39,625**	**-**
	2019	214,999	273	170,255	4,441	-
M Whelan	**2020**	**1,178,824**	**9,589**	**363,000**	**21,176**	**-**
	2019	1,179,351	13,883	874,500	20,649	-

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services and costs met by the Company in relation to in-country benefits. **3.** The total cash incentive relates to the cash component only. The relevant amortisation of the AVR/VR deferred components is included in share-based payments and has been amortised over the vesting period. The total AVR/VR was approved by the Board on 21 October 2020. 100% of the cash component of the AVR/VR awarded for the 2019 and 2020 years vested to the executive in the applicable financial year. **4.** For all Australian based executives, the 2019 and 2020 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay (less employer superannuation contribution tax). **5.** Accrual relates to Retirement Allowance. As a result of being employed with ANZ before November 1992, M Hand is eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as three months of preserved notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years less the total accrual value of long service leave (including taken and untaken). **6.** Long service leave accrued during the year increased year-on-year for S Elliott, M Carnegie, A George, K Corbally, M Hand, M Jablko and A Watson as a result of their fixed remuneration increases. **7.** As required by AASB 2 Share-based payments, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity becomes exercisable. No terms of share-based payments have been altered or modified during the financial year.

Long-term employee benefits	Share-based payments[7]					
	Total amortisation value of					
	Variable remuneration			Other equity allocations[8]		
Long service leave accrued during the year[6] $	Shares $	Share rights $	Performance rights $	Shares $	Termination benefits[9] $	Total remuneration $
100,651	**828,507**	**-**	**1,156,061**	**-**	**-**	**5,225,308**
31,819	830,753	-	1,449,384	-	-	5,181,339
28,120	**502,572**	**-**	**196,150**	**-**	**-**	**2,357,188**
15,152	470,209	-	344,501	-	-	2,357,583
32,255	**378,884**	**258,090**	**16,398**	**-**	**-**	**2,224,216**
29,179	340,108	171,583	35,455	194,492	-	2,215,950
24,403	**333,927**	**-**	**238,329**	**-**	**-**	**2,063,555**
25,551	**430,514**	**-**	**219,525**	**-**	**-**	**2,165,236**
15,152	392,589	-	260,314	-	-	2,234,276
112,623	**367,507**	**-**	**203,224**	**-**	**-**	**2,380,120**
80,949	259,006	-	129,198	-	-	1,421,872
21,570	**535,573**	**-**	**307,228**	**50,316**	**-**	**2,387,776**
15,152	539,647	-	400,011	133,552	-	2,650,445
16,580	**358,605**	**-**	**229,707**	**-**	**-**	**1,800,481**
17,383	**237,502**	**82,845**	**93,742**	**711**	**-**	**1,793,639**
3,580	35,358	83,500	11,290	141	-	523,837
18,232	**754,535**	**-**	**417,161**	**-**	**-**	**2,762,517**
18,182	839,283	-	717,098	-	-	3,662,946

8. Other equity allocations relate to employment arrangements such as compensation for bonus opportunity foregone and deferred remuneration forfeited, retention awards, and shares received in relation to the Employee Share Offer. **9.** No 2020 Disclosed Executive received a termination benefit. Whilst F Ohlsson (former Group Executive, Australia and 2019 Disclosed Executive) concluded in a Disclosed Executive role on 28 December 2018, he ceased employment 15 November 2019 while on career break. Termination benefits paid on cessation (relating to accrued annual and long service leave, and pay in lieu of notice in accordance with his contract), annual leave and long service leave taken at the commencement of his career break, and non monetary benefits relating to cessation totalled $1,303,863. **10.** In relation to K Corbally's role before his appointment to the ExCo, in August 2016 the Board approved an equity retention award of $600,000 vesting in August 2019. Other equity allocations relate to this award. **11.** M Hand's 2019 remuneration reflects a partial service year as he commenced in a Disclosed Executive role on 29 December 2018. **12.** Other cash and other equity allocations for M Jablko relate to previously disclosed compensation for bonus opportunity foregone and deferred remuneration forfeited. **13.** A Watson's 2019 remuneration reflects a partial service year as she commenced in a Disclosed Executive role on 17 June 2019 as Acting Group Executive and CEO, NZ. A Watson's fixed remuneration is paid in NZD and converted to AUD. In 2018, 2019 and 2020 A Watson was eligible to receive shares under the Employee Share Offer. That offer provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. See Note 31 Employee Share and Option Plans for further details on the Employee Share Offer.

9.2 EQUITY HOLDINGS

For the equity granted to the CEO and Disclosed Executives in November/December 2019, all deferred shares were purchased on the market. For deferred share rights and performance rights, we will determine our approach to satisfying awards closer to the time of vesting.

9.2.1 CEO and Disclosed Executives equity granted, vested, exercised/sold and lapsed/forfeited

The table below sets out details of deferred shares and rights that we granted to the CEO and Disclosed Executives:

- during the 2020 year; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2020 year.

EQUITY GRANTED VESTED, EXERCISED/SOLD AND LAPSED/FORFEITED – CEO AND DISCLOSED EXECUTIVES

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/Forfeited Number	Lapsed/Forfeited %	Lapsed/Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
CEO and Current Disclosed Executives																	
S Elliott	Deferred shares	6,941		22-Nov-16	22-Nov-19	-	6,941	100	172,095	-	-	-	(6,941)	100	173,814	-	-
	Deferred shares	8,529		22-Nov-17	22-Nov-19	-	8,529	100	211,468	-	-	-	(8,529)	100	213,581	-	-
	Deferred shares	8,623		22-Nov-18	22-Nov-19	-	8,623	100	213,799	-	-	-	(8,623)	100	215,935	-	-
	Deferred shares	12,006	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	12,006
	Deferred shares	9,003	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	9,003
	Deferred shares	6,002	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	6,002
	Deferred shares	3,001	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,001
	Performance rights	112,862		16-Dec-16	16-Dec-19	16-Dec-21	-	-	-	(112,862)	100	(2,826,313)	-	-	-	-	-
	Performance rights	37,620		16-Dec-16	16-Dec-19	16-Dec-21	-	-	-	(37,620)	100	(942,088)	-	-	-	-	-
	Performance rights	126,050	10.25	17-Dec-19	17-Dec-23	17-Dec-25	-	-	-	-	-	-	-	-	-	-	126,050
	Performance rights	42,016	5.03	17-Dec-19	17-Dec-23	17-Dec-25	-	-	-	-	-	-	-	-	-	-	42,016
M Carnegie	Deferred shares	1,182		22-Nov-16	22-Nov-19	-	1,182	100	29,307	-	-	-	-	-	-	1,182	-
	Deferred shares	4,785		22-Nov-17	22-Nov-19	-	4,785	100	118,639	-	-	-	-	-	-	4,785	-
	Deferred shares	5,205		22-Nov-18	22-Nov-19	-	5,205	100	129,053	-	-	-	-	-	-	5,205	-
	Deferred shares	7,924	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	7,924
	Deferred shares	5,942	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	5,942
	Deferred shares	3,961	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,961
	Deferred shares	1,980	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,980
	Performance rights	7,309		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,309)	100	(181,219)	-	-	-	-	-
	Performance rights	2,436		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(2,436)	100	(60,398)	-	-	-	-	-
	Performance rights	30,612	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	30,612
	Performance rights	10,204	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	10,204
K Corbally	Deferred shares	21,497		22-Nov-16	20-Aug-19	-	-	-	-	-	-	-	(21,497)	100	526,105	-	-
	Deferred shares	2,758		22-Nov-16	22-Nov-19	-	2,758	100	68,382	-	-	-	(2,758)	100	67,498	-	-
	Deferred shares	4,230		22-Nov-17	22-Nov-19	-	4,230	100	104,879	-	-	-	(4,230)	100	103,522	-	-
	Deferred shares	3,010		22-Nov-18	22-Nov-19	-	3,010	100	74,630	-	-	-	(3,010)	100	73,665	-	-
	Deferred shares	5,745	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	5,745
	Deferred shares	5,744	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	5,744
	Deferred shares	3,829	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,829
	Deferred shares	3,829	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,829
	Deferred share rights	19,727	24.99	22-Nov-19	22-Nov-23	29-Nov-23	-	-	-	-	-	-	-	-	-	-	19,727
	Performance rights	5,445		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(5,445)	100	(135,003)	-	-	-	-	-

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
CEO and Current Disclosed Executives																	
G Florian	Deferred shares	2,462		22-Nov-17	22-Nov-19	-	2,462	100	61,043	-	-	-	-	-	-	2,462	-
	Deferred shares	3,254		22-Nov-18	22-Nov-19	-	3,254	100	80,680	-	-	-	-	-	-	3,254	-
	Deferred shares	4,491	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	4,491
	Deferred shares	3,367	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,367
	Deferred shares	2,244	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	2,244
	Deferred shares	1,122	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,122
	Performance rights	17,346	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	17,346
	Performance rights	5,782	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	5,782
A George	Deferred shares	2,400		22-Nov-16	22-Nov-19	-	2,400	100	59,506	-	-	-	-	-	-	2,400	-
	Deferred shares	3,096		22-Nov-17	22-Nov-19	-	3,096	100	76,762	-	-	-	-	-	-	3,096	-
	Deferred shares	3,498		22-Nov-18	22-Nov-19	-	3,498	100	86,729	-	-	-	-	-	-	3,498	-
	Deferred shares	8,453	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	8,453
	Deferred shares	6,338	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	6,338
	Deferred shares	4,225	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	4,225
	Deferred shares	2,112	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	2,112
	Performance rights	2,746		18-Nov-15	18-Nov-18	18-Nov-20	-	-	-	-	-	-	(1,793)	65	46,678	-	-
	Performance rights	4,738		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(4,738)	100	(117,474)	-	-	-	-	-
	Performance rights	32,653	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	32,653
	Performance rights	10,884	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	10,884
M Hand	Deferred shares	4,012		22-Nov-16	22-Nov-19	-	4,012	100	99,474	-	-	-	(4,012)	100	99,242	-	-
	Deferred shares	6,277		22-Nov-17	22-Nov-19	-	6,277	100	155,632	-	-	-	(6,277)	100	155,270	-	-
	Deferred shares	3,254		22-Nov-18	22-Nov-19	-	3,254	100	80,680	-	-	-	(3,254)	100	80,492	-	-
	Deferred shares	4,755	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	4,755
	Deferred shares	3,565	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,565
	Deferred shares	2,376	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	2,376
	Deferred shares	1,188	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,188
	Performance rights	7,920		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,920)	100	(196,368)	-	-	-	-	-
	Performance rights	18,367	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	18,367
	Performance rights	6,122	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	6,122
M Jablko	Deferred shares	3,153		20-Aug-16	20-Aug-17	-	-	-	-	-	-	-	(3,153)	100	80,580	-	-
	Deferred shares	3,153		20-Aug-16	20-Aug-18	-	-	-	-	-	-	-	(3,153)	100	80,580	-	-
	Deferred shares	7,617		20-Aug-16	27-Feb-20	-	7,617	100	195,305	-	-	-	-	-	-	7,617	-
	Deferred shares	1,182		22-Nov-16	22-Nov-17	-	-	-	-	-	-	-	(1,182)	100	30,208	-	-
	Deferred shares	1,182		22-Nov-16	22-Nov-18	-	-	-	-	-	-	-	(1,182)	100	30,208	-	-
	Deferred shares	1,182		22-Nov-16	22-Nov-19	-	1,182	100	29,307	-	-	-	-	-	-	1,182	-
	Deferred shares	6,305		22-Nov-17	22-Nov-18	-	-	-	-	-	-	-	(6,305)	100	161,135	-	-
	Deferred shares	6,305		22-Nov-17	22-Nov-19	-	6,305	100	156,326	-	-	-	-	-	-	6,305	-
	Deferred shares	5,693		22-Nov-18	22-Nov-19	-	5,693	100	141,152	-	-	-	-	-	-	5,693	-
	Deferred shares	8,717	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	8,717
	Deferred shares	6,536	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	6,536
	Deferred shares	4,357	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	4,357
	Deferred shares	2,178	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	2,178
	Performance rights	7,309		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,309)	100	(181,219)	-	-	-	-	-
	Performance rights	2,436		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(2,436)	100	(60,398)	-	-	-	-	-
	Performance rights	33,673	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	33,673
	Performance rights	11,224	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	11,224

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
CEO and Current Disclosed Executives																	
K van der Merwe	Deferred shares	1,477		22-Nov-17	22-Nov-19	-	1,477	100	36,621	-	-	-	-	-	-	1,477	-
	Deferred shares	3,577		22-Nov-18	22-Nov-19	-	3,577	100	88,688	-	-	-	-	-	-	3,577	-
	Deferred shares	6,604	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	6,604
	Deferred shares	4,951	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	4,951
	Deferred shares	3,301	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,301
	Deferred shares	1,650	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,650
	Performance rights	25,510	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	25,510
	Performance rights	8,503	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	8,503
A Watson	Deferred shares	3,904	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	3,904
	Deferred shares	3,901	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,901
	Deferred shares	3,901	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,901
	Deferred shares	4,541	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	4,541
	Employee share offer	32	25.05	02-Dec-19	02-Dec-22	-	-	-	-	-	-	-	-	-	-	-	32
	Deferred share rights	2,237		22-Nov-16	22-Nov-19	22-Nov-21	2,237	100	55,464	-	-	-	(2,237)	100	55,277	-	-
	Deferred share rights	4,409		22-Nov-17	22-Nov-19	22-Nov-21	4,409	100	109,317	-	-	-	(4,409)	100	108,948	-	-
	Deferred share rights	5,016		22-Nov-18	22-Nov-19	22-Nov-21	5,016	100	124,367	-	-	-	(5,016)	100	123,947	-	-
	Performance rights	3,649		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(3,649)	100	(90,473)	-	-	-	-	-
M Whelan	Deferred shares	6,724		22-Nov-16	22-Nov-19	-	6,724	100	166,715	-	-	-	(6,724)	100	166,715	-	-
	Deferred shares	9,218		22-Nov-17	22-Nov-19	-	9,218	100	228,551	-	-	-	(9,218)	100	228,551	-	-
	Deferred shares	7,075		22-Nov-18	22-Nov-19	-	7,075	100	175,418	-	-	-	(7,075)	100	175,418	-	-
	Deferred shares	13,998	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	13,998
	Deferred shares	10,498	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	10,498
	Deferred shares	6,998	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	6,998
	Deferred shares	3,499	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,499
	Performance rights	41,571		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(41,571)	100	(1,030,711)	-	-	-	-	-
	Performance rights	13,857		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(13,857)	100	(343,570)	-	-	-	-	-
	Performance rights	54,081	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	54,081
	Performance rights	18,027	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	18,027

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2020 financial year the five highest paid executives include four Disclosed Executives and the Group Executive, International (F Faruqui). Rights granted to Disclosed Executives as remuneration in 2020 are included in the table. Rights granted to F Faruqui as remuneration in 2020 include four tranches of deferred share rights and two tranches of performance rights granted on 22 Nov 2019. (14,298 (tranche 1) deferred share rights first exercisable 22 Nov 2020, expiring 29 Nov 2020; 11,363 (tranche 2) deferred share rights first exercisable 22 Nov 2021, expiring 29 Nov 2021; 8,033 (tranche 3) deferred share rights first exercisable 22 Nov 2022, expiring 29 Nov 2022; 4,257 (tranche 4) deferred share rights first exercisable 22 Nov 2023, expiring 29 Nov 2023; 51,839 (tranche 1) and 17,279 (tranche 2) performance rights first exercisable 22 Nov 2023 subject to meeting performance hurdles, expiring 22 Nov 2025). No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2020 up to the Directors' Report sign-off date. **2.** The point in time value of shares/share rights and/or performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of shares/share rights and/ or performance rights. The exercise price for all share rights/performance rights is $0.00. No terms of share-based payment transactions have been altered or modified during the reporting period. **3.** The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable.

4. Performance rights granted in prior years (by grant date) that remained unexerciseable at 30 Sep 2020 include:

	Nov-17	Nov-18	Nov-19
S Elliott	143,294	110,365	168,066
M Carnegie	39,440	42,884	40,816
K Corbally	4,230	-	-
G Florian	20,300	26,802	23,128
A George	25,520	28,813	43,537
M Hand	6,277	26,802	24,489
M Jablko	51,968	46,905	44,897
K van der Merwe	12,180	29,482	34,013
A Watson	3,934	4,802	-
M Whelan	75,980	58,296	72,108

Performance rights granted to S Elliott in 2020 were approved by shareholders at the 2019 AGM in accordance with ASX Listing Rule 10.14.

9.2.2 NED, CEO and Disclosed Executives equity holdings

The table below sets out details of equity held directly, indirectly or beneficially by each NED, the CEO and each Disclosed Executive, including their related parties.

EQUITY HOLDINGS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Type of equity	Opening balance at 1 Oct 2019	Granted during the year as remuneration[1]	Received during the year on exercise of options or rights	Resulting from any other changes during the year[2]	Closing balance at 30 Sep 2020[3,4]
Current Non-Executive Directors						
D Gonski	Ordinary shares	31,488	-	-	-	**31,488**
I Atlas	Ordinary shares	14,360	-	-	-	**14,360**
P Dwyer	Ordinary shares	17,500	-	-	-	**17,500**
J Halton	Ordinary shares	9,049	-	-	-	**9,049**
J Key	Ordinary shares	3,000	-	-	-	**3,000**
G Liebelt	Ordinary shares	20,315	-	-	-	**20,315**
	Capital notes 1	1,500	-	-	-	**1,500**
	Capital notes 2	2,500	-	-	-	**2,500**
J Macfarlane	Ordinary shares	17,851	-	-	-	**17,851**
	Capital notes 2	2,000	-	-	-	**2,000**
	Capital notes 3	5,000	-	-	-	**5,000**
P O'Sullivan[5]	Ordinary shares	4,078	-	-	-	**4,078**
	Capital notes 2	9,250	-	-	-	**9,250**
CEO and Current Disclosed Executives						
S Elliott	Deferred shares	73,958	30,012	-	(24,093)	**79,877**
	Ordinary shares	189,258	-	-	27,563	**216,821**
	Performance rights	438,874	168,066	-	(150,482)	**456,458**
M Carnegie	Deferred shares	54,732	19,807	-	-	**74,539**
	Ordinary shares	3,071	-	-	2,420	**5,491**
	Performance rights	92,069	40,816	-	(9,745)	**123,140**
K Corbally	Deferred shares	42,631	19,147	-	(31,495)	**30,283**
	Ordinary shares	1,350	-	-	(255)	**1,095**
	Deferred share rights	14,546	19,727	-	-	**34,273**
	Performance rights	9,675	-	-	(5,445)	**4,230**
G Florian	Deferred shares	23,141	11,224	-	-	**34,365**
	Ordinary shares	978	-	-	1,216	**2,194**
	Performance rights	47,102	23,128	-	-	**70,230**
A George	Deferred shares	58,962	21,128	-	-	**80,090**
	Ordinary shares	5,614	-	1,793	2,882	**10,289**
	Capital notes 1	802	-	-	-	**802**
	Performance rights	60,864	43,537	(1,793)	(4,738)	**97,870**
M Hand	Deferred shares	26,434	11,884	-	(13,543)	**24,775**
	Ordinary shares	760	-	-	429	**1,189**
	Performance rights	40,999	24,489	-	(7,920)	**57,568**
M Jablko	Deferred shares	84,494	21,788	-	(16,851)	**89,431**
	Ordinary shares	2,925	-	-	2,319	**5,244**
	Performance rights	108,618	44,897	-	(9,745)	**143,770**
K van der Merwe	Deferred shares	20,388	16,506	-	-	**36,894**
	Ordinary shares	774	-	-	1,162	**1,936**
	Performance rights	41,662	34,013	-	-	**75,675**
A Watson	Deferred shares	-	16,247	-	-	**16,247**
	Employee share offer	102	32	-	-	**134**
	Ordinary shares	-	-	11,662	386	**12,048**
	Deferred share rights	22,129	-	(11,662)	-	**10,467**
	Performance rights	12,385	-	-	(3,649)	**8,736**
M Whelan	Deferred shares	69,393	34,993	-	(23,017)	**81,369**
	Ordinary shares	-	-	-	1,126	**1,126**
	Performance rights	189,704	72,108	-	(55,428)	**206,384**

1. Details of options/rights granted as remuneration during 2020 are provided in the previous table. **2.** Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. **3.** The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e. indirect beneficially held shares) as at 30 September 2020: D Gonski – 31,488, I Atlas – 14,360, P Dwyer – 17,500, J Halton – 0, J Key – 3,000, G Liebelt – 8,158, J Macfarlane – 24,851, P O'Sullivan – 0, S Elliott – 291,099, M Carnegie – 74,539, K Corbally – 30,283, G Florian – 34,365, A George – 83,570, M Hand – 24,775, M Jablko – 89,431, K van der Merwe – 36,894, A Watson – 16,381 and M Whelan – 81,369. **4.** 34,733 rights were vested and exercisable, and zero options/rights were vested and unexerciseable as at 30 September 2020. There was no change in the balance as at the Directors' Report sign-off date. **5.** Commencing balance is based on holdings as at the date of commencement as a KMP.

9.3 LOANS

9.3.1 Overview

When we lend to NEDs, the CEO or Disclosed Executives, we do so in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers – this includes the term of the loan, the security required and the interest rate. Details of the terms and conditions of lending products can be found on anz.com. No amounts have been written off during the period, or individual provisions raised in respect of these balances.

The table below sets out details of loans outstanding to NEDs, the CEO and Disclosed Executives including their related parties, if – at any time during the year – the individual's aggregate loan balance exceeded $100,000.

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2020 (including those with balances less than $100,000) was $31,807,543 (2019: $29,359,432) with interest paid of $888,019 (2019: $731,353) during the period.

9.3.2 NED, CEO and Disclosed Executives loan transactions

LOAN TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Opening balance at 1 October 2019 $	Closing balance at 30 September 2020 $	Interest paid and payable in the reporting period[1] $	Highest balance in the reporting period $
Current Non-Executive Directors				
I Atlas	-	1,608,028	8,021	2,308,028
J Key	-	-	23,206	4,000,000
J Macfarlane	13,330,653	13,280,942	370,053	15,470,727
P O'Sullivan[2]	1,005,057	888,916	2,348	1,022,409
CEO and Current Disclosed Executives				
S Elliott	2,926,267	2,782,319	68,358	2,938,399
G Florian	2,362,366	2,306,807	62,602	2,389,584
A George[3]	1,612,899	1,535,414	51,538	1,618,459
M Hand	4,437,179	4,226,595	149,695	4,444,867
K van der Merwe	1,982,996	3,584,607	101,228	3,818,341
M Whelan[4]	1,653,414	1,575,953	50,263	1,696,126
Total	**29,310,831**	**31,789,581**	**887,312**	**39,706,940**

1. Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. **2.** Opening balance is at the date of commencement as KMP. **3.** Opening balance has been restated to include a credit card balance. **4.** Opening balance has been adjusted to take account of a minor timing variance.

9.4 OTHER TRANSACTIONS

Other transactions with NEDs, the CEO and Disclosed Executives, and their related parties included deposits.

OTHER TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

	Opening balance at 1 October 2019[1] $	Closing balance at 30 September 2020[2,3] $
Total KMP deposits	48,951,515	48,364,383

1. Opening balance is at 1 October 2019 or the date of commencement as KMP if part way through the year. **2.** Closing balance is at 30 September 2020 or at the date of cessation as KMP if part way through the year. **3.** Interest paid on deposits for 2020 was $498,931 (2019: $682,040).

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

Directors' report

The Directors' Report for the financial year ended 30 September 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 10
- Operating and financial review on pages 54 to 71
- Dividends on page 70
- Information on the Directors, Company Secretaries and Directors' meetings on pages 38 to 48
- Remuneration report on pages 74 to 108

Significant changes in state of affairs

There have been no significant changes in the Group's state of affairs.

Events since the end of the financial year

There have been no significant events from 30 September 2020 to the date of signing this report.

Political donations

Our policy is that we will make an annual donation to the two major federal parties to support the democratic process in Australia. In the 2020 calendar year, we donated $100,000 to the Liberal Party of Australia and $100,000 to the Australian Labor Party.

Environmental regulation

ANZ recognises the expectations of its stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates its environmental impact.

In Australia, ANZ meets the requirements of the ***National Greenhouse and Energy Reporting Act 2007*** (Cth), which imposes reporting obligations where energy production, usage or greenhouse gas emissions trigger specified thresholds.

The Group does not believe that its operations are subject to any other particular and significant environmental regulation under a law of the Commonwealth of Australia or of an Australian State or Territory. It may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has developed policies to identify and manage such environmental matters.

Having made due enquiry, and to the best of ANZ's knowledge, no entity of the Group has incurred any material environmental liability during the year.

Further details of ANZ's environmental performance, including progress against its targets and details of its emissions profile, are available on anz.com.au/about-us/sustainability-framework/environmental-sustainability/.

Corporate Governance Statement

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition)* during the 2020 financial year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, can be viewed at anz.com/corporategovernance and has been lodged with the ASX.

Pillar 3 information

ANZ provides information required by APS 330: *Public Disclosure* in the *Regulatory Disclosures* section at anz.com/shareholder/centre/reporting/regulatory-disclosure/.

Non-audit services

The Group's Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

Specifically the Policy:

- limits the scope of non-audit services that may be provided;
- requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in the Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2020 financial year, and has confirmed that the provision of these services is consistent with the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*. This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2020 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

	Amount paid/payable $'000	
Non-audit services	2020	2019
Training related services	16	106
Methodology and procedural reviews	107	10
Total	123	116

Further details on the compensation paid to KPMG is provided in Note 34 Auditor Fees to the financial statements including details of audit-related services provided during the year of $5.37 million (2019: $5.71 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2020 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Directors' and officers' indemnity

The Company's Constitution (Rule 11.1) permits the Company to:

- indemnify any officer or employee of the Company, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such by an officer, employee or auditor, including liabilities incurred as a result of appointment or nomination by the Company as a trustee or as an officer or employee of another corporation; and
- make payments in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such by an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

It is the Company's policy that its employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, the Company will indemnify employees and former employees against any liability they incur to any third party as a result of acting in the course of their employment with the Company or a subsidiary of the Company and this extends to liability incurred as a result of their appointment/nomination by or at the request of the Group as an officer or employee of another corporation or body or as trustee.

The indemnity is subject to applicable law and certain exceptions.

In accordance with the employee indemnity policy, the Company has during or since the year ended 30 September 2020 paid legal expenses totalling $1,233,965.13 incurred by Mr Richard Moscati in relation to legal proceedings brought against him and the Company by a third party.

The Company has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of the Company, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and employees of the Company and related bodies corporate of the Company. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Key management personnel and employee share and option plans

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2020 financial year and as at the date of this report.

Note 31 Employee Share and Option Plans to the 2020 Financial Report contains details of the 2020 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues of the Company.

The names of all persons who currently hold options/rights are entered in the register kept by the Company pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Paul D O'Sullivan Chairman 4 November 2020	**Shayne C Elliott** Managing Director

Lead Auditor's Independence Declaration

The Lead Auditors Independence Declaration given under Section 307C of the *Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2020.

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2020, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG	**Alison Kitchen** Partner

Financial report

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INCOME STATEMENT

For the year ended 30 September	Note	2020 $m	2019 $m
Interest income[1]		24,426	31,077
Interest expense		(10,377)	(16,738)
Net interest income	2	14,049	14,339
Other operating income	2	3,355	4,058
Net income from insurance business	2	78	126
Share of associates' profit	2	155	262
Operating income		17,637	18,785
Operating expenses	3	(9,383)	(9,071)
Profit before credit impairment and income tax		8,254	9,714
Credit impairment charge	13	(2,738)	(794)
Profit before income tax		5,516	8,920
Income tax expense	4	(1,840)	(2,609)
Profit after tax from continuing operations		3,676	6,311
Profit/(Loss) after tax from discontinued operations	29	(98)	(343)
Profit for the year		3,578	5,968
Comprising:			
Profit attributable to shareholders of the Company		3,577	5,953
Profit attributable to non-controlling interests		1	15
Earnings per ordinary share (cents) including discontinued operations			
Basic	6	126.4	210.0
Diluted	6	118.0	201.9
Earnings per ordinary share (cents) from continuing operations			
Basic	6	129.8	222.1
Diluted	6	121.1	213.0
Dividend per ordinary share (cents)	5	60	160

1. Includes interest income calculated using the effective interest method of $23,837 million on financial assets measured at amortised cost or fair value through other comprehensive income (2019: $30,224 million).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2020 $m	2019 $m
Profit for the year from continuing operations	3,676	6,311
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Investment securities - equity securities at FVOCI	(157)	45
Other reserve movements	13	67
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation reserve[1]	(550)	697
Other reserve movements	712	909
Income tax attributable to the above items	(180)	(288)
Share of associates' other comprehensive income[2]	51	26
Other comprehensive income after tax from continuing operations	(111)	1,456
Profit/(Loss) after tax from discontinued operations	(98)	(343)
Other comprehensive income/(loss) after tax from discontinued operations	-	(97)
Total comprehensive income for the year	3,467	7,327
Comprising total comprehensive income attributable to:		
Shareholders of the Company	3,467	7,307
Non-controlling interests	-	20

1. Includes foreign currency translation differences attributable to non-controlling interests of a $1 million loss (2019: $5 million gain).
2. Share of associates' Other comprehensive income includes a FVOCI reserve gain of $48 million (2019: $20 million gain), defined benefits gain of $3 million (2019: $7 million gain), cash flow hedge reserve loss of $1 million (2019: $2 million loss) and a foreign currency translation reserve gain of $1 million (2019: $1 million gain) that may be reclassified subsequently to profit or loss.

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

BALANCE SHEET

As at 30 September	Note	2020 $m	2019 $m
Assets			
Cash and cash equivalents	8	107,923	81,621
Settlement balances owed to ANZ		7,541	3,739
Collateral paid		14,308	15,006
Trading securities	9	50,913	43,169
Derivative financial instruments	10	135,331	120,667
Investment securities	11	93,391	83,709
Net loans and advances	12	617,093	615,258
Regulatory deposits		801	879
Assets held for sale	29	-	1,831
Investments in associates	26	2,164	2,957
Current tax assets		161	265
Deferred tax assets[1]		2,124	1,356
Goodwill and other intangible assets	20	4,379	4,861
Premises and equipment[1]		3,013	1,924
Other assets		3,144	3,895
Total assets		1,042,286	981,137
Liabilities			
Settlement balances owed by ANZ		22,241	10,867
Collateral received		9,304	7,929
Deposits and other borrowings	14	682,333	637,677
Derivative financial instruments	10	134,711	120,951
Current tax liabilities		349	260
Deferred tax liabilities		80	67
Liabilities held for sale	29	-	2,121
Payables and other liabilities[1]		9,128	7,968
Employee entitlements		596	589
Other provisions	21	2,579	2,223
Debt issuances	15	119,668	129,691
Total liabilities		980,989	920,343
Net assets		61,297	60,794
Shareholders' equity			
Ordinary share capital	22	26,531	26,490
Reserves	22	1,501	1,629
Retained earnings[1]	22	33,255	32,664
Share capital and reserves attributable to shareholders of the Company	22	61,287	60,783
Non-controlling interests	22	10	11
Total shareholders' equity	22	61,297	60,794

1. On adoption of AASB 16 on 1 October 2019, the Group recognised right-of-use assets of $1.6 billion presented within Premises and equipment and lease liabilities of $1.7 billion presented within Payables and other liabilities. This resulted in a reduction to opening retained earnings of $88 million and an increase in deferred tax assets of $37 million. Comparative information has not been restated. Refer to Note 1 for further details.

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

CASH FLOW STATEMENT

The Consolidated Cash Flow Statement includes discontinued operations. Please refer to Note 29 for cash flows associated with discontinued operations and cash and cash equivalents reclassified as held for sale.

For the year ended 30 September	2020 $m	2019 $m
Profit after income tax	3,578	5,968
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Allowance for expected credit losses	2,738	794
Impairment of investment in associates	815	-
Depreciation and amortisation[1, 2]	1,391	871
Goodwill impairment	77	-
(Profit)/loss on sale of premises and equipment	(8)	(5)
Net derivatives/foreign exchange adjustment	(3,046)	4,940
(Gain)/loss on sale from divestments	25	(137)
Other non-cash movements	(80)	(356)
Net (increase)/decrease in operating assets:		
Collateral paid	283	(3,493)
Trading securities	(1,803)	(7,941)
Net loans and advances	(7,119)	(10,268)
Investments backing policy liabilities	-	(3,542)
Other assets	(76)	(454)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings	51,875	7,006
Settlement balances owed by ANZ	11,476	(1,077)
Collateral received	1,739	1,004
Other liabilities	(9,581)	2,140
Total adjustments	48,706	(10,518)
Net cash (used in)/provided by operating activities[3]	52,284	(4,550)
Cash flows from investing activities		
Investment securities assets:		
Purchases	(40,029)	(23,847)
Proceeds from sale or maturity	28,642	21,228
Proceeds from divestments, net of cash disposed	1,309	2,121
Proceeds from/(Repayment of) IOOF secured notes	(800)	800
Other assets	(587)	(508)
Net cash (used in)/provided by investing activities	(11,465)	(206)
Cash flows from financing activities		
Debt issuances:[4]		
Issue proceeds	12,260	25,900
Redemptions	(21,430)	(22,958)
Dividends paid[5]	(2,861)	(4,471)
On market purchase of treasury shares	(122)	(112)
Repayment of lease liabilities[6]	(281)	-
Share buyback	-	(1,120)
Net cash (used in)/provided by financing activities	(12,434)	(2,761)
Net (decrease)/increase in cash and cash equivalents	28,385	(7,517)
Cash and cash equivalents at beginning of year	81,621	84,964
Effects of exchange rate changes on cash and cash equivalents	(2,083)	4,174
Cash and cash equivalents at end of year[7]	107,923	81,621

1. Includes depreciation of right-of-use assets recognised on 1 October 2019 following the adoption of AASB 16. Comparatives have not been restated.
2. Includes accelerated amortisation of $197 million 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. Refer to Note 20 Goodwill and Other Intangible Assets for further details.
3. Net cash inflows/(outflows) from operating activities includes income taxes paid of $2,348 million (2019: $3,129 million).
4. Non-cash changes in debt issuances includes fair value hedging loss of $1,127 million (2019: $2,437 million loss) and foreign exchange gains of $1,623 million (2019: $3,815 million loss).
5. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.
6. Relates to repayments of lease liabilities which the Group commenced recognising on 1 October 2019 following the adoption of AASB 16. Comparative information has not been restated.
7. Includes cash and cash equivalents recognised on the face of balance sheet of $107,923 million (2019: $81,621 million) with no amounts recorded as part of assets held for sale. (2019: nil).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	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 2018	27,205	323	31,737	59,265	140	59,405
Impact on transition to AASB 9	-	14	(624)	(610)	-	(610)
Profit or loss from continuing operations	-	-	6,296	6,296	15	6,311
Profit or loss from discontinued operations	-	-	(343)	(343)	-	(343)
Other comprehensive income for the year from continuing operations	-	1,393	58	1,451	5	1,456
Other comprehensive income for the year from discontinued operations	-	(97)	-	(97)	-	(97)
Total comprehensive income for the year	-	1,296	6,011	7,307	20	7,327
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(4,481)	(4,481)	(2)	(4,483)
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	12	-	12
Group share buy-back[2]	(1,120)	-	-	(1,120)	-	(1,120)
Other equity movements:						
Treasury shares Wealth Australia discontinued operations adjustment[3]	405	-	-	405	-	405
Other items	-	(4)	9	5	(147)	(142)
As at 30 September 2019	26,490	1,629	32,664	60,783	11	60,794
Impact on transition to AASB 16	-	-	(88)	(88)	-	(88)
Profit or loss from continuing operations	-	-	3,675	3,675	1	3,676
Profit or loss from discontinued operations	-	-	(98)	(98)	-	(98)
Other comprehensive income for the year from continuing operations	-	(124)	14	(110)	(1)	(111)
Total comprehensive income for the year	-	(124)	3,591	3,467	-	3,467
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,922)	(2,922)	-	(2,922)
Dividend Reinvestment Plan[1]	61	-	-	61	-	61
Other equity movements:						
Group employee share acquisition scheme	(20)	-	-	(20)	-	(20)
Other items	-	(4)	10	6	(1)	5
As at 30 September 2020	26,531	1,501	33,255	61,287	10	61,297

1 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final Dividend; nil shares for the 2019 interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP). On-market share purchases for the DRP in 2020 were $185 million (2019: $432 million).

2 The Company completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million worth of shares in 2019 resulting in 42.0 million shares being cancelled.

3 The successor funds transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF completed on 13 April 2019. As a result, the Group no longer eliminates the ANZ shares previously held in Wealth Australia discontinued operations (treasury shares).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited (the Company) and its controlled entities (together, 'the Group' or 'ANZ') for the year ended 30 September 2020. The Company is incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 33 markets.

On 4 November 2020, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged exposure;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities classified as held for sale (except those at their carrying value as per Note 29).

In accordance with AASB 1038 *Life Insurance Contracts* (AASB 1038) we have measured life insurance liabilities using the Margin on Services (MoS) model. In accordance with AASB 119 *Employee Benefits* (AASB 119) we have measured defined benefit obligations using the Projected Unit Credit Method.

DISCONTINUED OPERATIONS

The aligned dealer groups business sold to IOOF Holdings Limited (IOOF) completed on 1 October 2018; the life insurance business sold to Zurich Financial Services Australia Limited completed on 31 May 2019; and the Wealth Australia pensions and investments business sold to IOOF was completed on 31 January 2020. As a result of these sale transactions, the associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Group the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income translation differences are included in Other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group financial statements using the following method:

Foreign currency item	Exchange rate used
Assets and liabilities	The reporting date rate
Equity	The initial investment date rate
Income and expenses	The average rate for the period – but if for a significant transaction we believe the average rate is not reasonable, then we use the rate at the date of the transaction

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss as part of the gain or loss on sale.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its 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 extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities; and
- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2020 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, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

AASB 16 Leases (AASB 16)

AASB 16 became effective for the Group from 1 October 2019 and replaced the previous standard AASB 117 *Leases* (AASB 117). AASB 16 primarily impacts the Group's property and technology leases which were previously classified as operating leases. Under AASB 117, operating leases were not recognised on balance sheet and rent payments were expensed over the lease term.

Under AASB 16, the Group recognises all leases (except for leases of low value assets and short term leases) on balance sheet under a single accounting model. Accordingly, the Group recognises its right to use an underlying leased asset over the lease term as a right-of-use (ROU) asset, and its obligation to make lease payments as a lease liability. In the income statement, the Group recognises depreciation expense on the ROU asset and interest expense on the lease liability. As a result, lease expenses will be higher in the early periods of a lease and lower in the later periods of the lease compared to the previous standard where expenses were constant over the lease term. Cumulative expenses over the life of a lease will not change.

As permitted by the standard, the Group does not recognise ROU assets and lease liabilities for leases of low value items and short term leases (less than 12 months). Instead, the lease payments associated with these leases are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

The Group has applied the modified retrospective transition approach whereby initial lease liabilities are recognised based on the present value of remaining lease payments as of the transition date. The initial ROU asset recognised for certain large commercial and retail leases was measured as if AASB 16 had always been applied to the leases. For all other leases, the initial ROU asset was measured as equal to the initial lease liability.

The implementation of AASB 16 requires management to make certain key judgements including the determination of lease terms, discount rates and identifying arrangements that contain a lease. Extension options are included in the lease term if the Group is reasonably certain the option will be exercised. This assessment includes consideration of facts and circumstances that create an economic incentive for the Group to exercise the option.

Based on the modified retrospective transition approach, the Group recognised lease liabilities of $1.7 billion presented within Payables and other liabilities and ROU assets of $1.6 billion presented within Premises and equipment. This resulted in a reduction to opening retained earnings of $88 million and an increase in deferred tax assets of $37 million as of 1 October 2019. Comparatives have not been restated.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

In addition, the Group elected to apply the following practical expedients as permitted under the modified retrospective transition approach:

a) Impairment of ROU assets at the transition date was assessed by relying on onerous lease provisions previously recognised as of 30 September 2019 under AASB 117;
b) Initial direct costs associated with entering leases prior to the transition date were excluded from the carrying value of ROU assets recognised at transition;
c) No ROU assets or lease liabilities were recognised for certain leases with less than 12 months remaining as of the transition date; these leases were treated as short-term leases with all lease payments recognised in rent expense as incurred; and
d) Hindsight was used to determine the lease term of contracts that contained options to extend the lease.

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 September 2019 to the opening lease liabilities recognised under AASB 16 as at 1 October 2019.

	$m
Operating Lease Commitments as at 30 September 2019	1,656
Increase in lease term for extension options	210
Exclusion of low value leases and leases of less than 12 months	(19)
Exclusion of service components	(10)
Other	(17)
Total Undiscounted Lease Payments	**1,820**
Effect of discounting at a weighted average incremental borrowing rate of 2.44%	(141)
Total lease liabilities under AASB 16 as at 1 October 2019	**1,679**

During the reporting period, the Group recognised the following amounts in the income statement

	$m
Depreciation expense on ROU assets	394
Interest expense on lease liabilities	37
Interest expense on makegood provisions	2
Rent expense in relation to low value leases and leases of less than 12 months	35
Other income in relation to subleases	21

The Group's accounting policies with respect to lease arrangements where it acts as lessor have not changed under AASB 16 except where the Group subleases certain leased properties. Where the Group acts as intermediate lessor, it classifies the sublease as either a finance lease or operating lease by reference to the ROU asset of the head lease. Income from operating subleases is recognised in Other operating income in the Income Statement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Interest Rate Benchmark Reform

Background

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (RFRs) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

Accounting amendments

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the International Accounting Standards Board (IASB) has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

In October 2019, the AASB issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amends certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Group elected to early adopt the amendments from 1 October 2019 which have not had a significant impact on the Group. These amendments address the accounting effects of uncertainty in the period leading up to the reform arising from the Group's ability to satisfy the existing prospective hedge effectiveness requirements of AASB 139. This uncertainty arises as it is not known when the hedged items (such as debt issuances) and associated hedging instruments (such as interest rate swaps) will be changed to reference the RFRs, or if both the hedging item and the associated hedging instrument will move to the new rates at the same time. The Group has applied this amendment to all hedge accounted relationships (cash flow or fair value hedges) where the reform gives rise to uncertainties about the timing or amount of IBOR based cash flows of the hedged item or hedging instrument.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* which is mandatory for the Group for the 2022 financial year. This standard addresses issues that may affect the Group at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost

  IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Group. The amendments provide a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate. As a result, no immediate gain or loss is recognised. 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.

- Additional relief for hedging relationships

  The Standard also amends a number of existing hedge accounting requirements that will assist the Group to maintain its existing hedge accounted relationships post IBOR transition. The Group will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income Statement.

The Group is in the process of assessing the impact of the new standard on its financial statements.

Impact of IBOR reform

The Group has exposure to IBOR through its issuance of debt, the structural interest rate risk position, holdings of investment securities, products denominated in foreign currencies and associated hedging activities in our treasury and markets businesses within the TSO and Group Centre and Institutional divisions respectively.

The Group has established an enterprise-wide Benchmark Transition Program to manage the transition. The program includes the assessment and actions necessary to accommodate the transition to RFRs as they apply to internal processes and systems including pricing, risk management, documentation and hedge arrangements. The program includes management of the impact on customers.

Impact of IBOR reform on the Group's hedging relationships

Certain IBOR rates are subject to replacement by RFRs. The Group has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Group's hedging relationships are exposed to are USD LIBOR, Euro Interbank Offered Rate (EURIBOR), Bank Bill Swap Rate (BBSW) and Bank Bill Market (BKBM).

Of these benchmarks the Group expects BBSW, BKBM and EURIBOR to exist as benchmark rates for the foreseeable future and therefore does not believe its BBSW, BKBM or EURIBOR benchmark fair value or cash flow hedges will be directly impacted by IBOR reform.

1. About Our Financial Statements (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Interest Rate Benchmark Reform (continued)

The table below details the carrying values of the Group's exposures designated in hedge accounting relationships that will be impacted by IBOR reform, principally USD LIBOR. The nominal value of the associated hedging instruments is also included:

			As at 30 September 2020
Hedged items			USD LIBOR exposures $m
Investment securities at FVOCI			15,002
Net loans and advances			111
Debt issuances			32,235
Hedging instruments	Notional designated up to 31 December 2021 $m	Notional designated beyond 31 December 2021 $m	Total Notional Amount $m
Fair value hedges	12,778	32,250	45,028
Cash flow hedges	-	1,055	1,055

As at 30 September 2020 the Group also has GBP LIBOR, CHF LIBOR and JPY LIBOR exposures designated in hedge accounting relationships of $927 million, $975 million and $2,131 million respectively.

In addition to hedge accounted relationships that will be impacted by IBOR reform, the Group has exposures to other financial instruments referencing an IBOR rate that are also subject to reform. The Group is continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

AASB INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS (AASB Interpretation 23)

AASB Interpretation 23 became effective for the Group from 1 October 2019. The interpretation clarifies application of recognition and measurement requirements in AASB 112 Income Taxes where there is uncertainty over income tax treatments. As the Group's existing policy aligned with the requirements of AASB Interpretation 23, the interpretation had no material impact on the Group.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2020, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have material impact on the Group.

REVISED CONCEPTUAL FRAMEWORK

In June 2019 the AASB issued a 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 revised Conceptual Framework will apply to the Group from 1 October 2020 and is not expected to have a material impact on the Group.

2. OPERATING INCOME

	2020 $m	2019 $m
Net interest income		
Interest income by type of financial asset		
Investment securities - FVOCI	1,162	1,624
Financial assets at amortised cost	22,675	28,600
Trading securities	584	848
Financial assets designated at FV through profit or loss	5	5
Interest income	24,426	31,077
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(9,783)	(16,149)
Securities sold short	(95)	(110)
Financial liabilities designated at FV through profit or loss	(93)	(116)
Interest expense	(9,971)	(16,375)
Major bank levy	(406)	(363)
Net interest income	14,049	14,339
Other operating income		
i) Fee and commission income		
Lending fees[1]	579	602
Non-lending fees	2,687	3,059
Commissions	121	124
Funds management income	275	254
Fee and commission income	3,662	4,039
Fee and commission expense	(1,337)	(1,462)
Net fee and commission income	2,325	2,577
ii) Other income		
Net foreign exchange earnings and other financial instruments income[2]	1,809	1,278
Impairment of AmBank	(595)	-
Impairment of PT Panin	(220)	-
Sale of UDC	(7)	-
Sale of OnePath Life (NZ) Ltd (OPL NZ)	-	89
Sale of Paymark Limited (Paymark)	-	37
Sale of ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	-	10
Sale of PNG Retail, Commercial & SME	-	1
Dividend income on equity securities	26	28
Other	17	38
Other income	1,030	1,481
Other operating income	3,355	4,058
Net income from insurance business	78	126
Share of associates' profit	155	262
Operating income[3]	17,637	18,785

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. Includes charges for customer remediation of $174 million (2019: $212 million).

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value through profit or loss in net interest income. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. This is presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 ('Levy' or 'Major bank levy') applies a rate of 0.06% to certain liabilities of the Company. The Group has determined that the levy represents a finance cost for the Group and $406 million (2019: $363 million) is presented as interest expense in the Income Statement.

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on other ANZ products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where ANZ acts as an agent by arranging a third party (e.g. an insurance provider) to provide goods and services to a customer. In such cases, ANZ is not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, the Group only recognises the net commission it retains as revenue. When the commission is variable based on factors outside the control of the Group (e.g. a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT (continued)

- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT

The equity method is applied to accounting for associates. Under the equity method, the Group's share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

3. OPERATING EXPENSES

	2020 $m	2019[1] $m
Personnel		
Salaries and related costs	4,310	4,249
Superannuation costs	329	293
Other	239	223
Personnel[1]	4,878	4,765
Premises		
Rent	84	450
Depreciation	517	167
Other	188	178
Premises[2]	789	795
Technology		
Depreciation and amortisation[2,3]	858	694
Subscription licences and outsourced services	780	672
Other	186	168
Technology (excluding personnel)[1]	1,824	1,534
Restructuring	161	77
Other		
Advertising and public relations	177	226
Professional fees	667	537
Freight, stationery, postage and communication	205	216
Royal Commission legal costs	-	15
Other[4]	682	906
Other[1]	1,731	1,900
Operating expenses[1]	9,383	9,071

1. Includes customer remediation expenses of $209 million in 2020 (2019: $373 million).
2. Following the adoption of AASB 16 on 1 October 2019, with the exception of low value leases and leases of less than 12 months, expenses associated with leases are shown as depreciation of the right-of-use asset and interest expense associated with the lease liability (comparatives not restated).
3. During the 2020 financial year, the Group amended the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. As a result of these changes, the Group recognised accelerated amortisation of $197 million during the year. Refer to Note 20 Goodwill and Other Intangible Assets for further details.
4. Includes goodwill write-off of $77 million in the September 2020 financial year.

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

3. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

4. INCOME TAX

INCOME TAX EXPENSE

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

	2020 $m	2019 $m
Profit before income tax from continuing operations	5,516	8,920
Prima facie income tax expense at 30%	1,655	2,676
Tax effect of permanent differences:		
Gains or losses on sale from divestments	2	(25)
Impairment of investment in AmBank and PT Panin	245	-
Share of associates' profit	(47)	(78)
Interest on convertible instruments	52	63
Overseas tax rate differential	(86)	(112)
Provision for foreign tax on dividend repatriation	20	39
Other	25	63
Subtotal	1,866	2,626
Income tax (over)/under provided in previous years	(26)	(17)
Income tax expense	1,840	2,609
Current tax expense	2,637	2,779
Adjustments recognised in the current year in relation to the current tax of prior years	(26)	(17)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(771)	(153)
Income tax expense	1,840	2,609
Australia	1,115	1,682
Overseas	725	927
Effective tax rate	33.4%	29.2%

4. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences of the members of the tax-consolidated group. The Company (as head entity in the tax-consolidated group) recognises current tax liabilities and assets of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax-consolidated group.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $10 million (2019: $10 million).

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $329 million (2019: $429 million).

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2019			
2018 final dividend paid[1,2]		80 cents	2,295
2019 interim dividend paid[1,2]		80 cents	2,267
Bonus option plan adjustment			(81)
Dividends paid during the year ended 30 September 2019			4,481
Cash	90.4%		4,049
Dividend reinvestment plan	9.6%		432
Dividends paid during the year ended 30 September 2019			4,481
Financial Year 2020			
2019 final dividend paid[2,3]		80 cents	2,268
2020 interim dividend paid[1,2]		25 cents	709
Bonus option plan adjustment			(55)
Dividends paid during the year ended 30 September 2020			2,922
Cash	93.7%		2,737
Dividend reinvestment plan	6.3%		185
Dividends paid during the year ended 30 September 2020			2,922

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2020 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 4 cents per share)	16 December 2020	35 cents	994

1. Fully franked for Australian tax purposes (30% tax rate).
2. Carries New Zealand imputation credits of NZD 3 cents for the 2020 interim dividend, NZD 9 cents for the 2019 final dividend, 2019 interim dividend and 2018 final dividend.
3. Partially franked at 70% for Australian tax purposes (30% tax rate).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2020 final dividend, DRP and BOP participation will be satisfied by an issue of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

See Note 22 Shareholders' Equity for details of shares the Company issued or purchased in respect of the DRP and BOP.

DIVIDEND FRANKING ACCOUNT

	Currency	2020 $m	2019 $m
Australian franking credits available at 30% tax rate	AUD	477	35
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	4,583	4,068

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed final 2020 dividend will utilise $426 million of the franking credits available at 30 September 2020.

5. DIVIDENDS (continued)

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares:

- if the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- if the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

In July 2020, APRA provided an update to their guidance on capital management. In the updated guidance, APRA acknowledged that the uncertainty in the economic outlook has reduced somewhat since April 2020 and APRA had the opportunity to review ADIs' financial projections and stress testing results. Taking these and other developments since April 2020 into account, APRA advised ADIs to maintain caution in planning capital distributions, including dividend payments and that for the remainder of the calendar year, the ADIs' Board should:

- seek to retain at least half of their earnings when making decisions on capital distributions (and utilise dividend reinvestment plans and other initiatives to offset the diminution in capital from capital distributions where possible);
- conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity; and
- make use of capital buffers to absorb the impacts of stress, and continue to lend to support households and businesses.

The Company's 2020 interim dividend of 25 cents per share (paid to shareholders on 30 September 2020) and 2020 final dividend of 35 cents per share took into account the updated regulatory guidance above.

6. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share (EPS) - Basic	2020 cents	2019 cents
Earnings Per Share	126.4	210.0
Earnings Per Share from continuing operations[1]	129.8	222.1
Earnings Per Share from discontinued operations	(3.4)	(12.1)

Earnings per ordinary share (EPS) - Diluted	2020 cents	2019 cents
Earnings Per Share	118.0	201.9
Earnings Per Share from continuing operations[1]	121.1	213.0
Earnings Per Share from discontinued operations	(3.1)	(11.1)

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.

Reconciliation of earnings used in earnings per share calculations	2020 $m	2019 $m
Basic:		
Profit for the year	3,578	5,968
Less: Profit attributable to non-controlling interests	1	15
Earnings used in calculating basic earnings per share	3,577	5,953
Less: Profit/(Loss) after tax from discontinued operations	(98)	(343)
Earnings used in calculating basic earnings per share from continuing operations	3,675	6,296
Diluted:		
Earnings used in calculating basic earnings per share	3,577	5,953
Add: Interest on convertible subordinated debt	201	268
Earnings used in calculating diluted earnings per share	3,778	6,221
Less: Profit/(Loss) after tax from discontinued operations	(98)	(343)
Earnings used in calculating diluted earnings per share from continuing operations	3,876	6,564

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1,2]	2020 millions	2019 millions
WANOS used in calculating basic earnings per share	2,830.9	2,834.9
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	362.2	237.9
Share based payments (options, rights and deferred shares)	8.0	8.8
WANOS used in calculating diluted earnings per share	3,201.1	3,081.6

1. The successor fund transfer performed in preparation for the sale of the Group's wealth businesses to Zurich and IOOF was completed on 13 April 2019. Post this date, treasury shares held in Wealth Australia discontinued operations ceased to be eliminated in the Group's consolidated financial statements and are included in the denominator used in calculating earnings per share. If the weighted average number of treasury shares held in Wealth Australia discontinued operations was included in the denominator used in calculating earnings per share from continuing operations in the comparative period, basic earnings per share from continuing operations for the comparative period would have been 221.4 cents and diluted earnings per share from continuing operations for the comparative period would have been 212.4 cents.
2. Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST of 5.0 million (2019: 4.7 million) and Wealth Australia discontinued operations of 8.2 million in 2019.

7. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Group's five continuing operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the "Other Items" section of this note. Transactions between business units across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail and Commercial

The Australia Retail and Commercial division comprises:

- Retail provides products and services to consumer customers in Australia via the branch network, mortgage specialists, contact centres, a variety of self-service channels (internet banking, phone banking, ATMs, website, ANZ share investing and digital banking) and third party brokers in addition to financial planning services provided by salaried financial planners.
- Commercial 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.

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 (previously Loans and Specialised Finance) provides loan products, loan syndication, specialised 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, debt capital markets in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises:

- 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 a network of branches, mortgage specialists, relationship managers and contact centres.
- 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, government and government-related entities.

Pacific

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

Technology, Services & Operations (TSO) and Group Centre

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

Refer to Note 29 for further details on Discontinued Operations.

OPERATING SEGMENTS

There have been no methodology or structural changes during the year which have impacted the presentation of the Group's operating segments in the 2020 financial year. As such, the presentation of the divisional results remains consistent with the prior period.

7. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2020	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,916	3,182	2,731	109	111	-	14,049
Net fee and commission income							
- Lending fees	267	288	14	10	-	-	579
- Non-lending fees	1,310	776	586	29	(14)	-	2,687
- Commissions	67	-	54	-	-	-	121
- Funds management income	30	2	243	-	-	-	275
- Fee and commission expense	(588)	(308)	(436)	(5)	-	-	(1,337)
Net income from insurance business	77	-	-	-	1	-	78
Other income	(1)	1,891	12	50	(807)	(115)	1,030
Share of associates' profit	(1)	-	-	-	156	-	155
Other operating income	1,161	2,649	473	84	(664)	(115)	3,588
Operating income	9,077	5,831	3,204	193	(553)	(115)	17,637
Operating expenses	(4,091)	(2,558)	(1,435)	(205)	(1,094)	-	(9,383)
Profit before credit impairment and income tax	4,986	3,273	1,769	(12)	(1,647)	(115)	8,254
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)
Profit before income tax	3,339	2,579	1,424	(64)	(1,647)	(115)	5,516
Income tax expense and non-controlling interests	(1,002)	(725)	(407)	2	259	32	(1,841)
Profit after tax from continuing operations	2,337	1,854	1,017	(62)	(1,388)	(83)	3,675
Profit/(Loss) after tax from discontinued operations							(98)
Profit after tax attributable to shareholders							3,577
Includes non-cash items:							
Share of associates' profit	(1)	-	-	-	156	-	155
Impairment of associates[2]	-	-	-	-	(815)	-	(815)
Depreciation and amortisation[3]	(197)	(188)	(103)	(11)	(892)	-	(1,391)
Equity-settled share based payment expenses	(7)	(70)	(7)	(1)	(25)	-	(110)
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill[4]	403	1,068	1,793	-	-	-	3,264
Investments in associates[2]	17	4	-	-	2,143	-	2,164

1. Cash profit represents ANZ's preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 136 if we consider them not integral to the ongoing performance of the segment.
2. During the 2020 financial year, ANZ recognised an $815 million impairment 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 calculations. AMMB Holdings Berhad (AmBank) was impaired by $595 million and PT Bank Pan Indonesia (PT Panin) was impaired by $220 million. Refer to Note 26 Investments in Associates for further details.
3. During the 2020 financial year, the Group amended the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. As a result of these changes, the Group recognised accelerated amortisation of $197 million during the year (Australia Retail and Commercial $31 million, Institutional $38 million, New Zealand $2 million, TSO and Group Centre $126 million). Refer to Note 20 Goodwill and Other Intangible Assets for further details.
4. During the 2020 financial year, the Group wrote off $50 million of goodwill in the Pacific division and wrote off $27 million of goodwill in the New Zealand division winding up the Bonus Bonds business, a managed investment product in New Zealand. Refer to Note 20 Goodwill and Other Intangible Assets for further details.

7. SEGMENT REPORTING (continued)

OPERATING SEGMENT (continued)

Year ended 30 September 2019	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	8,092	3,080	2,736	128	303	-	14,339
Net fee and commission income							
- Lending fees	290	282	16	14	-	-	602
- Non-lending fees	1,499	847	691	42	(20)	-	3,059
- Commissions	75	-	61	-	(12)	-	124
- Funds management income	14	2	243	-	(5)	-	254
- Fee and commission expense	(657)	(338)	(459)	(9)	1	-	(1,462)
Net income from insurance business	100	-	18	-	1	7	126
Other income	27	1,399	6	57	243	(251)	1,481
Share of associates' profit	(1)	-	4	-	259	-	262
Other operating income	1,347	2,192	580	104	467	(244)	4,446
Operating income	9,439	5,272	3,316	232	770	(244)	18,785
Operating expenses	(4,074)	(2,667)	(1,286)	(150)	(894)	-	(9,071)
Profit before credit impairment and income tax	5,365	2,605	2,030	82	(124)	(244)	9,714
Credit impairment (charge)/release	(712)	2	(87)	1	1	1	(794)
Profit before income tax	4,653	2,607	1,943	83	(123)	(243)	8,920
Income tax expense and non-controlling interests	(1,458)	(779)	(544)	(24)	112	69	(2,624)
Profit after tax from continuing operations	3,195	1,828	1,399	59	(11)	(174)	6,296
Profit/(Loss) after tax from discontinued operations							(343)
Profit after tax attributable to shareholders							5,953
Non-cash items							
Share of associates' profit	(1)	-	4	-	259	-	262
Depreciation and amortisation	(176)	(112)	(41)	(7)	(535)	-	(871)
Equity-settled share based payment expenses	(13)	(69)	(4)	(1)	(33)	-	(120)
Credit impairment (charge)/release	(712)	2	(87)	1	1	1	(794)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill	410	1,070	1,937	50	-	42	3,509
Investments in associates	17	2	-	-	2,938	-	2,957

1. Cash profit represents ANZ's preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 136 if we consider them not integral to the ongoing performance of the segment.

7. SEGMENT REPORTING (continued)

OTHER ITEMS

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

Item	Related segment	Profit after tax 2020 $m	Profit after tax 2019 $m
Revaluation of policy liabilities	New Zealand	-	(77)
Economic hedges	Institutional, New Zealand, TSO and Group Centre	(121)	(118)
Revenue and expense hedges	TSO and Group Centre	36	19
Structured credit intermediation trades	Institutional	2	2
Total from continuing operations		(83)	(174)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are interest income and other operating income. The Australia Retail and Commercial, New Zealand, and Pacific divisions derive income from products and services from retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

The reportable segments operate across three geographical regions as follows:

- Australia Retail and Commercial division - Australia
- Institutional division – all three geographical regions
- New Zealand division – New Zealand
- Pacific division – International
- TSO and Group Centre division – all three geographical regions
- Discontinued operations – Australia

The International region includes Asia, Pacific, Europe and Americas.

	Australia		International		New Zealand		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Total operating income[1]	11,838	12,394	1,975	2,613	3,773	3,947	17,586	18,954
Assets to be recovered in more than one year[2]	362,846	386,062	27,632	48,545	100,377	105,642	490,855	540,249

1. Includes operating income earned from Discontinued operations of -$51 million (2019: $169 million).
2. Consists of investment securities measured at fair value through other comprehensive income and net loans and advances.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

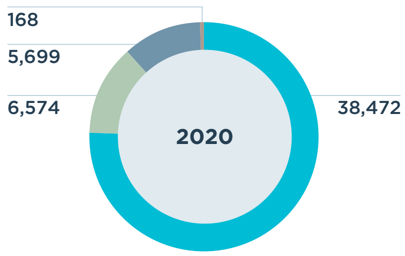
Fair value option for financial assets

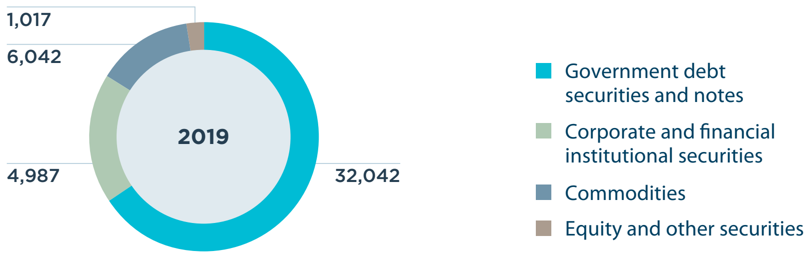
A financial asset may be irrevocably designated at FVTPL on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

8. CASH AND CASH EQUIVALENTS

	2020 $m	2019 $m
Coins, notes and cash at bank	1,514	1,186
Money at call, bills receivable and remittances in transit	-	3
Securities purchased under agreements to resell in less than 3 months	35,603	25,277
Balances with central banks	46,091	25,681
Settlement balances owed to ANZ within 3 months	24,715	29,474
Cash and cash equivalents	107,923	81,621

9. TRADING SECURITIES





	2020 $m	2019 $m
Government debt securities and notes[1]	38,472	32,042
Corporate and financial institution securities[1]	6,574	4,987
Commodities	5,699	6,042
Equity and other securities[1]	168	1,017
Total	50,913	44,088
Less: Assets reclassified as held for sale (refer to Note 29)	-	(919)
Total	50,913	43,169

1. In 2020, ANZ reclassified trading securities issued by development banks and supra-nationals from Corporate and financial institution securities and Equity and other securities to Government debt securities and notes. Comparative information has been restated accordingly, with $4,865 million reclassified as Government debt securities and notes made up of $4,653 million from Corporate and financial institution securities and $212 million from Equity and other securities.

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in the profit and loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Derivative financial instruments - held for trading	130,097	(130,227)	116,622	(116,778)
Derivative financial instruments - designated in hedging relationships	5,234	(4,484)	4,045	(4,173)
Derivative financial instruments	135,331	(134,711)	120,667	(120,951)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements to underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Group offers and uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange a series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a "call option") or to sell (known as a "put option") an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Counterparty risk in the event of default.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Interest rate contracts				
Forward rate agreements	86	(86)	74	(78)
Futures contracts	31	(128)	41	(109)
Swap agreements	104,814	(101,277)	82,996	(80,588)
Options purchased	1,676	-	1,454	-
Options sold	-	(2,609)	-	(2,317)
Total	106,607	(104,100)	84,565	(83,092)
Foreign exchange contracts				
Spot and forward contracts	11,815	(11,435)	15,987	(15,359)
Swap agreements	8,703	(12,334)	13,836	(16,235)
Options purchased	372	-	405	-
Options sold	-	(502)	-	(514)
Total	20,890	(24,271)	30,228	(32,108)
Commodity contracts	2,577	(1,834)	1,807	(1,553)
Credit default swaps				
Structured credit derivatives purchased	18	-	16	-
Other credit derivatives purchased	4	(3)	4	(3)
Credit derivatives purchased	22	(3)	20	(3)
Structured credit derivatives sold	-	(18)	-	(19)
Other credit derivatives sold	1	(1)	2	(3)
Credit derivatives sold	1	(19)	2	(22)
Total	23	(22)	22	(25)
Derivative financial instruments - held for trading	130,097	(130,227)	116,622	(116,778)

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Group utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Under the policy choice provided by AASB 9 *Financial Instruments*, the Group has continued to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

The fair value of derivative financial instruments designated in hedging relationships are:

	2020			2019		
	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange swap agreements	-	-	-	21	1	-
Foreign exchange spot and forward contracts	558	-	(9)	581	-	(9)
Interest rate swap agreements	105,249	2,871	(3,532)	108,243	2,093	(3,155)
Interest rate futures contracts	9,380	-	(103)	3,139	-	(27)
Cash flow hedges						
Interest rate swap agreements	97,170	2,233	(769)	84,365	1,876	(832)
Foreign exchange swap agreements	2,943	63	(54)	2,934	75	(91)
Foreign exchange spot and forward contracts	153	-	-	159	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	1,269	67	(17)	1,484	-	(58)
Derivative financial instruments - designated in hedging relationships	216,722	5,234	(4,484)	200,926	4,045	(4,173)

The maturity profile of the nominal amounts of our hedging instruments held at 30 September 2020 is:

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.47%	3,548	12,736	69,836	28,509	114,629
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.72%	9,062	30,364	55,549	2,195	97,170
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.29 21.63	591	678	-	-	1,269

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The maturity profile of the nominal amounts of our hedging instruments held at 30 September 2019 is:

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.95%	3,195	18,407	63,873	25,907	111,382
Foreign exchange	HKD/AUD FX Rate	5.38	602	-	-	-	602
Cash flow hedges							
Interest rate	Interest Rate	2.15%	1,088	14,040	66,880	2,357	84,365
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	40	120	1,652	1,281	3,093
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	21.41 21.77	474	1,010	-	-	1,484

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

The impact of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness			
2020	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	372	(358)	14	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	451	(449)	2	10
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	94	(94)	-	(15)

	Ineffectiveness			
2019	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	586	(582)	4	-
Foreign exchange	(36)	36	-	-
Cash flow hedges[1]				
Interest rate	836	(825)	11	14
Foreign exchange	20	(20)	-	2
Net investment hedges[1]				
Foreign exchange	(144)	144	-	-

1. All hedging instruments are held within Derivative Financial Instruments.

Hedge ineffectiveness recognised is classified within Other operating income. Reclassification adjustments to the Statement of Comprehensive Income are recognised within Net interest income and Other operating income.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Group's fair value hedges as at 30 September 2020 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	7,375	-	52	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(61,355)	-	(2,518)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	55,233	-	2,256	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			63,166	(61,355)	2,337	(2,518)

Hedged items in relation to the Group's fair value hedges for 30 September 2019 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	2,281	-	17	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(67,555)	-	(1,749)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	47,641	-	1,907	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	581	-	52	-
Total			50,503	(67,555)	1,976	(1,749)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is $nil (2019: $8 million).

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Group's cash flow and net investment hedges as at 30 September 2020 are as follows:

	Hedged risk	Cash flow hedge reserve		Foreign currency translation reserve	
		Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash flow hedges					
Floating rate loans and advances	Interest rate	2,013	38	-	-
Floating rate customer deposits	Interest rate	(562)	(18)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(80)	(149)

Hedged items in relation to the Group's cash flow and net investment hedges as at 30 September 2019 are as follows:

	Hedged risk	Cash flow hedge reserve		Foreign currency translation reserve	
		Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash flow hedges					
Floating rate loans and advances	Interest rate	1,587	41	-	-
Floating rate customer deposits	Interest rate	(577)	(32)	-	-
Foreign currency debt issuance	Foreign exchange	14		-	-
Foreign currency investment securities	Foreign exchange	6	-	-	-
Highly probable forecast transactions	Foreign exchange	3	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(159)	(149)

The table below details the reconciliation of the cash flow hedge reserve by risk type:

	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2018	128	(1)	127
Fair value gains	825	20	845
Transferred to income statement	14	2	16
Income taxes and others	(251)	(6)	(257)
Balance at 30 September 2019	716	15	731
Fair value gains	449	(15)	434
Transferred to income statement	10	(2)	8
Income taxes and others	(141)	6	(135)
Balance at 30 September 2020	1,034	4	1,038

Hedges from net investments in a foreign operation resulted in a $94 million increase in FCTR during the year (2019: -$144 million). Of that, $15 million (2019: nil) was reclassified from FCTR to the income statement during the year.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

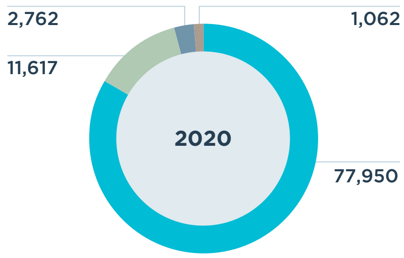
RECOGNITION AND MEASUREMENT

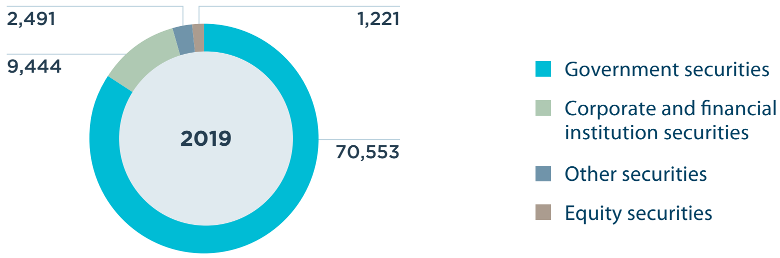
Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Group's contractual obligations are discharged, cancelled or expired.
Impact on the Income Statement	How we recognise gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the previous table on page 141 for profit or loss treatment depending on the hedge type. Sources of hedge ineffectiveness may arise from basis risk and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting, a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

11. INVESTMENT SECURITIES





	2020 $m	2019 $m
Investment securities measured at fair value through other comprehensive income		
Debt securities	85,460	76,489
Equity securities	1,062	1,221
Investment securities measured at amortised cost		
Debt securities[1]	6,816	5,999
Investment Securities measured at fair value through profit or loss		
Debt securities	53	-
Total	93,391	83,709

2020 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities[2]	7,175	14,436	37,656	18,683	-	77,950
Corporate and financial institution securities[2]	701	2,698	8,128	90	-	11,617
Other securities[2]	-	-	532	2,230	-	2,762
Equity securities	-	-	-	-	1,062	1,062
Total	7,876	17,134	46,316	21,003	1,062	93,391
2019 Investment securities						
Government securities[2]	7,617	15,731	34,236	12,969	-	70,553
Corporate and financial institution securities[2]	431	1,653	7,339	21	-	9,444
Other securities[2]	-	-	773	1,718	-	2,491
Equity securities	-	-	-	-	1,221	1,221
Total	8,048	17,384	42,348	14,708	1,221	83,709

1. Includes allowance for expected credit losses of $20 million (2019: $13 million).
2. In 2020, ANZ reclassified investment securities issued by development banks and supra-nationals from Corporate and financial institution securities to Government securities. Comparative information has been restated accordingly, with $10,894 million reclassified as Government securities from Corporate and financial institution securities. In addition, ANZ reclassified certain investment securities from Government securities to Other securities and comparative information was restated with $577 million reclassified.

11. INVESTMENT SECURITIES (continued)

During the year, the Group recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in equity of $23 million (2019: $240 million) in respect of investment securities.

The carrying value of equity securities at FVOCI is $1,062 million (2019: $1,221 million). This includes the Group's $934 million (2019: $1,106 million) investment in the Bank of Tianjin (BoT).

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 137. Additionally, expected credit losses associated with "Investment securities - debt securities at amortised cost" and "Investment securities - debt securities at fair value through other comprehensive income" are recognised and measured in accordance with the accounting policy outlined in Note 13. For "Investment securities – debt securities at fair value through other comprehensive income" the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

12. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Group:

	2020 $m	2019 $m
Overdrafts	5,214	7,267
Credit cards	7,194	9,241
Commercial bills	6,383	6,159
Term loans – housing	358,350	343,808
Term loans – non-housing	241,725	248,337
Other	2,406	3,483
Subtotal	621,272	618,295
Unearned income	(66)	(398)
Capitalised brokerage/mortgage origination fees	868	870
Gross loans and advances	622,074	618,767
Allowance for expected credit losses (refer to Note 13)	(4,981)	(3,509)
Net loans and advances	617,093	615,258
Residual contractual maturity:		
Within one year	126,238	133,273
More than one year	490,855	481,985
Net loans and advances	617,093	615,258
Carried on Balance Sheet at:		
Amortised cost	613,155	614,336
Fair value through profit or loss[1]	3,938	922
Net loans and advances	617,093	615,258

1. From 1 October 2019, the Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through the profit and loss.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage/mortgage origination fees which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any provision for credit impairment, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's balance sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset.

If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 137. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 13.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The following tables present the movement in the allowance for ECL (2019 includes allowance for ECL reclassified as held for sale) for the year. The total allowance for ECL at 30 September 2020 was $5,899 million (30 September 2019: $4,190 million).

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

	Stage 1	Stage 2	Stage 3[1]		Total
			Collectively assessed	Individually assessed	
	$m	$m	$m	$m	$m
As at 1 October 2018	**920**	**1,391**	**359**	**894**	**3,564**
Transfer between stages	166	(308)	(91)	233	-
New and increased provisions (net of releases)	(168)	291	147	1,139	1,409
Write-backs	-	-	-	(382)	(382)
Bad debts written off (excluding recoveries)	-	-	-	(1,076)	(1,076)
Foreign currency translation and other movements[2]	9	4	(2)	(17)	(6)
As at 30 September 2019	**927**	**1,378**	**413**	**791**	**3,509**
Transfer between stages	200	(308)	(112)	220	-
New and increased provisions (net of releases)	110	1,428	162	1,324	3,024
Write-backs	-	-	-	(321)	(321)
Bad debts written off (excluding recoveries)	-	-	-	(1,109)	(1,109)
Foreign currency translation and other movements[2]	(33)	(33)	(2)	(54)	(122)
As at 30 September 2020	**1,204**	**2,465**	**461**	**851**	**4,981**

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of divestments completed during the year and the impact of discount unwind on individually assessed allowance for ECL.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Individually assessed	
	$m	$m	$m	$m	$m
As at 1 October 2018	**9**	**2**	**-**	**-**	**11**
New and increased provisions (net of releases)	2	(1)	-	-	1
Foreign currency translation	1	-	-	-	1
As at 30 September 2019	**12**	**1**	**-**	**-**	**13**
New and increased provisions (net of releases)	10	(1)	-	-	9
Foreign currency translation	(2)	-	-	-	(2)
As at 30 September 2020	**20**	**-**	**-**	**-**	**20**

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	14	-	-	-	14
New and increased provisions (net of releases)	(2)	-	-	-	(2)
Foreign currency translation and other movements[1]	(4)	-	-	-	(4)
As at 30 September 2019	8	-	-	-	8
New and increased provisions (net of releases)	2	-	-	-	2
Foreign currency translation	-	-	-	-	-
As at 30 September 2020	10	-	-	-	10

1. Other movements includes the impacts of divestments completed in 2019.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

			Stage 3[1]		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	474	166	15	26	681
Transfer between stages	27	(29)	-	2	-
New and increased provisions (net of releases)	(36)	12	6	-	(18)
Write-backs	-	-	-	(3)	(3)
Foreign currency translation and other movements[2]	8	2	-	(2)	8
As at 30 September 2019	473	151	21	23	668
Transfer between stages	18	(24)	(1)	7	-
New and increased provisions (net of releases)	115	115	3	24	257
Write-backs	-	-	-	(14)	(14)
Foreign currency translation and other movements[2]	(10)	(3)	-	-	(13)
As at 30 September 2020	596	239	23	40	898

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements includes the impacts of divestments completed during the year.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	2020 $m	2019 $m
New and increased provisions (net of releases)[1]		
- Collectively assessed	1,717	16
- Individually assessed	1,575	1,374
Write-backs	(335)	(385)
Recoveries of amounts previously written-off	(219)	(212)
Total credit impairment charge	2,738	793
Less: credit impairment charge/(release) from discontinued operations	-	(1)
Total credit impairment charge	2,738	794

1. Includes the impact of transfers between collectively assessed and individually assessed.

The contractual amount outstanding on financial assets that were written off during the period ended 30 September 2020 and that are still subject to enforcement activity is $340 million (2019: $212 million).

COVID-19 REPAYMENT DEFERRAL PACKAGES OFFERED TO CUSTOMERS[1]

Since March 2020, the Group has 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 has 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. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

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). The table below shows the outstanding balance as at 30 September 2020 of all loans that have been modified (both substantial and non-substantial modifications):

Assistance package category	Total loan outstanding At 30 September 2020 $m
Loan deferral package	
Retail	29,822
Commercial and other	9,182
Interest only	
Retail	2,413
Commercial and other	527
Term extensions	
Retail	614
Commercial and other	90
Total[2]	42,648
Retail	32,849
Commercial and other	9,799
Total[2]	42,648

1. COVID-19 loan deferral packages are available to customers if either their loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due but were up to date at 1 March 2020.
2. The gross carrying amount of loans at the date of modification that were considered non-substantial modifications and had loss allowances based on lifetime expected losses was $9,917 million. No gain or loss was recognised as a result of the modification and none of the loans have subsequently changed to a 12 month expected loss allowance.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS IMPAIRMENT MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group’s contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group’s internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a Significant Increase in Credit Risk (SICR) since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criteria for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives

For facilities subject to the COVID-19 repayment deferral arrangements noted above, an assessment of SICR has been determined based on various measures of the customer's current financial position and earnings capacity from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Customers in higher risk categories, and those who have requested a deferral extension are classified as having a SICR.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a Significant Increase in Credit Risk (SICR) since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic forecast scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

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

- the selection of an estimation technique or modelling methodology, 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 ECL model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
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.	In response to the impacts of COVID-19, various packages, such as repayment deferrals, have been offered to eligible retail and commercial customers in Australia and New Zealand. The Group does not consider that when a customer is first provided assistance, all other things being equal, that there has been a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. This additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those who have requested a deferral extension, have been classified as having a SICR.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
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. There were no material changes to the policies during the year ended 30 September 2020.
	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 changes to behavioural lifetime estimates during the year ended 30 September 2020.
Base case economic forecast	The Group derives a forward-looking "base case" economic scenario which reflects ANZ's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2020 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continuing impact of 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. In addition to the base case forecast which reflects the negative economic consequences of COVID-19, 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. 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.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
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, 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. 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 COVID-19. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to small business and commercial banking in Australia, for retail, commercial and agri banking in New Zealand, and for tourism in the Pacific.

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 to stop or reduce the speed of the spread of COVID-19;
- the extent and duration of the economic downturn, along with the time 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 30 September 2020 are set out below. These reflect ANZ's view of the most likely future macro-economic conditions at 30 September 2020. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2020	2021	2022
Australia			
GDP	-4.3%	1.6%	4.0%
Unemployment	7.3%	8.8%	7.7%
Residential property prices	-2.2%	-4.8%	2.0%
Consumer price index	0.8	1.2	1.3
New Zealand			
GDP	-5.6%	2.0%	5.6%
Unemployment	5.7%	9.1%	6.5%
Residential property prices	-0.3%	0.9%	4.1%
Consumer price index	1.6	1.0	1.2
Rest of world			
GDP	-4.5%	2.5%	2.5%
Consumer price index	1.0	1.8	2.0

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

The base case economic forecasts as at 30 September 2020 reflect a significant deterioration in current and expected economic conditions from the forecasts as at 30 September 2019 reflecting the emergence and ongoing impact of 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 continuing impact of COVID-19.

In addition to the base case economic forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside economic 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. 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:

	2020	2019
Group		
Base	50.0%	50.0%
Upside	10.4%	15.7%
Downside	33.3%	29.3%
Severe Downside	6.3%	5.0%

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2020:

	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	5,069	61
If 1% of Stage 2 facilities were included in Stage 1	4,998	(10)
100% upside scenario	1,898	(3,110)
100% base scenario	4,011	(997)
100% downside scenario	5,144	136
100% severe downside scenario	6,315	1,307

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

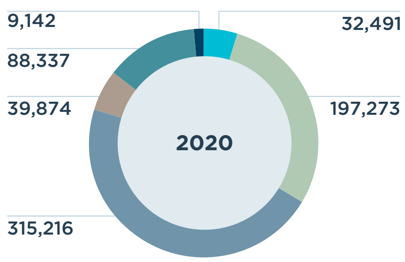
Financial liabilities

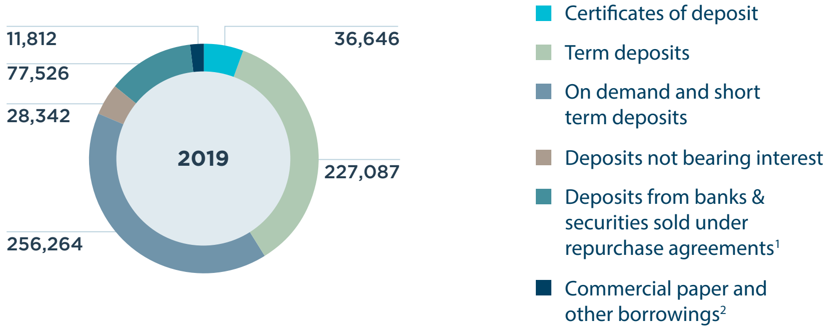
Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

14. DEPOSITS AND OTHER BORROWINGS





	2020 $m	2019 $m
Certificates of deposit	32,491	36,646
Term deposits	197,273	227,087
On demand and short term deposits	315,216	256,264
Deposits not bearing interest	39,874	28,342
Deposits from banks & securities sold under repurchase agreements[1]	88,337	77,526
Commercial paper and other borrowings[2]	9,142	11,812
Deposits and other borrowings	682,333	637,677
Residual contractual maturity:		
Within one year	665,151	630,373
More than one year	17,182	7,304
Deposits and other borrowings	682,333	637,677
Carried on Balance Sheet at:		
Amortised cost	679,255	635,376
Fair value through profit or loss (designated on initial recognition)[3]	3,078	2,301
Deposits and other borrowings	682,333	637,677

1. Includes $12 billion of funds drawn under the RBA's Term Funding Facility (TFF). TFF is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method. Refer to Note 16 Financial Risk Management for more details.
2. In 2019, Other borrowings related to secured investments issued by the consolidated subsidiary UDC Finance Limited (UDC) of NZD 0.1 billion, which were secured by a security interest over all the assets of UDC of NZD 3.5 billion. The Group divested of UDC during 2020.
3. From 1 October 2019, the Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through profit and loss.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designated them as measured at fair value through profit or loss.

Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit and loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit and loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the profit and loss.

15. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	2020 $m	2019 $m
Senior debt	80,835	89,737
Covered bonds	15,948	20,957
Securitisation	1,824	2,411
Total unsubordinated debt	98,607	113,105
Subordinated debt		
- Additional Tier 1 capital	8,196	8,171
- Tier 2 capital	12,865	8,415
Total subordinated debt	21,061	16,586
Total debt issued	119,668	129,691

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		2020 $m	2019 $m
USD	United States dollars	41,100	45,841
EUR	Euro	23,038	26,200
AUD	Australian dollars	43,697	39,273
NZD	New Zealand dollars	3,682	5,130
JPY	Japanese yen	2,131	3,312
CHF	Swiss francs	975	1,501
GBP	Pounds sterling	2,387	4,720
HKD	Hong Kong dollars	1,088	1,446
Other	Chinese yuan, Norwegian kroner, Singapore dollars, Indonesian rupiah and Canadian dollars	1,570	2,268
Total debt issued		119,668	129,691
Residual contractual maturity[1]:			
Within one year		25,688	20,803
More than one year		92,059	106,963
No maturity date (instruments in perpetuity)		1,921	1,925
Total debt issued		119,668	129,691

1. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

SUBORDINATED DEBT

Subordinated debt qualifies as regulatory capital for the Group and is classified as either Additional Tier 1 (AT1) capital or Tier 2 capital for APRA's capital adequacy purposes depending on their terms and conditions:

- AT1 capital: perpetual capital instruments:
  - ANZ Capital Notes (ANZ CN);
  - ANZ Capital Securities (ANZ CS); and
  - ANZ NZ Capital Notes (ANZ NZ CN).
- Tier 2 capital: perpetual or term subordinated notes.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments only rank ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

15. DEBT ISSUANCES (continued)

AT1 CAPITAL

All outstanding AT1 capital instruments are Basel III fully compliant instruments (refer to Note 23 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's and, in respect of the ANZ NZ CN, the Reserve Bank of New Zealand's (RBNZ) prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- ANZ's or, in the case of the ANZ NZ CN, ANZ Bank New Zealand Limited's (ANZ NZ) Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable or, in the case of the ANZ NZ CN, the RBNZ directs ANZ NZ to convert or write-off the notes or a statutory manager is appointed to ANZ NZ and decides that ANZ NZ must convert or write-off the notes – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			2020 $m	2019 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]				
ANZ Capital Notes (ANZ CN)				
AUD	1,120m	ANZ CN1	**1,119**	1,118
AUD	1,610m	ANZ CN2	**1,608**	1,607
AUD	970m	ANZ CN3	**967**	966
AUD	1,622m	ANZ CN4	**1,614**	1,612
AUD	931m	ANZ CN5	**926**	925
ANZ Capital Securities (ANZ CS)				
USD	1,000m	ANZ Capital Securities	**1,499**	1,481
ANZ NZ Capital Notes (ANZ NZ CN)				
NZD	500m	ANZ NZ Capital Notes	**463**	462
Total Additional Tier 1 capital[2]			**8,196**	8,171

1. Carrying values net of issue costs.
2. This forms part of qualifying Additional Tier 1 capital (refer to Note 23 Capital Management).

15. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN1	CN2	CN3
Issuer	ANZ	ANZ	ANZ, acting through its New Zealand branch
Issue date	7 August 2013	31 March 2014	5 March 2015
Issue amount	$1,120 million	$1,610 million	$970 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Semi-annually in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.4%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	1 September 2021	24 March 2022	24 March 2023
Mandatory conversion date	1 September 2023	24 March 2024	24 March 2025
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value 2020 (net of issue costs)	$1,119 million (2019: $1,118 million)	$1,608 million (2019: $1,607 million)	$967 million (2019: $966 million)

	CN4	CN5
Issuer	ANZ	ANZ
Issue date	27 September 2016	28 September 2017
Issue amount	$1,622 million	$931 million
Face value	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2024	20 March 2025
Mandatory conversion date	20 March 2026	20 March 2027
Common equity capital trigger event	Yes	Yes
Non-viability trigger event	Yes	Yes
Carrying value 2020 (net of issue costs)	$1,614 million (2019: $1,612 million)	$926 million (2019: $925 million)

15. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value 2020 (net of issue costs)	$1,499 million (2019: $1,481 million)

ANZ NZ Capital Notes (ANZ NZ CN)

Issuer	ANZ Bank New Zealand Limited (ANZ NZ)
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ NZ's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired[1]
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value 2020 (net of issue costs)	$463 million (2019: $462 million)

1. The RBNZ has informed New Zealand-incorporated registered banks (including ANZ NZ) that they should not redeem capital instruments at this time. Accordingly, ANZ NZ was not permitted to redeem its NZ$500 million Capital Notes in May 2020, although it can continue making coupon payments on those Capital Notes. As ANZ NZ did not exercise its option to convert in May 2020, the terms of the Capital Notes provide for their conversion into a variable number of ANZBGL shares in May 2022 subject to certain conditions.

15. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

The convertible term subordinated notes are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

APRA has granted transitional Basel III capital treatment for the USD 300 million perpetual subordinated notes until the end of the transitional period (December 2021).

The table below shows the Tier 2 capital subordinated notes the Group holds at 30 September in both the current and prior year:

Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	Non-Viability Trigger Event	2020 $m	2019 $m
Basel III transitional subordinated notes (perpetual)							
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	No	422	444
Total Basel III transitional subordinated notes						422	444
Basel III fully compliant convertible subordinated notes (term)							
USD	800m	2024	N/A	Fixed	Yes	1,225	1,250
CNY	2,500m	2025	2020	Fixed	Yes	-	519
SGD	500m	2027	2022	Fixed	Yes	529	544
AUD	200m	2027	2022	Fixed	Yes	200	200
JPY	20,000m	2026	N/A	Fixed	Yes	270	281
AUD	700m	2026	2021	Floating	Yes	700	700
USD	1,500m	2026	N/A	Fixed	Yes	2,253	2,229
JPY	10,000m	2026	2021	Fixed	Yes	133	137
JPY	10,000m	2028	2023	Fixed	Yes	133	137
AUD	225m	2032	2027	Fixed	Yes	225	224
AUD	1,750m	2029	2024	Floating	Yes	1,750	1,750
EUR	1,000m	2029	2024	Fixed	Yes	1,657	-
AUD	265m	2039	N/A	Fixed	Yes	265	-
USD	1,250m	2030	2025	Fixed	Yes	1,859	-
AUD	1,250m	2031	2026	Floating	Yes	1,244	-
Total Basel III fully compliant subordinated notes						12,443	7,971
Total Tier 2 capital[1,2]						12,865	8,415

1. Carrying value net of issuance costs.
2. This forms part of qualifying Tier 2 capital (refer to Note 23 Capital Management)

RECOGNITION AND MEASUREMENT

Debt issuances are measured at amortised cost, except where designated at fair value through profit or loss. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt. Interest expense is recognised using the effective interest rate method.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit and loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

16. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management section.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Overview	• An overview of our Risk Management Framework
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

16. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements to understand the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures* (AASB 7). It should be read in conjunction with the Governance and Risk Management section.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that gives effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is referred out for manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or "the facility") is classified as defaulted.	N/A	N/A

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon.

For the purpose of this note, assets presented as assets held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
On-balance sheet positions						
Net loans and advances	617,093	615,258	-	-	617,093	615,258
Other financial assets:						
Cash and cash equivalents	107,923	81,621	1,514	1,186	106,409	80,435
Settlement balances owed to ANZ	7,541	3,739	7,541	3,739	-	-
Collateral paid	14,308	15,006	-	-	14,308	15,006
Trading securities	50,913	44,088	5,698	6,199	45,215	37,889
Derivative financial instruments	135,331	120,667	-	-	135,331	120,667
Investment securities						
- debt securities at amortised costs	6,816	5,999	-	-	6,816	5,999
- debt securities at FVOCI	85,460	76,489	-	-	85,460	76,489
- equity securities at FVOCI	1,062	1,221	1,062	1,221	-	-
- debt securities at FVTPL	53	-	-	-	53	-
Regulatory deposits	801	879	-	-	801	879
Other financial assets[2]	2,407	3,619	-	-	2,407	3,619
Total other financial assets	412,615	353,328	15,815	12,345	396,800	340,983
Subtotal	1,029,708	968,586	15,815	12,345	1,013,893	956,241
Off-balance sheet positions						
Undrawn and contingent facilities[3]	266,716	253,123	-	-	266,716	253,123
Total	1,296,424	1,221,709	15,815	12,345	1,280,609	1,209,364

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
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					(66)
Capitalised brokerage/mortgage origination fees					868
Net carrying amount					617,093

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	425,113	18,597	-	-	443,710
Satisfactory	121,030	28,445	-	-	149,475
Weak	7,138	10,373	-	-	17,511
Defaulted	-	-	4,699	1,978	6,677
Gross loans and advances at amortised cost	553,281	57,415	4,699	1,978	617,373
Allowance for ECL	(927)	(1,378)	(413)	(791)	(3,509)
Net loans and advances at amortised cost	552,354	56,037	4,286	1,187	613,864
Coverage ratio	0.17%	2.40%	8.79%	39.99%	0.57%
Loans and advances at fair value through profit or loss					922
Unearned income					(398)
Capitalised brokerage/mortgage origination fees					870
Net carrying amount					615,258

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
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%

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	4,798	-	-	-	4,798
Satisfactory	707	507	-	-	1,214
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	5,505	507	-	-	6,012
Allowance for ECL	(12)	(1)	-	-	(13)
Net investment securities - debt securities at amortised cost	5,493	506	-	-	5,999
Coverage ratio	0.22%	0.20%	-	-	0.22%

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

	2020				
			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
	$m	$m	$m	$m	$m
Strong	85,287	-	-	-	85,287
Satisfactory	173	-	-	-	173
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
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%

	2019				
			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
	$m	$m	$m	$m	$m
Strong	76,218	-	-	-	76,218
Satisfactory	271	-	-	-	271
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Investment securities - debt securities at FVOCI	76,489	-	-	-	76,489
Allowance for ECL recognised in other comprehensive income	(8)	-	-	-	(8)
Coverage ratio	0.01%	-	-	-	0.01%

Other financial assets

	2020 $m	2019 $m
Strong	293,171	248,020
Satisfactory	10,724	10,060
Weak	628	415
Defaulted	1	-
Total carrying amount	304,524	258,495

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	171,979	3,045	-	-	175,024
Satisfactory	22,983	3,972	-	-	26,955
Weak	1,123	1,132	-	-	2,255
Defaulted	-	-	144	203	347
Gross undrawn and contingent facilities subject to ECL	196,085	8,149	144	203	204,581
Allowance for ECL included in Other provisions (refer to Note 21)	(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

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	162,891	1,972	-	-	164,863
Satisfactory	23,655	3,634	-	-	27,289
Weak	294	976	-	-	1,270
Defaulted	-	-	140	51	191
Gross undrawn and contingent facilities subject to ECL	186,840	6,582	140	51	193,613
Allowance for ECL included in Other provisions (refer to Note 21)	(473)	(151)	(21)	(23)	(668)
Net undrawn and contingent facilities subject to ECL	186,367	6,431	119	28	192,945
Coverage ratio	0.25%	2.29%	15.00%	45.10%	0.35%
Undrawn and contingent facilities not subject to ECL[1]					60,178
Net undrawn and contingent facilities					253,123

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

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CONCENTRATIONS OF CREDIT RISK

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

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Agriculture, forestry, fishing and mining	36,458	38,562	1,092	1,070	17,188	18,424	54,738	58,056
Business services	8,642	8,449	172	168	6,506	6,976	15,320	15,593
Construction	5,807	6,711	44	65	6,679	6,697	12,530	13,473
Electricity, gas and water supply	5,881	6,599	2,386	2,008	8,663	7,087	16,930	15,694
Entertainment, leisure and tourism	13,179	12,780	600	699	4,114	3,446	17,893	16,925
Financial, investment and insurance	51,857	55,344	279,468	247,351	48,537	41,874	379,862	344,569
Government and official institutions	4,645	3,388	98,017	75,066	1,968	2,524	104,630	80,978
Manufacturing	25,163	23,796	2,306	2,932	41,114	44,091	68,583	70,819
Personal lending	361,459	351,894	1,170	1,754	50,433	54,429	413,062	408,077
Property services	50,406	46,721	2,044	1,905	27,992	17,216	80,442	65,842
Retail trade	10,739	13,078	231	242	9,602	7,086	20,572	20,406
Transport and storage	12,657	13,583	1,280	1,194	8,587	8,269	22,524	23,046
Wholesale trade	11,816	15,177	2,649	3,141	19,494	20,283	33,959	38,601
Other	22,563	22,213	5,361	3,401	16,737	15,389	44,661	41,003
Gross total	621,272	618,295	396,820	340,996	267,614	253,791	1,285,706	1,213,082
Allowance for ECL	(4,981)	(3,509)	(20)	(13)	(898)	(668)	(5,899)	(4,190)
Subtotal	616,291	614,786	396,800	340,983	266,716	253,123	1,279,807	1,208,892
Unearned income	(66)	(398)	-	-	-	-	(66)	(398)
Capitalised brokerage/mortgage origination fees	868	870	-	-	-	-	868	870
Maximum exposure to credit risk	617,093	615,258	396,800	340,983	266,716	253,123	1,280,609	1,209,364

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which the margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, for example: guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, Investment securities, Derivatives and Other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Net loans and advances	617,093	615,258	510,995	490,188	106,098	125,070
Other financial assets	396,800	340,983	45,246	31,898	351,554	309,085
Off-balance sheet positions	266,716	253,123	51,361	48,225	215,355	204,898
Total	1,280,609	1,209,364	607,602	570,311	673,007	639,053

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR gauges the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR, and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2020				2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	2.0	6.1	1.2	3.1	1.4	9.5	1.2	4.1
Interest rate	9.6	13.8	3.3	7.2	3.6	10.4	3.6	5.8
Credit	13.9	17.1	1.8	8.6	5.1	5.4	1.2	3.1
Commodity	3.0	4.7	1.3	2.6	1.6	3.9	1.4	2.2
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(10.9)	n/a	n/a	(8.0)	(5.5)	n/a	n/a	(7.2)
Total VaR	17.6	31.9	5.7	13.5	6.2	13.4	5.1	8.0

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2020				2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	60.8	60.8	18.8	33.4	22.7	22.7	16.4	18.9
New Zealand	26.3	26.3	9.4	15.2	9.6	9.6	7.1	8.0
Asia Pacific, Europe & America	29.4	30.2	17.8	24.2	17.6	17.7	12.9	16.1
Diversification benefit[1]	(61.4)	n/a	n/a	(29.5)	(17.8)	n/a	n/a	(14.8)
Total VaR	55.1	58.3	31.5	43.3	32.1	32.1	25.2	28.2

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income. A positive number signifies that a rate increase is positive for net interest income over the next 12 months.

	2020	2019[1]
Impact of 1% rate shock		
As at period end	1.25%	1.19%
Maximum exposure	1.61%	1.19%
Minimum exposure	0.52%	0.33%
Average exposure (in absolute terms)	1.01%	0.69%

1. Prior period numbers have been restated to reflect IRR model enhancements

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise investments we hold for longer-term strategic reasons. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 11 Investment securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

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

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF has been established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The total amount of the CLF available to a qualifying Australian Deposit-taking Institution is set annually by APRA. From 1 January 2020, ANZ's CLF is $35.7 billion (2019 calendar year end: $48.0 billion).

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment, to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio

ANZ's Liquidity Coverage Ratio (LCR) averaged 139% for 2020, a decrease from the 2019 average of 140%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio

ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2020 was 124% (2019: 116%), above the regulatory minimum of 100%.

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe Stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of budgeting process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a term funding facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25%. APRA has determined that the TFF qualifies for inclusion in determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). ADIs can obtain initial funding of up to 3% of their existing credit outstanding to Australian households and businesses, and have access to additional funding if they increase lending to business, especially to small and medium-sized businesses.

As at 30 September 2020, ANZ had drawn $12 billion from its initial TFF allowance of $12 billion, and drawn $nil from its additional TFF allowance of $6 billion.

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities, including financial liablities reclassified to held for sale, at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the "Less than 3 months" category. Any other items without a specified maturity date are included in the "After 5 years" category. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet. For the purpose of this note, liabilities presented as liabilities held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 179.

2020	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	22,241	-	-	-	22,241
Collateral received	9,304	-	-	-	9,304
Deposits and other borrowings	576,506	90,241	18,025	159	684,931
Liability for acceptances	449	-	-	-	449
Debt issuances[1]	5,174	26,642	78,181	16,948	126,945
Derivative liabilities (excluding those held for balance sheet management)[2]	123,865	-	-	-	123,865
Lease liabilities[3]	72	248	809	390	1,519
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(11,170)	(21,569)	(69,594)	(18,243)	(120,576)
Pay leg	10,856	20,206	66,455	17,403	114,920
- Other balance sheet management					
Receive leg	(75,098)	(40,956)	(9,738)	(8,512)	(134,304)
Pay leg	75,226	40,401	10,031	7,271	132,929

2019	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	10,838	29	-	-	10,867
Collateral received	7,929	-	-	-	7,929
Deposits and other borrowings	530,392	102,731	7,657	100	640,880
Liability for acceptances	760	-	-	-	760
Debt issuances[1]	7,948	18,985	95,632	17,886	140,451
Derivative liabilities (excluding those held for balance sheet management)[2]	108,501	-	-	-	108,501
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(27,588)	(29,128)	(82,588)	(22,238)	(161,542)
Pay leg	26,778	26,594	77,686	21,190	152,248
- Other balance sheet management					
Receive leg	(85,489)	(26,218)	(11,632)	(1,893)	(125,232)
Pay leg	85,887	26,980	13,071	2,311	128,249

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company, and perpetual debt instruments after 5 years.
2. The full mark-to-market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. On adoption of AASB 16 on 1 October 2019, the Group recognised a lease liability of $1.7 billion presented within Payables and other liabilities. Comparative information has not been restated. Refer to Note 1 for further details.
4. Include derivatives designated into hedging relationships of $4,484 million (2019: 4,173 million) and $6,362 million (2019: $8,277 million) categorised as held for trading but form part of Group's balance sheet activities.

At 30 September 2020, $227,819 million (2019: $209,341 million) of the Group's undrawn facilities and $39,795 million (2019: $44,451 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group carries a significant number of financial instruments on the balance sheet at fair value. In addition the Group also holds assets classified as held for sale which are measured at fair value less costs to sell. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises as we measure the derivative financial instruments (which we acquired to mitigate interest rate risk of the assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - Trading securities - Securities sold short - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or yield curve appropriate for the remaining term to maturity.
Assets and liabilities held for sale	Valuation based on the expected sale price before transaction costs.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with their carrying amounts as reported on the balance sheet.

		2020			2019		
	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	8	107,923	-	107,923	81,621	-	81,621
Settlement balances owed to ANZ		7,541	-	7,541	3,739	-	3,739
Collateral paid		14,308	-	14,308	15,006	-	15,006
Trading securities	9	-	50,913	50,913	-	43,169	43,169
Derivative financial instruments	10	-	135,331	135,331	-	120,667	120,667
Investment securities	11	6,816	86,575	93,391	5,999	77,710	83,709
Net loans and advances	12	613,155	3,938	617,093	614,336	922	615,258
Regulatory deposits		801	-	801	879	-	879
Assets held for sale[1]		-	-	-	-	1,420	1,420
Other financial assets		2,407	-	2,407	3,118	-	3,118
Total		752,951	276,757	1,029,708	724,698	243,888	968,586
Financial liabilities							
Settlement balances owed by ANZ		22,241	-	22,241	10,867	-	10,867
Collateral received		9,304	-	9,304	7,929	-	7,929
Deposits and other borrowings	14	679,255	3,078	682,333	635,376	2,301	637,677
Derivative financial instruments	10	-	134,711	134,711	-	120,951	120,951
Liabilities held for sale[1]		-	-	-	-	1,914	1,914
Payables and other liabilities		5,285	3,843	9,128	5,377	2,591	7,968
Debt issuances	15	117,509	2,159	119,668	127,102	2,589	129,691
Total		833,594	143,791	977,385	786,651	130,346	916,997

1. Assets held for sale and liabilities held for sale include only the components of assets or liabilities held for sale which are financial instruments.

FAIR VALUE HIERARCHY

The Group categorises 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.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Assets								
Trading securities[1]	**44,004**	37,768	**6,909**	5,401	**-**	-	**50,913**	43,169
Derivative financial instruments	**681**	365	**134,588**	120,241	**62**	61	**135,331**	120,667
Investment securities[1]	**85,330**	76,000	**137**	499	**1,108**	1,211	**86,575**	77,710
Net loans and advances[2]	**-**	-	**3,925**	922	**13**	-	**3,938**	922
Assets held for sale[3]	**-**	-	**-**	1,952	**-**	-	**-**	1,952
Total	**130,015**	114,133	**145,559**	129,015	**1,183**	1,272	**276,757**	244,420
Liabilities								
Deposits and other borrowings[2]	**-**	-	**3,078**	2,301	**-**	-	**3,078**	2,301
Derivative financial instruments	**1,120**	881	**133,536**	120,018	**55**	52	**134,711**	120,951
Payables and other liabilities[4]	**3,830**	2,553	**13**	38	**-**	-	**3,843**	2,591
Debt issuances (designated at fair value)	**-**	-	**2,159**	2,589	**-**	-	**2,159**	2,589
Liabilities held for sale[3]	**-**	-	**-**	2,121	**-**	-	**-**	2,121
Total	**4,950**	3,434	**138,786**	127,067	**55**	52	**143,791**	130,553

1. During the year, $127 million of assets were transferred from Level 2 to Level1 (2019: nil) following increased trading activity to support quoted prices. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. From 1 October 2019, Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through profit and loss.
3. The amount classified as Assets and Liabilities held for sale relates to assets and liabilities measured at fair value less cost to sell in accordance with AASB *5 Non-current Assets Held for Sale and Discontinued Operations*. The amount presented reflects fair value excluding cost to sell but including intercompany eliminations.
4. Payables and other liabilities relates to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

The net balance of Level 3 is an asset of $1,128 million (2019: $1,220 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;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed;
- net loans and advances that are required to be measured at fair value for which there is no observable market data; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Movement in Level 3 balance is mainly due to the revaluation of the Group's investment in Bank of Tianjin.

There were no material transfers in or out of Level 3 during the period.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank of Tianjin (BoT)

The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $93 million (2019: $111 million) increase or decrease to the fair value of the investment, which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in the Level 3 inputs have a minimal impact on net profit and net assets of the Group.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight line basis over the life of the transaction or until all inputs become observable.

The day one gains and losses deferred are not material.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Group's basis of estimating fair values of financial instruments carried at amortised cost:

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

	At amortised cost		Categorised into fair value hierarchy: Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Fair value (total)	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Financial assets										
Net loans and advances	613,155	614,336	-	-	16,161	22,629	597,997	592,704	614,158	615,333
Investment securities	6,816	5,999	-	-	6,816	5,997	-	-	6,816	5,997
Total	619,971	620,335	-	-	22,977	28,626	597,997	592,704	620,974	621,330
Financial liabilities										
Deposits and other borrowings	679,255	635,376	-	-	679,544	635,660	-	-	679,544	635,660
Debt issuances	117,509	127,102	26,107	43,304	93,187	85,484	-	-	119,294	128,788
Total	796,764	762,478	26,107	43,304	772,731	721,144	-	-	798,838	764,448

KEY JUDGEMENTS AND ESTIMATES

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

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

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 10 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in setting fair value.

18. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	2020 $m	2019 $m
Securities sold under arrangements to repurchase[1]	61,415	43,213
Assets pledged as collateral for UDC Secured Investments[2]	-	3,228
Residential mortgages provided as security for covered bonds	28,559	30,799
Other	4,990	4,927

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.
2. UDC Secured Investments were secured by a security interest over all of UDC's assets. The Group divested of UDC during 2020 and, therefore, there are no longer any associated collateral balances requiring disclosure by the Group.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial instruments. Under certain transactions ANZ has the right to sell, or to repledge, the collateral received. These transactions are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	2020 $m	2019 $m
Fair value of assets which can be sold or repledged	54,242	37,990
Fair value of assets sold or repledged	32,578	29,460

19. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

If the above conditions are not met, the financial assets and financial liabilities are presented on a gross basis.

The Group does not have any arrangements that satisfy the conditions necessary to offset financial assets and financial liabilities within the balance sheet. The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
2020	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	135,331	(3,862)	131,469	(117,982)	(6,397)	7,090
Reverse repurchase, securities borrowing and similar agreements[1]	53,434	(5,922)	47,512	(1,566)	(45,946)	-
Total financial assets	188,765	(9,784)	178,981	(119,548)	(52,343)	7,090
Derivative financial liabilities	(134,711)	2,824	(131,887)	117,982	10,059	(3,846)
Repurchase, securities lending and similar agreements[2]	(55,716)	14,354	(41,362)	1,566	39,796	-
Total financial liabilities	(190,427)	17,178	(173,249)	119,548	49,855	(3,846)

			Amount subject to master netting agreement or similar			
2019	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	120,667	(4,019)	116,648	(103,247)	(6,378)	7,023
Reverse repurchase, securities borrowing and similar agreements[1]	37,102	(5,299)	31,803	(1,414)	(30,389)	-
Total financial assets	157,769	(9,318)	148,451	(104,661)	(36,767)	7,023
Derivative financial liabilities	(120,951)	3,145	(117,806)	103,247	10,970	(3,589)
Repurchase, securities lending and similar agreements[2]	(41,367)	17,781	(23,586)	1,414	22,172	-
Total financial liabilities	(162,318)	20,926	(141,392)	104,661	33,142	(3,589)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

20. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Balance at start of year	3,467	3,440	1,323	1,421	71	69	4,861	4,930
Additions	-	-	375	421	6	-	381	421
Amortisation expense[2]	-	-	(657)	(517)	(1)	-	(658)	(517)
Impairment expense	(77)	-	(2)	(4)	-	-	(79)	(4)
Written off on disposal	(124)	-	-	-	-	-	(124)	-
Foreign currency exchange difference	(2)	27	-	2	-	2	(2)	31
Balance at end of year	3,264	3,467	1,039	1,323	76	71	4,379	4,861
Cost[3]	3,341	3,467	7,300	7,068	77	75	10,718	10,610
Accumulated amortisation/impairment	(77)	n/a	(6,261)	(5,745)	(1)	(4)	(6,339)	(5,749)
Carrying amount	3,264	3,467	1,039	1,323	76	71	4,379	4,861

1. Goodwill excludes notional goodwill in equity accounted investments.
2. During the second half of the 2020 financial year, the Group amended the application of its software amortisation policy. The Group recognised accelerated amortisation of $197 million.
3. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS (CGUs) CONTAINING GOODWILL

During the year ended September 2020, $124 million of goodwill was written off in relation to completed divestments. In addition, as a result of changes in economic outlook, the Group announced its intention to begin winding up the Bonus Bonds business, a managed investment product in New Zealand and the Group wrote off the associated goodwill of $27 million. The balance of goodwill was subject to impairment assessment as set out below which resulted in $50 million of goodwill impairment in the Pacific division.

An assessment as to whether the current carrying value of goodwill is impaired is undertaken annually or where there are indicators of potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are ANZ's reportable segments. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount.

In determining the carrying amount of the CGUs to which goodwill is allocated, we include all direct assets and liabilities and an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are recorded outside those CGUs to which goodwill is allocated.

We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value in use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

As the Group's market capitalisation was below the Group's net asset value at 30 September 2020, and considering uncertainties surrounding COVID-19, the Group assessed the carrying value of goodwill as at 30 September 2020. Based on this assessment:

- no impairment was identified in the Australia Retail and Commercial, New Zealand and Institutional CGUs under the FVLCOD approach;
- the Pacific CGU's recoverable amount measured on a VIU basis (being higher than its FVLCOD) indicated a shortfall in recoverable amount relative to carrying amount. Accordingly an impairment loss of $50 million has been recognised at 30 September 2020, reducing the carrying amount of goodwill to nil.

Fair Value Less Cost of Disposal

The recoverable amount of each CGU to which goodwill is allocated is estimated on a FVLCOD basis, calculated using a market multiple approach. Under this approach, we determine the estimated fair value of each of our CGUs by applying observable price earnings multiples of appropriate comparator companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Management's approach and the key assumptions used to determine FVLCOD, for those CGUs where recoverable amount was determined on the basis of FVLCOD were as follows:

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU have been estimated as the sum of: • The financial year 2021 financial plan results for each CGU, which incorporates management estimates of the impacts of COVID-19; plus • An allocation of the central costs recorded outside of the CGU's to which goodwill is allocated. Adjustments have been made to the financial year 2021 plan results to: • reflect longer term expected credit losses; and • normalise certain other operating expenditure where specific factors result in financial year 2021 planned expenditure exceeding longer term maintainable levels with the higher operating expenditure treated as a one-off adjustment in the valuations.
Price/Earnings (P/E) multiple applied (including control premium)	**Trading multiples:** The P/E multiples used have been derived from valuations of comparable publicly traded companies as at 30 September 2020 and are the median P/E multiple (2021 earnings multiple) of the comparator group: • For the Australia Retail and Commercial and New Zealand CGUs, the comparator group is the four major banking groups headquartered in Australia; • For the Institutional CGU, the comparator group includes the four major banking groups headquartered in Australia plus certain major financial institutions who compete with the Group in international markets. In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to comparator group multiples to address specific factors relevant to those CGUs. For each of ANZ's CGUs where the recoverable amount was determined on the basis of FVLCOD, the P/E multiples applied (including a 30% control premium discussed below) were as follows: Division — 2020 — 2019 Australia Retail and Commercial — 16.0 — 17.9 New Zealand — 12.7 — 17.8 Institutional — 13.4 — 14.7 **Control premium:** A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.
Costs of disposal	Costs of disposal have been estimated as 2% of the fair value of the CGU based on input from historical and recent transactions.

FVLCOD assessment outcomes

For those CGUs where recoverable amount was determined on the basis of FVLCOD, the surplus of the recoverable amount over the carrying amount was as follows:

Cash generating unit:	Surplus 30 September 2020 $m
Australia Retail and Commercial	4,539
New Zealand	1,201
Institutional	516

Sensitivity analysis

The surpluses disclosed above are sensitive to judgements and estimates in respect of:

- for recoverable amount – The future maintainable earnings and the P/E multiple applied (including the control premium applied in determining the P/E multiple); and
- for carrying amount - The allocation of corporate assets and liabilities recorded outside those CGUs to which goodwill is allocated.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The FVLCOD estimates for the respective CGUs would continue to show a surplus in recoverable amount over carrying amount if:

- either the P/E multiple applied or the future maintainable earnings estimates were reduced (in isolation) by 13.6% in Australia Retail and Commercial; 8.6% in New Zealand or 2.6% in Institutional; or
- the 30% control premium applied was reduced by 59.5% in Australia Retail and Commercial (resulting in a control premium applied of 12.1%), by 38.1% in New Zealand (resulting in a control premium applied of 18.6%) or by 11.4% in Institutional (resulting in a control premium applied of 26.6%); or
- the share of corporate assets and liabilities was increased (in isolation) by 17.3% to Australia Retail and Commercial; 10.1% to New Zealand or 3.2% to Institutional.

As the recoverable amounts estimated on the basis of FVLCOD show a surplus of recoverable amount over carrying amount for the Australia Retail and Commercial, New Zealand and Institutional CGUs, such adverse movements would not necessarily trigger an impairment, rather they would trigger the need for a VIU assessment to be performed with any impairment determined on the basis of the higher of FVLCOD and VIU.

Value In Use

The Pacific CGU's recoverable amount was measured on the basis of its VIU (as this was higher than the FVLCOD). Recoverable amount under the VIU assessment was estimated at $466 million using a post-tax discount rate of 13%, which resulted in a shortfall relative to carrying amount. Accordingly an impairment loss of $50 million has been recognised at 30 September 2020, reducing the carrying amount of goodwill to nil. In addition, an associated assessment of the carrying values of the other assets in the Pacific was completed and no impairment (apart from goodwill) was recorded.

The goodwill applicable to each CGU before and after impairment charges and other adjustments is shown below:

Cash generating unit:	Balance as at 1 October 2019 $m	Impairment expense $m	Disposal on sale $m	Foreign exchange difference $m	Balance at 30 September 2020 $m
Australia	409	-	(6)	-	403
New Zealand	1,937	(27)	(118)	1	1,793
Institutional	1,071	-	-	(3)	1,068
Pacific	50	(50)	-	-	-
Total	3,467	(77)	(124)	(2)	3,264

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangible Assets
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchases of "off the shelf" software assets are capitalised as assets. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and an intangible asset arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. The contractual rights intangible asset has a useful life of 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight line for those with a limited life.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill, and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's four revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including:
  - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19 on both earnings and asset prices, and reflects expectations of future events that are believed to be reasonable under the circumstances. The rapidly evolving consequences of COVID-19 and government, business and consumer responses create heightened uncertainty in these estimates and any variations could have a positive or adverse impact on the determination of recoverable amounts.

Software and other intangible assets

At each reporting date, software and other intangible assets, are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the underlying pace of technological change.

During the Financial year the Group amended the application of the software policy to reflect the shorter useful lives of various types of software, including regulatory and compliance focused assets and purchased assets. These changes better reflect the Group's rapidly changing technology and business needs and ongoing reinvestment in purchased and internally developed software to ensure assets remain fit for purpose.

21. OTHER PROVISIONS

	2020 $m	2019 $m
ECL allowance on undrawn and contingent facilities[1]	898	668
Customer remediation	1,109	1,139
Restructuring costs	105	64
Non-lending losses, frauds and forgeries	79	94
Other	388	349
Total other provisions (including liabilities reclassified as held for sale)	2,579	2,314
Less: Other provisions reclassified as held for sale	-	(91)
Total other provisions	2,579	2,223

1. Refer to Note 13 Allowance for Expected Credit Losses for movement analysis.

	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2018	602	105	100	191
New and increased provisions made during the year	857	97	18	338
Provisions used during the year	(186)	(117)	(5)	(71)
Unused amounts reversed during the year	(134)	(21)	(19)	(109)
Balance at 30 September 2019 (including liabilities reclassified as held for sale)	1,139	64	94	349
New and increased provisions made during the year	773	124	4	400
Provisions used during the year	(381)	(74)	(12)	(215)
Unused amounts reversed during the year[1]	(422)	(9)	(7)	(146)
Balance at end of year	1,109	105	79	388

1. Customer remediation includes a $99 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

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.

21. OTHER PROVISIONS (continued)

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advices and adjustments are made to the provisions where appropriate.

22. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2020 $m	2019 $m
Ordinary share capital	26,531	26,490
Reserves		
Foreign currency translation reserve	155	705
Share option reserve	85	89
FVOCI reserve	245	126
Cash flow hedge reserve	1,038	731
Transactions with non-controlling interests reserve	(22)	(22)
Total reserves	1,501	1,629
Retained earnings	33,255	32,664
Share capital and reserves attributable to shareholders of the Company	61,287	60,783
Non-controlling interests	10	11
Total shareholders' equity	61,297	60,794

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2020		2019	
	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,834,584,923	26,490	2,873,618,118	27,205
Dividend reinvestment plan ('DRP') Issuances[1]	3,373,022	61	-	-
Bonus option plan[2]	2,412,280	-	2,999,796	-
Group employee share acquisition scheme	-	(20)	-	-
Share buy-back[3]	-	-	(42,032,991)	(1,120)
Treasury shares in Wealth Australia discontinued operations[4]	-	-	-	405
Balance at end of year	2,840,370,225	26,531	2,834,584,923	26,490

1. 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final and interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP).
2. The Company issued 0.8 million shares under the Bonus Option Plan (BOP) for the 2020 interim dividend and 1.6 million shares for the 2019 final dividend (1.4 million shares for the 2019 interim dividend and 1.6 million shares for the 2018 final dividend).
3. The Company completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million in the September 2019 full year resulting in 42.0 million ANZ ordinary shares being cancelled in the September 2019 full year.
4. The successor fund transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF completed on 13 April 2019. As a result the Group no longer eliminates the ANZ shares previously held in Wealth Australia discontinued operations.

22. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed, or • the life insurance business purchased and held to back policy liabilities in the statutory funds prior to the successor fund transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF which completed on 13 April 2019. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other Operating Income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

23. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital ('stress capital buffer') needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision ("BCBS"). APRA requirements are summarised below:

Regulatory Capital Definition			
Common Equity Tier 1 (CET1) Capital	**Tier 1 Capital**	**Tier 2 Capital**	**Total Capital**
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.
Minimum Prudential Capital Ratios (PCRs)			
CET1 Ratio	**Tier 1 Ratio**	**Total Capital Ratio**	
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.	
Reporting Levels			
Level 1	**Level 2**	**Level 3**	
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.	

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

23. CAPITAL MANAGEMENT (continued)

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	2020 $m	2019 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	61,297	60,794
Prudential adjustments to shareholders' equity	(205)	120
Gross Common Equity Tier 1 capital	61,092	60,914
Deductions	(12,390)	(13,559)
Common Equity Tier 1 capital	48,702	47,355
Additional Tier 1 capital[2]	7,779	7,866
Tier 1 capital	56,481	55,221
Tier 2 capital[3]	13,957	8,549
Total qualifying capital	70,438	63,770
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	11.3%	11.4%
Tier 1	13.2%	13.2%
Tier 2	3.3%	2.1%
Total capital ratio	16.4%	15.3%
Risk weighted assets	429,384	416,961

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. This includes Additional Tier 1 capital of $8,196 million (2019: $8,171 million) (refer to Note 15 Debt issuances), reduced for regulatory adjustments and deductions of $417 million (2019: $305 million).
3. This includes Tier 2 capital of $12,865 million (2019: $8,415 million) (refer to Note 15 Debt issuances), general reserve for impairment of financial assets of $1,813 million (2019: $296 million) and deductions for regulatory adjustments of $721 million (2019: $162 million).

24. PARENT ENTITY FINANCIAL INFORMATION

Australia and New Zealand Banking Group Limited (the Company) has prepared a separate set of financial statements to satisfy the requirements of the Australian Financial Services Licence it holds with ASIC. These separate Company financial statements are available on the ANZ website at anz.com and have been lodged with ASIC.

Selected financial information of the Company is provided below:

SUMMARY FINANCIAL INFORMATION

	2020 $m	2019 $m
Income statement information for the financial year		
Profit after tax for the year	2,806	4,447
Total comprehensive income for the year	3,007	5,413
Balance sheet information as at the end of the financial year		
Cash and cash equivalents	98,083	77,949
Net loans and advances	488,002	484,655
Total assets	979,078	914,832
Deposits and other borrowings	558,136	524,241
Total liabilities	925,806	861,618
Shareholders' equity		
Ordinary share capital	26,454	26,413
Reserves	1,018	840
Retained earnings	25,800	25,961
Total shareholders' equity	53,272	53,214

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2020 $m	2019 $m
Contract amount of:		
Undrawn facilities	191,300	171,881
Guarantees and letters of credit	20,640	20,375
Performance related contingencies	15,505	20,097
Total	227,445	212,353

The contingent liabilities of the Group described under Other contingent liabilities in Note 33 are contingent liabilities of the parent entity (some are also contingent liabilities of other Group companies).

25. CONTROLLED ENTITIES

The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Incorporated in Australia	Nature of Business Banking
All controlled entities are 100% owned, unless otherwise noted. The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Capel Court Limited	Australia	Securitisation Manager
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ Wealth New Zealand Limited[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Asia Limited[1]	Hong Kong	Banking
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
PT Bank ANZ Indonesia[1] (99% ownership)	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

25. CONTROLLED ENTITIES (continued)

CHANGES TO MATERIAL CONTROLLED ENTITIES

The following changes to our material entities have occurred during the year ended 30 September 2020.

- In January 2020, OnePath Funds Management Limited and OnePath Custodians Pty Limited was sold to IOOF Holdings Limited. The holding company of these entities, ANZ Wealth Australia Limited, is no longer considered to be a material entity.
- In September 2020, UDC Finance Limited was sold to Shinsei Bank Limited.

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

When the Group ceases to control a subsidiary, it:

- measures any retained interest in the entity at fair value; and
- recognises any resulting gain or loss in profit or loss.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

26. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

		Ordinary share interest		Carrying amount $m	
Name of entity	Principal activity	2020	2019	2020	2019
AMMB Holdings Berhad ('AmBank')	Banking and insurance	24%	24%	1,056	1,586
PT Bank Pan Indonesia ('PT Panin')	Consumer and business bank	39%	39%	1,084	1,350
Aggregate other individually immaterial associates		n/a	n/a	24	21
Total carrying value of associates[1]				2,164	2,957

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as both associates have different financial years to the Group (PT Panin 31 December, AmBank 31 March).

	AMMB Holdings Berhad		PT Bank Pan Indonesia	
Principal place of business and country of incorporation	Malaysia		Indonesia	
	2020 $m	2019 $m	2020 $m	2019 $m
Summarised results				
Operating income	3,156	3,298	1,105	1,109
Profit for the year	456	569	319	349
Other comprehensive income/(loss)	105	69	72	24
Total comprehensive income	561	638	391	373
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(26)	(25)	(11)	(12)
Total comprehensive income attributable to owners of associate	535	613	380	361
Summarised financial position				
Total assets[1]	53,301	55,740	19,669	22,518
Total liabilities[1]	48,530	48,718	16,599	18,743
Total Net assets[1]	4,771	7,022	3,070	3,775
Less: Non–controlling interests of associate	(343)	(368)	(294)	(309)
Net assets attributable to owners of associate	4,428	6,654	2,776	3,466
Reconciliation to carrying amount of Group's interest in associate				
Carrying amount at the beginning of the year	1,586	1,427	1,350	1,103
Group's share of total comprehensive income	126	146	150	140
Dividends received from associate	(32)	(50)	-	-
Group's share of other reserve movements of associate and foreign currency translation reserve adjustments[2]	(29)	63	(128)	107
Group's equity accounted share of AASB 9 transition adjustment[3]	-	-	(68)	-
Impairment charges[4]	(595)	-	(220)	-
Carrying amount at the end of the year	1,056	1,586	1,084	1,350
Market value of Group's investment in associate	727	1,050	653	1,303

1. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).
2. In 2019, the Group recognised a decrease of $32m and $33m to the carrying value of AMMB Holdings Berhad and PT Bank Pan Indonesia respectively with a corresponding decrease to retained earnings reflecting the Group's share of the estimated initial application impact of IFRS 9 (the international equivalent of AASB 9).
3. In 2020, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 Financial Instruments on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the current financial year recognising a transition adjustment in retained earnings. 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.
4. The Group recorded an impairment charge of $815 million in other operating income based on impairment assessments performed as part of the Group 31 March 2020 half year results with AmBank impaired by $595 million and PT Panin impaired by $220 million.

26. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

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

During the year the Group identified an indicator of impairment as neither the market values of the investments in AMMB Holdings Berhad (AmBank) and PT Bank Pan Indonesia (PT Panin) (based on share price) nor the value-in-use (VIU) calculation supported the carrying value of either investment. Accordingly, the Group recorded an impairment charge of $815 million ($595 million for AmBank and $220 million for PT Panin).

VIU assessments were also conducted as at 30 September 2020 given the market values were below their carrying values. The assumptions used in the VIU were updated to reflect the ongoing impact of COVID-19 and the uncertainty of the future performance of these investments. The VIU assessments supported the carrying value of both Ambank and PT Panin as at 30 September 2020, however did not indicate the recoverable amount of either investments had increased sufficiently to reverse any of the impairment recorded during the year.

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill relating to the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin is uncertain. Significant management judgment is required to determine the key assumptions underpinning the VIU calculations. Factors that may change in subsequent periods and lead to potential future impairments include lower than forecast earnings levels in the near term and/or a decrease in the long term growth forecasts, increases to required levels of regulatory capital and an increase in the post-tax discount rate arising from an increase in the risk premium or risk-free rates.

The key assumptions used in the value-in-use calculation are outlined below:

As at 30 September 2020	AmBank	PT Panin
Post-tax discount rate	11.3%	15.2%
Terminal growth rate	4.8%	5.3%
Expected earnings growth (compound annual growth rate – 5 years)	2.8%	4.2%
Common Equity Tier 1 ratio (5 year average)	12.9%	12.8%

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the September 2020 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by $(46 million) / $50 million, and $(87 million) / $99 million for AmBank.
- A change in the September 2020 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by $8 million / ($8 million) and $47 million / ($44 million) for Ambank.

  Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

27. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group controls SEs established to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Such transactions involve transfers to an internal securitisation (bankruptcy remote) vehicle used to create assets that are eligible for repurchase under agreements with the applicable central bank. These internal securitisation SEs are consolidated. Refer to Note 28 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group conducts investment management and other fiduciary activities as a responsible entity, trustee, custodian or manager for investment funds and trusts – including superannuation funds and wholesale and retail trusts (collectively 'Investment Funds'). The Investment Funds are financed through the issuance of puttable units to investors. The Group's exposure to Investment Funds is limited to receiving fees for services and derivatives entered into for risk management purposes. These interests do not create significant exposures to the funds that would allow the Group to control the funds. Therefore, the funds are not consolidated.

27. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below. As these are intra-group transactions, they are eliminated on consolidation:

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2019: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
On-balance sheet interests						
Investment securities	**2,280**	1,923	**-**	-	**2,280**	1,923
Gross loans and advances	**8,479**	7,679	**74**	110	**8,553**	7,789
Total on-balance sheet	**10,759**	**9,602**	**74**	**110**	**10,833**	**9,712**
Off-balance sheet interests						
Commitments (facilities undrawn)	**2,072**	1,531	**22**	9	**2,094**	1,540
Guarantees	**40**	67	**-**	-	**40**	67
Total off-balance sheet	**2,112**	**1,598**	**22**	**9**	**2,134**	1,607
Maximum exposure to loss	**12,871**	11,200	**96**	119	**12,967**	11,319

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $285 million (2019: $509 million) during the year.

27. STRUCTURED ENTITIES (continued)

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place — regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with a maximum value of approximately $5.1 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2019: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand Limited. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns);
- exposure to variable returns of the entity; and
- the ability to use its power over the entity to affect the Group's returns.

28. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances the Group is also the holder of the securitised notes. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SE is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing and commodity prepayment arrangements. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets or financed commodity and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Current carrying amount of assets transferred	**1,831**	2,422	**28,559**	30,799	**61,415**	43,213	**67**	81
Carrying amount of associated liabilities	**1,824**	2,411	**15,948**	20,957	**55,716**	41,367	**67**	81

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

DISCONTINUED OPERATIONS

In October 2017, the Group announced it had agreed to sell its OnePath pensions and investments (OnePath P&I) business and Aligned Dealer Groups (ADGs) businesses to IOOF. The sale of the ADG business completed on 1 October 2018 and the sale of OnePath P&I business was completed on 31 January 2020.

In December 2017, the Group announced that it had agreed to the sale of its life insurance business to Zurich Financial Services Australia (Zurich) and the transaction was completed on 31 May 2019.

As a result of the sale transactions outlined above, the financial results of the businesses to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

Details of the financial performance and cash flows of discontinued operations are shown below.

Income Statement

	2020 $m	2019 $m
Net interest income	(5)	(76)
Other operating income[1]	(46)	245
Operating income	(51)	169
Operating expenses[1]	(200)	(449)
Profit/(Loss) before credit impairment and income tax	(251)	(280)
Credit impairment (charge)/release	-	1
Profit/(Loss) before income tax	(251)	(279)
Income tax expense[1]	153	(64)
Profit/(Loss) for the period attributable to shareholders of the Company[1,2]	(98)	(343)

1. Includes customer remediation of $96 million post-tax recognised in the September 2020 financial year (2019: $207 million) comprising $128 million customer remediation recognised in other operating income (2019: $161 million), -$2 million of remediation costs recognised in Operating expenses (2019: $80 million), and $30 million income tax benefit (2019: $34 million).
2. Includes the results of the OnePath P&I business up to the sale completion in January 2020 and the life insurance business up to the sale completion in May 2019.

Cash Flow Statement

	2020 $m	2019 $m
Net cash provided by/(used in) operating activities	(25)	(552)
Net cash provided by/(used in) investing activities	-	837
Net cash provided by/(used in) financing activities	25	(290)
Net increase/(decrease) in cash and cash equivalents	-	(5)

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are re-measured at the lower of their existing carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement and continue to be recognised at their existing carrying value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE (continued)

As at 30 September [1]	2019 Discontinued Operations $m
Trading securities	919
Deferred tax assets	16
Goodwill and other intangible assets	394
Premises and equipment	1
Other assets	501
Total assets held for sale	1,831
Current tax liabilities	3
Deferred tax liabilities	105
Payables and other liabilities	1,914
Provisions[2]	99
Total liabilities held for sale	2,121

1. Amounts in the table above are shown net of intercompany balances.
2. Includes employee entitlements of $8 million and other provisions of $91 million.

INCOME STATEMENT IMPACT RELATING TO ASSETS AND LIABILITIES HELD FOR SALE

During the 2020 financial year, the Group recognised the following impacts in relation to assets and liabilities held for sale that were recognised in discontinued operations:

- $13 million loss after tax recorded in operating income attributable to sale completion costs.
- $126 million of customer remediation charges ($128 million recorded in operating income and a release of $2 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.

During the 2019 financial year, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $65 million loss after tax on discontinued operations, comprising a net loss of $1 million from sale related adjustments and write-downs, partially offset by the recycling of gains previously deferred in equity reserves on sale completion, and a $64 million income tax expense. This loss was recognised in discontinued operations.
- $10 million gain after tax relating to the sale of Cambodia JV, comprising a $30 million release from the foreign currency translation reserve, a $17 million dividend withholding tax associated with the sale completion and $3 million of asset write-offs. The gain was recognised in continuing operations.
- $1 million gain after tax relating to the sale of PNG Retail, Commercial and SME, net of costs associated with the sale. The gain was recognised in continuing operations.
- $76 million gain after tax relating to the sale of the OPL NZ business, comprising a $56 million gain on sale, a $26 million release from the foreign currency translation reserve, a $7 million provision release and a $13 million income tax expense. The gain was recognised in continuing operations.
- $37 million gain after tax relating to the sale of the Paymark. The gain was recognised in continuing operations.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE (continued)

RECOGNITION AND MEASUREMENT

LIFE INSURANCE CONTRACT LIABILITIES AND LIABILITIES CEDED UNDER REINSURANCE CONTRACTS

We calculate Life insurance contract Liabilities under the Margin on Service (MoS) model using a projection method based on actuarial principles and standards.

We discount the expected future cash flows of these contracts at the risk-free discount rate.

LIFE INVESTMENT CONTRACT LIABILITIES

A life investment contract liability is measured at fair value and is directly linked to the fair value of the assets that back it. For guaranteed policies, we determine the liability as the net present value of expected cash flows, subject to a minimum of current surrender value.

KEY JUDGEMENTS AND ESTIMATES

A significant level of judgement is used by the Group to determine:

- whether an asset or group of assets is classified and presented as held for sale or as a discontinued operation; and
- the fair value of the assets and liabilities classified as being held for sale.

Management is required to exercise significant judgement when assessing the fair value less costs to sell for assets and liabilities held for sale. The judgemental factors include determining: costs to sell, allocation of goodwill, indemnities provided under the sale contract and consideration received - particularly where elements of consideration are contingent in nature. Any impairment we record is based on the best available evidence of fair value compared to the carrying value before the impairment. The final sale price may be different to the fair value we estimate when recording the impairment. Management regularly assess the appropriateness of the underlying assumptions against actual outcomes and other relevant evidence and adjustments are made to fair value where appropriate. We expect that the sales will complete within 12 months after balance date, subject to the relevant regulatory approvals and customary terms of sale for such assets.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	2020 $m	2019 $m
Defined benefit obligation and scheme assets		
Present value of funded defined benefit obligation	(1,478)	(1,538)
Fair value of scheme assets	1,693	1,739
Net defined benefit asset	215	201
As represented in the Balance Sheet		
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(59)	(54)
Net assets arising from defined benefit obligations included in other assets	274	255
Net defined benefit asset	215	201
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $104 million (2019 surplus of $48 million). In 2020, the Group made defined benefit contributions totaling $4 million (2019: $3 million). It expects to make contributions of around $3 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an affect on the Statement of Other Comprehensive Income and Balance Sheet.

Assumptions	2020	2019	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2020 $m	2019 $m
Discount rate (% p.a.)	0.5 - 1.7	1.1 - 2.0	0.5% increase	(103)	(107)
Future salary increases (% p.a.)	1.6 - 3.0	1.7 - 3.2			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a)	1.1 - 2.8/2.2	1.7 - 3.0/2.3	0.5% increase	85	80
Life expectancy at age 60 for current pensioners			1 year increase	73	70
– Males (years)	26.0 - 28.7	25.6 - 28.6			
– Females (years)	28.9 - 30.4	28.8 - 30.3			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during the 2020 and 2019 years were the Employee Share Offer and the Deferred Share Plan.

Employee Share Offer

Eligibility	Most permanent employees employed in either Australia or New Zealand with three years continuous service for the most recent financial year.
Grant	Up to AUD 1,000 in Australia (and AUD 800 in New Zealand) of ANZ shares, subject to Board approval.
Allocation value	One week Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Australia	ANZ ordinary shares are granted to eligible employees for nil consideration. The shares vest on grant and are held in trust for three years from grant date, after which time they may remain in trust, be transferred to the employee's name or sold. Dividends are automatically reinvested in the Dividend Reinvestment Plan.
New Zealand	Shares are granted to eligible employees on payment of NZD one cent per share. Shares vest subject to satisfaction of a three-year service period, after which they may remain in trust, be transferred to the employee's name or sold. Unvested shares are forfeited if the employee resigns or is dismissed for serious misconduct. Dividends are either paid in cash or reinvested into the Dividend Reinvestment Plan.
Expensing value (fair value)	In Australia, the fair value of the shares is expensed in the year shares are granted, as they are not subject to forfeiture. In New Zealand, the fair value is expensed on a straight-line basis over the three year vesting period. The expense is recognised as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	698,862 shares were granted on 2 December 2019 at an issue price of $24.96, noting this is the final Employee Share Offer in its current form following changes to variable remuneration (effective financial year 2020) as part of the Reimagining Reward initiative. 656,738 shares were granted on 3 December 2018 at an issue price of $26.91.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives	
Eligibility	Group CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Annual Variable Remuneration (AVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, is received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.
ii) ANZIP (all employees excluding the CEO, ExCo and other BEAR Accountable Executives[1]) and Business Unit Incentive Plans (BUIPs)	
Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	If VR is at or exceeds AUD 150,000, then 60% of VR amounts exceeding AUD 80,000 (subject to a minimum deferral amount of AUD 42,000) is deferred as shares.
Conditions	Deferred over three years from grant date.
iii) Long Term Incentives (LTIs)	
Eligibility	Selected employees (excludes the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	100% deferred shares.
Conditions	Vest three years from grant date.
iv) Exceptional circumstances	
Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.
v) Further information	
Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are paid in cash or reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	During the 2020 year, we granted 2,259,897 deferred shares (2019: 1,945,668) with a weighted average grant price of $24.94 (2019: $25.39).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2020 (2019: 9,810).

1. Specific deferral arrangements also exist under ANZIP for roles defined as United Kingdom Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2020 under the Employee Share Offer and the Deferred Share Plan, measured as at the date of grant of the shares, is $73.4 million (2019: $67.7 million) based on 2,958,759 shares (2019: 2,602,406) at VWAP of $24.81 (2019: $26.01).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2020 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report.

Option Plans that operated during 2020 and 2019

i) Performance Rights

Allocation	We grant performance rights to the CEO and ExCo, and have granted performance rights to selected employees, as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period[1] and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.3a of the 2020 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2020, all performance rights lapsed due to not meeting the performance hurdles. In 2019, the performance rights that vested were satisfied through a share allocation, other than 47,195 performance rights for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, we granted 520,172 performance rights (2019: 885,810).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2020 (2019: 59,012).

1. Three years for grants during 2019.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 99,891 deferred share rights (2019: 68,357) for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, 2,393,424 deferred share rights (no performance hurdles) were granted (2019: 2,078,427).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any deferred share rights in 2020 (2019: 11,824).

Options, Deferred Share Rights and Performance Rights on Issue

As at 4 November 2020, there were 543 holders of 4,489,045 deferred share rights on issue and 125 holders of 2,216,062 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2020 and the movements during 2020:

	Opening balance 1 Oct 2019	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2020
Number of options/rights	6,688,538	2,913,596	(976,468)	0	(1,901,109)	6,724,557
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$19.94
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						151,829

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2019 and the movements during 2019:

	Opening balance 1 Oct 2018	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2019
Number of options/rights	7,148,573	2,964,237	(1,589,109)	0	(1,835,163)	6,688,538
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$26.66
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						181,581

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2020 and 2019, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 4 November 2020:

- no options/rights over ordinary shares have been granted since the end of 2020; and
- 15,592 shares issued as a result of the exercise of options/rights since the end of 2020, all with nil exercise prices.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2020		2019	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	24.78	24.93	25.83	25.52
Expected volatility of ANZ share price (%)[1]	20.0	20.0	20.0	20.0
Equity term (years)	2.5	6.0	2.5	4.8
Vesting period (years)	2.1	4.0	2.1	3.0
Expected life (years)	2.1	4.0	2.1	3.0
Expected dividend yield (%)	6.0	6.0	6.0	6.0
Risk free interest rate (%)	0.77	0.74	1.96	2.05
Fair value ($)	21.95	9.07	22.87	9.40

1. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a deferred period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2020 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 4,882,936 shares at an average price of $25.06 per share (2019: 4,317,094 shares at an average price of $25.99 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are defined as all directors of the Group and those personnel with a key responsibility for the strategic direction and management of the Group and report directly to the CEO. KMP compensation included within total personnel expenses in Note 3 Operating Expenses is as follows:

	2020 $000	2019 $000[1]
Short-term benefits	19,260	15,784
Post-employment benefits	414	415
Other long-term benefits	397	213
Termination benefits	-	2,112
Share-based payments	8,198	6,184
Total	28,269	24,708

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including: the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provision raised in respect of these balances. Details of the terms and conditions of lending products can be found on ANZ.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	2020 $000	2019 $000
Loans advanced[1,2]	31,808	26,884
Undrawn facilities	1,028	513
Interest charged[3]	888	739

1. Prior period balance has been restated to reflect minor timing variances and omissions.
2. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.
3. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	2020 Number	2019 Number[1]
Shares, options and rights	2,211,879	1,892,754
Subordinated debt	21,052	11,802

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $48.4 million (2019: $60 million).

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

ASSOCIATES

We disclose significant associates in Note 26 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis:

	2020 $000	2019 $000
Amounts receivable from associates	354	664
Amounts payable to associates	1,354	697
Interest income from associates	-	93
Other revenue from associates	500	-
Other expenses paid to associates	7,706	11,561
Dividend income from associates	32,465	50,014

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2020 $m	2019 $m
Contract amount of:		
Undrawn facilities	227,819	209,340
Guarantees and letters of credit	22,778	22,339
Performance related contingencies	17,017	22,112
Total	267,614	253,791

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group may be required to pay, the total undrawn facilities of $227,819 million (2019: $209,341 million) mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

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

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

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

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group may be required to pay, the total guarantees and letters of credit of $22,778 million (2019: $22,339 million) and total performance related contingencies of $17,017 million (2019: $22,112 million) mature within 12 months.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES

As at 30 September 2020, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to note 21) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include 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. The Company is defending the proceedings.

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 knowingly concerned 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.

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.

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.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

SECURITY RECOVERY ACTIONS

Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

WARRANTIES AND INDEMNITIES

The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESSES

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973.

Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	2020 $'000	2019 $'000
KPMG Australia		
Audit or review of financial reports	8,059	9,036
Audit-related services[1]	3,693	3,392
Non-audit services[2]	25	114
Total[3]	11,777	12,542
Overseas related practices of KPMG Australia		
Audit or review of financial reports	6,049	5,691
Audit-related services[1]	1,677	2,316
Non-audit services[2]	98	2
Total	7,824	8,009
Total auditor fees	19,601	20,551

1. Comprises prudential and regulatory services of $3.61 million (2019: $4.47 million), comfort letters $0.75 million (2019: $0.48 million) and other services $1.01 million (2019: $0.76 million).
2. The nature of the non-audit services includes training and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2020 to the date of signing this report.

Directors' Declaration

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

a) in the Directors' opinion, the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Consolidated Entity as at 30 September 2020 and of its performance for the year ended on that date;

b) the notes to the financial statements of the Consolidated Entity include a statement that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards;

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

4 November 2020

Shayne C Elliott
Managing Director

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The Financial Report comprises the:

- consolidated balance sheet as at 30 September 2020;
- consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes 1 to 35 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of Financial Instruments held at Fair Value;
- Carrying value of goodwill;
- Carrying value of investment in Asian associates;
- Provisions for Customer Remediation; and
- IT Systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($5,899m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 13 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Group's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments are made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental post model adjustments the Group applies to the ECL results.

The Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Group. We exercise significant judgment in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures covered:

Testing key controls of the Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Group's lending policies, monitoring of counterparty credit quality against the Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of counterparty risk assessments and risk grading against the requirements of the Group's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) over the key IT applications used by the Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change). For each loan sampled, we challenged the Group's CCR and Security Indicator (SI), taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Group's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with KPMG risk consulting specialists, we assessed the accuracy of the Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Group;
- Working with KPMG economic specialists, we challenged the Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Group's ECL models. We compared the Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Group's ECL model and data deficiencies identified by the Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the portion of customers on loan deferral packages that are not aged. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Group's assessment.

We assessed the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:
- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,183m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $145,559m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $55m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $138,786m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 17 to the Financial Report.

The Key Audit Matter

The fair value of the Group's Level 2 and 3 financial instruments is determined by the Group through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and level 2 financial instruments held at fair value is considered a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable; and
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 53% of the Group's financial assets carried at fair value and 97% of the Group's financial liabilities carried at fair value.

Level 3 financial instruments represented 0.4% of the Group's financial assets carried at fair value and 0.04% of the Group's financial liabilities carried at fair value. This population is made up of:

- Investment securities at fair value through other comprehensive income;
- Derivative assets and liabilities; and
- Net loans and advances.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

- We performed an assessment of the population of Financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - Controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - Controls in relation to the review and challenge of daily profit and loss (P&L) by a control function;
  - Controls over the collateral management process, including review of margin reconciliations with clearing houses; and
  - Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- With the assistance of KPMG valuation experts, we independently re-valued a selection of financial instruments and FVAs. This involved sourcing independent inputs from markets data providers or external sources and using our own valuation models. We challenged the Group where our revaluations significantly differed from the Group's.
- In relation to the subjective valuation of Level 3 Investment Securities, with our valuation specialists, we:
  - Assessed the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - Compared the Group's valuation methodology to industry practice and the criteria in the accounting standards.
- We assessed the Group's financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

CARRYING VALUE OF GOODWILL ($3,264m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 20 to the Financial Report.

The Key Audit Matter

Carrying value of goodwill is a key audit matter as:

- The Group's net assets exceeded its market capitalisation at year-end. This increased the potential for impairment and our audit effort in this area.
- We focussed on the significant forward-looking assumptions the Group applied in their value in use (VIU) and fair value less costs of disposal (FVLCOD) models, including:
  - Growth rates, and terminal growth rates in the VIU model, and future maintainable earnings and price earnings multiples applied in the FVLCOD model. The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
  - Discount rates in the VIU model and the control premium in the FVLCOD. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time.
- Significant judgement was required by the Group as a result of the current COVID-19 environment. COVID-19 has caused significant estimation uncertainty and as a result there is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and future maintainable earnings and market multiples used in its fair value calculations. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider.
- The Group recorded an impairment charge of $50m against goodwill in the Pacific CGU further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the valuation method (value in use or fair value less costs of disposal) applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the value in use and fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas;
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
- We assessed the Group's key assumptions used in the fair value less costs of disposal model, such as, future maintainable earnings, the control premium and compared the implied multiples from comparable market transactions to the implied multiple used in the model;

KEY AUDIT MATTERS (continued)

- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Group and industry it operates in;
- We compared the forecast cash flows contained in the models to revised Strategic Plan reflecting the Group's COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as market multiples, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN ASIAN ASSOCIATES ($2,140M)

Refer to the critical accounting estimates, judgements and disclosures in Notes 26 to the Financial Report.

The Key Audit Matter

Carrying value of investment in Asian associates (PT Panin and AmBank) is a key audit matter as:

- The Group's impairment assessment of non-lending assets identified that two of the Group's associate investments (PT Panin and AmBank) had indicators of impairment.
- Significant judgement was required by the Group as a result of the business disruption and economic impacts of COVID-19 pandemic, raising estimation uncertainty. These conditions and the uncertainty of their continuation increase the possibility of the associates being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes in the cash flow models.
- Our evaluation of potential impairment involves critically evaluating the Group's judgement in relation to the Group's Asian associates key forward-looking assumptions. Instances where the Group's judgement is evaluated include:
  - Forecast earnings and terminal growth rates – The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
  - Discount rates – These are complicated in nature and vary according to the conditions and environment the specific associate investments operate in.
- The Group recorded impairment charges in relation to the investment in Ambank of $595m and PT Panin of $220m further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value in use valuation method applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the models used, including the accuracy of the underlying calculation formulas;
- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Asian associates and the market and industry they operate in;
- We compared the forecast cash flows contained in the models to recent broker consensus reports, reflecting the COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as, forecast growth rates, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KEY AUDIT MATTERS (continued)

PROVISIONS FOR CUSTOMER REMEDIATION ($1,109m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 21 and 33 to the Financial Report.

The Key Audit Matter

The Group has assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a Key Audit Matter due to the number of investigations, the quantum of amounts involved, and the judgements required by us in assessing the Group's determination of:

- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- The number of investigations and the quantum of amounts being paid arising from the present obligation;
- Reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Group's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- Enquiring with the Group regarding ongoing legal, regulatory and other investigation into remediation activities;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Group's Board of Directors, Board Committees, various management committees, and attending the Group's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual customer remediation matters, assessing the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions;
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;
- Assessing the appropriateness of the Group's conclusions against the requirements of *Australian Accounting Standards* where estimates were unable to be reliably made for a provision to be recognised; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of *Australian Accounting Standards*.

KEY AUDIT MATTERS (continued)

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Group's IT controls. We work with our KPMG IT specialists as a core part of our audit team.

How the matter was addressed in our audit

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment, including those regarding Group policy design, review and awareness, and IT Risk Management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Group;
- Design and operating effectiveness testing of controls used by the Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. We tested:
  - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

KEY AUDIT MATTERS (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2020, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Alison Kitchen
Partner

Melbourne
4 November 2020

We are adapting to the changing environment, protecting our people, customers and shareholders, engaging proactively with our stakeholders and, together, preparing for the future.

ANZ

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Australia and New Zealand Banking Group Limited (ANZ) ABN 11 005 357 522.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

ABN 11 005 357 522

THE COMPANY

2020 Financial Report

30 September 2020

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL REPORT

INCOME STATEMENT

For the year ended 30 September	Note	2020 $m	2019 $m
Interest income[1]		21,739	27,599
Interest expense		(11,855)	(17,452)
Net interest income	2	9,884	10,147
Other operating income	2	4,204	4,553
Net income from insurance business	2	-	7
Share of associates' (loss)/profit	2	(1)	(1)
Operating income		14,087	14,706
Operating expenses	3	(7,788)	(7,784)
Profit before credit impairment and income tax		6,299	6,922
Credit impairment charge	12	(2,337)	(714)
Profit before income tax		3,962	6,208
Income tax expense	4	(1,156)	(1,761)
Profit for the year		2,806	4,447

1. Includes interest income calculated using the effective interest method of $18,232 million on financial assets measured at amortised cost or fair value through other comprehensive income (2019: $23,678 million).

The notes appearing on pages 8 to 89 form an integral part of these financial statements.

FINANCIAL REPORT (continued)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2020 $m	2019 $m
Profit for the year	2,806	4,447
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Investment securities - equity securities at FVOCI	(151)	45
Other reserve movements	23	98
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation reserve	(109)	209
Other reserve movements	587	915
Income tax attributable to the above items	(149)	(301)
Other comprehensive income after tax	201	966
Total comprehensive income for the year	3,007	5,413

The notes appearing on pages 8 to 89 form an integral part of the financial statements.

BALANCE SHEET

As at 30 September	Note	2020 $m	2019 $m
Assets			
Cash and cash equivalents	7	98,083	77,949
Settlement balances owed to ANZ		7,116	3,442
Collateral paid		13,012	13,461
Trading securities	8	38,423	34,217
Derivative financial instruments	9	130,552	116,544
Investment securities	10	80,284	73,355
Net loans and advances	11	488,002	484,655
Regulatory deposits		199	215
Due from controlled entities		100,654	88,874
Shares in controlled entities	23	15,022	15,467
Investments in associates		20	18
Current tax assets		155	254
Deferred tax assets[1]		1,744	1,245
Goodwill and other intangible assets	19	1,097	1,367
Premises and equipment[1]		2,643	971
Other assets		2,072	2,798
Total assets		979,078	914,832
Liabilities			
Settlement balances owed by ANZ		19,556	9,342
Collateral received		8,074	7,005
Deposits and other borrowings	13	558,136	524,241
Derivative financial instruments	9	131,230	117,340
Due to controlled entities		100,932	89,683
Current tax liabilities		81	118
Deferred tax liabilities		79	67
Payables and other liabilities[1]		8,070	6,621
Employee entitlements		441	450
Other provisions	20	2,157	1,905
Debt issuances	14	97,050	104,846
Total liabilities		925,806	861,618
Net assets		53,272	53,214
Shareholders' equity			
Ordinary share capital	21	26,454	26,413
Reserves	21	1,018	840
Retained earnings[1]	21	25,800	25,961
Total shareholders' equity	21	53,272	53,214

1. On adoption of AASB 16 on 1 October 2019, ANZ recognised right-of-use assets of $2.1 billion presented within Premises and equipment and lease liabilities of $2.1 billion presented within Payables and other liabilities. This resulted in a reduction to opening retained earnings of $72 million and an increase in deferred tax assets of $31 million. Comparative information has not been restated. Refer to Note 1 for further details.

The notes appearing on pages 8 to 89 form an integral part of the financial statements.

FINANCIAL REPORT (continued)

CASH FLOW STATEMENT

For the year ended 30 September	2020 $m	2019 $m
Profit after income tax	2,806	4,447
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Allowance for expected credit losses	2,337	714
Depreciation and amortisation[1, 2]	1,214	738
Goodwill impairment	10	-
Net derivatives/foreign exchange adjustment	(2,175)	5,004
Impairment of investment in Wealth Australia	42	-
Impairment of investment in ANZ Share Investing	2	147
(Gain)/Loss on sale from divestments	11	(273)
Other non-cash movements	20	31
Net(increase)/decrease in operating assets:		
Collateral paid	33	(3,839)
Trading securities	1,908	(6,393)
Net loans and advances	(7,526)	(3,740)
Net intra-group loans and advances	(393)	5,301
Other assets	(26)	(85)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings	40,662	(1,109)
Settlement balances owed by ANZ	10,286	(642)
Collateral received	1,426	619
Other liabilities	(9,121)	955
Total adjustments	38,710	(2,572)
Net cash provided by operating activities[3]	41,516	1,875
Cash flows from investing activities		
Investment securities assets:		
Purchases	(33,731)	(22,583)
Proceeds from sale or maturity	25,346	18,440
(Repayment of)/Proceeds from IOOF secured notes	(800)	800
Proceeds from divestments, net of cash disposed	688	185
Net movement in shares in controlled entities	(75)	(132)
Other assets	(567)	(648)
Net cash (used in) investing activities	(9,139)	(3,938)
Cash flows from financing activities		
Debt issuances:[4]		
Issue proceeds	10,064	20,450
Redemptions	(17,179)	(18,938)
Dividends paid[5]	(2,861)	(4,481)
On market purchase of treasury shares	(122)	(112)
Repayment of lease liabilities[6]	(267)	-
Share buy-back	-	(1,120)
Net cash (used in)/provided by financing activities	(10,365)	(4,201)
Net (decrease)/increase in cash and cash equivalents	22,012	(6,264)
Cash and cash equivalents at beginning of year	77,949	80,227
Effects of exchange rate changes on cash and cash equivalents	(1,878)	3,986
Cash and cash equivalents at end of year	98,083	77,949

1. Includes depreciation of right-of-use assets recognised on 1 October 2019 following the adoption of AASB 16. Comparatives have not been restated.
2. Includes accelerated amortisation of $184 million following the Company'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. Refer to Note 19 Goodwill and Other Intangible Assets for further details.
3. Net cash provided by operating activities includes income taxes paid of $1,596 million (2019: $1,875 million).
4. Non-cash changes in debt issuances includes fair value hedging losses of $532 million (2019: $2,106 million loss) and foreign exchange gains of $858 million (2019: foreign exchange losses $3,290 million).
5. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.
6. Relates to repayments of lease liabilities which the Company commenced recognising on 1 October 2019 following the adoption of AASB 16. Comparative information has not been restated.

The notes appearing on pages 8 to 89 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital $m	Reserves $m	Retained earnings $m	Total shareholders' equity $m
As at 1 October 2018	27,533	(56)	26,399	53,876
Impact on transition to AASB 9	-	5	(483)	(478)
Profit for the year	-	-	4,447	4,447
Other comprehensive income for the year	-	894	72	966
Total comprehensive income for the year	**-**	**894**	**4,519**	**5,413**
Transactions with equity holders in their capacity as equity holders:				-
Dividends paid	-	-	(4,481)	(4,481)
Group share buy-back[2]	(1,120)	-	-	(1,120)
Other equity movements:				
Other items	-	(3)	7	4
As at 30 September 2019	26,413	840	25,961	53,214
Impact on transition to AASB 16			(72)	(72)
Profit for the year	-	-	2,806	2,806
Other comprehensive income for the year	-	183	18	201
Total comprehensive income for the year	-	183	2,824	3,007
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,922)	(2,922)
Dividend Reinvestment Plan[1]	61	-	-	61
Other equity movements:				
Group employee share acquisition scheme	(20)	-	-	(20)
Other items	-	(5)	9	4
As at 30 September 2020	26,454	1,018	25,800	53,272

1. 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final dividend; nil shares for the 2019 interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP). On-market share purchases for the DRP in 2020 were $185 million (Sep 19 full year: $432 million).
2. The Company has completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million worth of shares in 2019 resulting in 42.0 million shares being cancelled in 2019.

The notes appearing on pages 8 to 89 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT THE FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited (the Company or ANZ) for the year ended 30 September 2020. The Company is incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008.

On 4 November 2020, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Company's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Company's business during the period, for example: business acquisitions or disposals (qualitative factor); or
- the information relates to an aspect of the Company's operations that is important to its future performance (qualitative factor) and;
- the information is required under legislative requirements of the *Corporations Act 2001, the Banking Act 1959 (Cth)* or by the Company's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Company's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report (as defined under the Corporations law) prepared by a 'for profit' entity, in accordance with *Australian Accounting Standards (AASs)* and other authoritative pronouncements of the *Australian Accounting Standards Board (AASB)* the *Corporations Act 2001*, and the *International Financial Reporting Standards (IFRS)* and interpretations published by the *International Accounting Standards Board (IASB)*.

The Company is a reporting entity under the *Corporations Act 2001*, and is not exempt from preparing consolidated financial statements. The financial statements for the Company have been prepared for the purpose of the Company fulfilling its financial reporting obligations under part 7.8 of the *Corporations Act 2001*, as required for Australian Financial Services Licensees.

The Company is the ultimate parent entity of the ANZ Group. The Company consists of the following operations undertaken in Australia and in its overseas branches:

- Retail and Commercial operations,
- Institutional operations, and
- Technology Services & Operations and Group Centre operations.

The consolidated financial statements of the Group can be found as part of the 2020 Annual Report at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/ and copies are available from the Company's registered office and principal place of business.

We present these financial statements in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*.

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedging exposure;
- financial instruments held for trading;
- financial assets and liabilities designated at fair value through profit and loss; and
- financial assets at fair value through other comprehensive income.

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

1. ABOUT THE FINANCIAL STATEMENTS (continued)

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into Australian dollars, being the functional currency, at the relevant spot rate. Any foreign currency translation gains or losses are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income the translation differences are included as part of the fair value gains or losses recorded in other comprehensive income.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Company's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within the relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Company 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 extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities; and
- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

The Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2020 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 Company. 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, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

1. ABOUT THE FINANCIAL STATEMENTS (CONTINUED)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

AASB 16 *Leases (AASB 16)*

AASB 16 became effective for the Company from 1 October 2019 and replaced the previous standard AASB 117 *Leases* (AASB 117). AASB 16 primarily impacts the Company's property and technology leases which were previously classified as operating leases. Under AASB 117, operating leases were not recognised on balance sheet and rent payments were expensed over the lease term.

Under AASB 16, the Company recognises all leases (except for leases of low value assets and short term leases) on balance sheet under a single accounting model. Accordingly, the Company recognises its right to use an underlying leased asset over the lease term as a right-of-use (ROU) asset, and its obligation to make lease payments as a lease liability. In the income statement, the Company recognises depreciation expense on the ROU asset and interest expense on the lease liability. As a result, lease expenses will be higher in the early periods of a lease and lower in the later periods of the lease compared to the previous standard where expenses were constant over the lease term. Cumulative expenses over the life of a lease will not change.

As permitted by the standard, the Company does not recognise ROU assets and lease liabilities for leases of low value items and short term leases (less than 12 months). Instead, the lease payments associated with these leases are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

The Company has applied the modified retrospective transition approach whereby initial lease liabilities are recognised based on the present value of remaining lease payments as of the transition date. The initial ROU asset recognised for certain large commercial and retail leases was measured as if AASB 16 had always been applied to the leases. For all other leases, the initial ROU asset was measured as equal to the initial lease liability.

The implementation of AASB 16 requires management to make certain key judgements including the determination of lease terms, discount rates and identifying arrangements that contain a lease. Extension options are included in the lease term if the Company is reasonably certain the option will be exercised. This assessment includes consideration of facts and circumstances that create an economic incentive for the Company to exercise the option.

Based on the modified retrospective transition approach, the Company recognised lease liabilities of $2.1 billion presented within Payables and other liabilities and ROU assets of $2.1 billion presented within Premises and equipment. This resulted in a reduction to opening retained earnings of $72 million and an increase in deferred tax assets of $31 million as of 1 October 2019. Comparatives have not been restated.

In addition, the Company elected to apply the following practical expedients as permitted under the modified retrospective transition approach:

a) Impairment of ROU assets at the transition date was assessed by relying on onerous lease provisions previously recognised as of 30 September 2019 under AASB 117;
b) Initial direct costs associated with entering leases prior to the transition date were excluded from the carrying value of ROU assets recognised at transition;
c) No ROU assets or lease liabilities were recognised for certain leases with less than 12 months remaining as of the transition date; these leases were treated as short-term leases with all lease payments recognised in rent expense as incurred; and
d) Hindsight was used to determine the lease term of contracts that contained options to extend the lease.

1. ABOUT THE FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 September 2019 to the opening lease liabilities recognised under AASB 16 as at 1 October 2019.

	$m
Operating Lease Commitments as at 30 September 2019	1,757
Increase in lease term for extension options	559
Exclusion of low value leases and leases of less than 12 months	(19)
Exclusion of service components	(8)
Other	(3)
Total Undiscounted Lease Payments	**2,286**
Effect of discounting at a weighted average incremental borrowing rate of 2.06%	(138)
Total lease liabilities under AASB 16 as at 1 October 2019	**2,148**

During the reporting period, ANZ recognised the following amounts in the income statement

	$m
Depreciation expense on ROU assets	353
Interest expense on lease liabilities	43
Interest expense on makegood provisions	1
Rent expense in relation to low value leases and leases of less than 12 months	13
Other income in relation to subleases	21

The Company's accounting policies with respect to lease arrangements where it acts as lessor have not changed under AASB 16 except where the Company subleases certain leased properties. Where the Company acts as intermediate lessor, it classifies the sublease as either a finance lease or operating lease by reference to the ROU asset of the head lease. Income from operating subleases is recognised in Other operating income in the Income Statement.

Interest Rate Benchmark Reform

Background

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (RFRs) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

Accounting amendments

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the *International Accounting Standards Board (IASB)* has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

In October 2019, the AASB issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amends certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Company elected to early adopt the amendments from 1 October 2019 which have not had a significant impact on the Company. These amendments address the accounting effects of uncertainty in the period leading up to the reform arising from the Company's ability to satisfy the existing prospective hedge effectiveness requirements of AASB 139. This uncertainty arises as it is not known when the hedged items (such as debt issuances) and associated hedging instruments (such as interest rate swaps) will be changed to reference the RFRs, or if both the hedging item and the associated hedging instrument will move to the new rates at the same time. The Company has applied this amendment to all hedge accounted relationships (cash flow or fair value hedges) where the reform gives rise to uncertainties about the timing or amount of IBOR based cash flows of the hedged item or hedging instrument.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* which is mandatory for the Company for the 2022 financial year. This standard addresses issues that may affect the Company at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The standard includes amendments in respect of:

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ABOUT THE FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

- Modification of a financial asset or a financial liability measured at amortised cost

  IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Company. The amendments provide a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate. As a result, no immediate gain or loss is recognised. 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.

- Additional relief for hedging relationships

  The Standard also amends a number of existing hedge accounting requirements that will assist the Company to maintain its existing hedge accounted relationships post IBOR transition. The Company will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income statement.

The Company is in the process of assessing the impact of the new standard on its financial statements.

Impact of IBOR reform

The Company has exposure to IBOR through its issuance of debt, the structural interest rate risk position, holdings of investment securities, products denominated in foreign currencies and associated hedging activities in our treasury and markets businesses within the TSO and Group Centre and Institutional divisions respectively.

The Company has established an enterprise-wide Benchmark Transition Program to manage the transition. The program includes the assessment and actions necessary to accommodate the transition to RFRs as they apply to internal processes and systems including pricing, risk management, documentation and hedge arrangements. The program includes management of the impact on customers.

Impact of IBOR reform on the Company's hedging relationships

Certain IBOR rates are subject to replacement by RFRs. The Company has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Company's hedging relationships are exposed to are USD LIBOR, Euro Interbank Offered Rate (EURIBOR), Bank Bill Swap Rate (BBSW) and Bank Bill Market (BKBM).

Of these benchmarks the Company expects BBSW, BKBM and EURIBOR to exist as benchmark rates for the foreseeable future and therefore does not believe its BBSW, BKBM or EURIBOR benchmark fair value or cash flow hedges will be directly impacted by IBOR reform.

The table below details the carrying values of the Company's exposures designated in hedge accounting relationships that will be impacted by IBOR reform, principally USD LIBOR. The nominal value of the associated hedging instruments is also included:

			As at 30 September 2020
Hedged items			USD LIBOR exposures $m
Investment securities at FVOCI			15,002
Net loans and advances			111
Debt issuances			23,701
Hedging instruments	Notional designated up to 31 December 2021 $m	Notional designated beyond 31 December 2021 $m	Total Notional Amount $m
Fair value hedges	10,316	26,625	36,941
Cash flow hedges	-	1,055	1,055

As at 30 September 2020 the Company also has GBP LIBOR and JPY LIBOR exposures designated in hedge accounting relationships of $927 million and $2,131 million respectively.

In addition to hedge accounted relationships that will be impacted by IBOR reform, the Company has exposures to other financial instruments referencing an IBOR rate that are also subject to reform. The Company is continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Company's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments* (AASB Interpretation 23)

AASB Interpretation 23 became effective for the Company from 1 October 2019. The interpretation clarifies application of recognition and measurement requirements in AASB 112 *Income Taxes* where there is uncertainty over income tax treatments. As the Company's existing policy aligned with the requirements of AASB Interpretation 23, the interpretation had no material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ABOUT THE FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2020, and have not been applied by the Company in preparing these financial statements. Further details of these are set out below.

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 Company with an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the *International Accounting Standards Board*'s ongoing project on macro hedge accounting is completed. The Company currently applies the hedge accounting requirements of AASB 139.

AASB 17 *Insurance Contracts* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Company until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have a material impact on the Company.

REVISED CONCEPTUAL FRAMEWORK

In June 2019 the AASB issued a 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 revised Conceptual Framework will apply to the Company from 1 October 2020 and is not expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING INCOME

	2020 $m	2019 $m
Net interest income		
Interest income by type of financial asset		
Investment securities - FVOCI	883	1,329
Financial assets at amortised cost	17,349	22,349
Trading securities	429	627
Interest income - external	18,661	24,305
Interest income - controlled entities	3,078	3,294
Interest income	21,739	27,599
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(7,602)	(13,191)
Securities sold short	(91)	(104)
Financial liabilities designated at fair value through profit or loss	(65)	(81)
Interest expense - external	(7,758)	(13,376)
Interest expense - controlled entities	(3,691)	(3,713)
Interest expense	(11,449)	(17,089)
Major bank levy	(406)	(363)
Net interest income	9,884	10,147
Other operating income		
i) Fee and commission income		
Lending fees[1]	532	546
Non-lending fees	2,087	2,241
Commissions	67	76
Funds management income	34	25
Fee and commission income - external	2,720	2,888
Fee and commission income - controlled entities	855	905
Fee and commission income	3,575	3,793
Fee and commission expense	(999)	(999)
Net fee and commission income	2,576	2,794
ii) Other income		
Net foreign exchange earnings and other financial instruments income[2]	1,443	896
Dividends received from controlled entities	195	873
Gain/(Loss) on divestments	(11)	69
Write down of investments	(2)	(147)
Dividend income on equity securities	26	28
Other	(23)	40
Other income[3]	1,628	1,759
Other operating income	4,204	4,553
Net income from insurance business	-	7
Share of associates' (loss) / profit	(1)	(1)
Operating income[4]	14,087	14,706

1. Lending fees excludes 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. Total other income includes external dividend income from Bank of Tianjin of $26 million (2019: $27 million).
4. Includes charges to customer remediation of $286 million for 2020 (2019: $226 million).

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value, through profit or loss in net interest income. The Company uses the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest method. This is presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The *Major Bank Levy Act 2017* ('Levy' or 'Major bank levy') applies a rate of 0.06% to certain liabilities of the Company. The Company has determined that the levy represents a finance cost for the Company and $406 million (2019: $363 million) is presented in interest expense in the Income Statement.

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers: (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on other ANZ products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Company provides multiple goods or services to a customer under the same contract, the Company allocates the transaction price of the contract to those performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where ANZ acts as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, ANZ is not primarily responsible for providing the underlying good or service to the customer. If the Company collects funds on behalf of a third party when acting as an agent, the Company only recognises the net commission it retains as revenue. When the commission is variable based on factors outside the control of the Company (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represent fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT (continued)

- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges.
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as measured at FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Dividends Received from Controlled Entities

Dividends are recognised as revenue when the right to receive payment is established.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

SHARE OF ASSOCIATES' PROFIT

The equity method is applied to accounting for associates. Under the equity method the Company's share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

3. OPERATING EXPENSES

	2020 $m	2019 $m
Personnel		
Salaries and related costs	3,147	3,141
Superannuation costs	277	252
Other	142	161
Personnel[1]	3,566	3,554
Premises		
Rent	58	383
Depreciation	427	99
Other	139	169
Premises[2]	624	651
Technology (excluding personnel)		
Depreciation and amortisation[2,3]	786	639
Subscription licences and outsourced services	586	477
Other	189	185
Technology (excluding personnel)[1]	1,561	1,301
Restructuring	127	56
Other		
Advertising and public relations	136	188
Professional fees	614	482
Freight, stationery, postage and communication	166	173
Royal Commission legal costs	-	15
Other[4]	994	1,364
Other [1]	1,910	2,222
Operating expenses[1]	7,788	7,784

1. Includes customer remediation expenses of $146 million in 2020 (2019: $380 million).
2. Following the adoption of AASB 16 on 1 October 2019, with the exception of low value leases and leases of less than 12 months, expenses associated with operating leases are shown as depreciation of the right-of-use asset and interest expense associated with the lease liability (comparatives not restated).
3. During the 2020 financial year, the Company amended the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. As a result of these changes, the Company recognised accelerated amortisation of $184 million during the year. Refer to Note 19 Goodwill and Other Intangible Assets for further details.
4. Includes goodwill write-off of $10 million in the September 2020 financial year.

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Company over the period in which an asset is consumed or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave, and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Company expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Company has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT (continued)

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Company during the current and prior year is included in Note 26 Employee Share and Option Plans.

4. INCOME TAX

INCOME TAX EXPENSE

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

	2020 $m	2019 $m
Profit before income tax	3,962	6,208
Prima facie income tax expense at 30%	1,189	1,862
Tax effect of permanent differences:		
Tax provisions no longer required	-	(8)
Non-deductible interest on debt instruments	52	81
Overseas tax rate differential	(31)	(40)
Rebatable and non-assessable dividends	(58)	(262)
Provision for foreign tax on dividend repatriation	18	34
Wealth Australia divestment adjustments	8	74
Other	(2)	39
Subtotal	1,176	1,780
Income tax over provided in previous years	(20)	(19)
Income tax expense	1,156	1,761
Current tax expense	1,689	1,901
Adjustments recognised in the current year in relation to the current tax of prior years	(20)	(19)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(513)	(121)
Income tax expense	1,156	1,761
Australia	1,028	1,583
Overseas	128	178
Income tax expense	1,156	1,761
Effective tax rate	29.2%	28.4%

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax consolidated group under Australian taxation law. The Company is the head entity in the tax consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences of the members of the tax consolidated group. The Company (as head entity in the tax consolidated group) recognises current tax liabilities and assets of the tax consolidated group.

Under a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax consolidated group.

Members of the tax consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $5 million (2019: $6 million).

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches are repatriated) total $14 million (2019: $13 million).

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except to the extent to which it relates to items recognised directly in equity and other comprehensive income, in which case we recognise it directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Company estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2019			
2018 final dividend paid[1,2]		80 cents	2,295
2019 interim dividend paid[1,2]		80 cents	2,267
Bonus option plan adjustment			(81)
Dividends paid during the year ended 30 September 2019			4,481
Cash	90.4%		4,049
Dividend reinvestment plan	9.6%		432
Dividends paid during the year ended 30 September 2019			4,481
Financial Year 2020			
2019 final dividend paid[2,3]		80 cents	2,268
2020 interim dividend paid[1,2]		25 cents	709
Bonus option plan adjustment			(55)
Dividends paid during the year ended 30 September 2020			2,922
Cash	93.7%		2,737
Dividend reinvestment plan	6.3%		185
Dividends paid during the year ended 30 September 2020			2,922

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2020 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 4 cents per share)	16 December 2020	35 cents	994

1. Fully franked for Australian tax purposes (30% tax rate).
2. Carries New Zealand imputation credits of NZD 3 cents for the 2020 interim dividend, NZD 9 cents for the 2019 final dividend, 2019 interim dividend and the 2018 final dividend.
3. Partially franked at 70% for Australian tax purposes (30% tax rate).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2020 final dividend, DRP participation and BOP participation will be satisfied by an issue of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

See Note 21 Shareholders' Equity for details of shares the Company issued or purchased in respect of the DRP and BOP.

DIVIDEND FRANKING ACCOUNT

	Currency	2020 $m	2019 $m
Australian franking credits available at 30% tax rate	AUD	477	35
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	4,583	4,068

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed final 2020 dividend will utilise $426 million of the franking credits available at 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. DIVIDENDS (continued)

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares:

- if the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- if the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

In July 2020, APRA provided an update to their guidance on capital management. In the updated guidance, APRA acknowledged that the uncertainty in the economic outlook has reduced somewhat since April 2020 and APRA had the opportunity to review ADIs' financial projections and stress testing results. Taking these and other developments since April 2020 into account, APRA advised ADIs to maintain caution in planning capital distributions, including dividend payments and that for the remainder of the calendar year, the ADIs' Board should:

- seek to retain at least half of their earnings when making decisions on capital distributions (and utilise dividend reinvestment plans and other initiatives to offset the diminution in capital from capital distributions where possible);
- conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity; and
- make use of capital buffers to absorb the impacts of stress, and continue to lend to support households and businesses.

The Company's 2020 interim dividend of 25 cents per share (paid to shareholders on 30 September 2020) and 2020 final dividend of 35 cents per share took into account the updated regulatory guidance above.

6. SEGMENT REPORTING

No operating segment disclosures have been presented in these Company financial statements. Disaggregated information for the Company's segments is not information which is regularly provided to the Chief Executive Officer, who is the Chief Operating Decision Maker (CODM) of the Company.

Full details of the operating segments of the Group are provided in Note 7 Segment Reporting in the ANZ 2020 Group Annual Report located at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair Value Option for Financial Assets

A financial asset may be irrevocably designated FVTPL on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

7. CASH AND CASH EQUIVALENTS

	2020 $m	2019 $m
Coins, notes and cash at bank	1,084	934
Securities purchased under agreements to resell in less than 3 months	34,501	24,939
Balances with central banks	39,362	24,218
Settlement balances owed to ANZ within 3 months	23,136	27,858
Cash and cash equivalents	98,083	77,949

8. TRADING SECURITIES

	2020 $m	2019 $m
Government debt securities and notes[1]	27,917	24,789
Corporate and financial institution securities[1]	4,873	3,411
Commodities	5,464	5,920
Equity and other securities[1]	169	97
Trading securities	38,423	34,217

1. In 2020, ANZ reclassified trading securities issued by development banks and supra-nationals from Corporate and financial institution securities and Equity and other securities to Government debt securities and notes. Comparative information has been restated accordingly, with $1,796 million reclassified as Government debt securities and notes made up of $1,584 million from Corporate and financial institution securities and $212 million from Equities and other securities.

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in the profit and loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Derivative financial instruments - held for trading	126,561	(128,028)	113,369	(114,413)
Derivative financial instruments - designated in hedging relationships	3,991	(3,202)	3,175	(2,927)
Derivative financial instruments	130,552	(131,230)	116,544	(117,340)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract – sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Company's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • Meet customer needs for managing their own risks. • Manage risks in the Company that are not in a designated hedge accounting relationship (balance sheet management). • Undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements to underlying positions relating to: • Hedges of the Company's exposures to interest rate risk and currency risk. • Hedges of other exposures relating to non-trading positions.

TYPES

The Company offers and uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange a series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a "call option") or to sell (known as a "put option") an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The Company offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Counterparty risk in the event of default.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Company's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Interest rate contracts				
Forward rate agreements	92	(91)	80	(84)
Futures contracts	23	(124)	32	(99)
Swap agreements	102,260	(100,765)	82,258	(81,074)
Options purchased	1,673	-	1,451	-
Options sold	-	(2,609)	-	(2,317)
Total	104,048	(103,589)	83,821	(83,574)
Foreign exchange contracts				
Spot and forward contracts	10,525	(10,105)	13,723	(13,599)
Swap agreements	9,008	(12,002)	13,591	(15,151)
Options purchased	378	-	394	-
Options sold	-	(476)	-	(501)
Total	19,911	(22,583)	27,708	(29,251)
Commodity contracts	2,571	(1,834)	1,806	(1,555)
Credit default swaps				
Structured credit derivatives purchased	18	-	16	-
Other credit derivatives purchased	4	(3)	4	(10)
Credit derivatives purchased	22	(3)	20	(10)
Structured credit derivatives sold	-	(18)	-	(19)
Other credit derivatives sold	9	(1)	14	(4)
Credit derivatives sold	9	(19)	14	(23)
Total	31	(22)	34	(33)
Derivative financial instruments - held for trading	126,561	(128,028)	113,369	(114,413)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Company utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

Under the policy choice provided by AASB 9 *Financial Instruments*, the Company has continued to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

The fair value of derivative financial instruments designated in hedging relationships are:

	Nominal amount $m	Assets 2020 $m	Liabilities 2020 $m	Nominal amount $m	Assets 2019 $m	Liabilities 2019 $m
Fair value hedges						
Foreign exchange swap agreements	-	-	-	21	1	-
Foreign exchange spot and forward contracts	558	-	(9)	581	-	(9)
Interest rate swap agreements	79,416	2,272	(2,773)	84,195	1,752	(2,479)
Interest rate futures contracts	9,380	-	(103)	3,139	-	(27)
Cash flow hedges						
Interest rate swap agreements	59,037	1,643	(261)	49,409	1,347	(311)
Foreign exchange swap agreements	2,943	63	(54)	2,934	75	(91)
Foreign exchange spot and forward contracts	153	-	-	159	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	404	13	(2)	540	-	(9)
Derivative financial instruments - designated in hedging relationships	151,891	3,991	(3,202)	140,978	3,175	(2,927)

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The maturity profile of the nominal amounts of our hedging instruments held as at 30 September 2020 is:

Nominal Amount		Average rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.57%	3,475	7,852	53,250	24,219	88,796
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.65%	4,253	12,692	40,013	2,079	59,037
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.29	258	146	-	-	404

The maturity profile of the nominal amounts of our hedging instruments held at 30 September 2019 is:

Nominal Amount		Average rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.97%	3,195	14,463	48,727	20,949	87,334
Foreign exchange	HKD/AUD FX Rate	5.38	602	-	-	-	602
Cash flow hedges							
Interest rate	Interest Rate	2.10%	596	7,429	39,630	1,754	49,409
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	40	120	1,652	1,281	3,093
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	21.41	111	429	-	-	540

[1] Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The impact of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness			
2020	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	166	(154)	12	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	352	(351)	1	(5)
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	16	(16)	-	(15)

	Ineffectiveness			
2019	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	158	(155)	3	-
Foreign exchange	(36)	36	-	-
Cash flow hedges[1]				
Interest rate	850	(840)	10	1
Foreign exchange	20	(20)	-	2
Net investment hedges[1]				
Foreign exchange	(35)	35	-	-

1. All hedging instruments are held within Derivative Financial Instruments.

Hedge ineffectiveness recognised is classified within Other operating income. Reclassification adjustments to the Statement of Comprehensive Income are recognised within Net interest income and Other operating income.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Company's fair value hedges at 30 September 2020 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	5,946	-	43	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(44,159)	-	(1,923)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	46,747	-	1,958	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			53,251	(44,159)	2,030	(1,923)

Hedged items in relation to the Company's fair value hedges at 30 September 2019 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	1,242	-	12	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(49,928)	-	(1,412)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	41,362	-	1,662	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	581	-	52	-
Total			43,185	(49,928)	1,726	(1,412)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment as the hedge assets are measured at fair value. The accounting for the hedge relationship results in transfer of the hedge adjustment out of other comprehensive income into the Income Statement.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is nil (2019: $5 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Company's cash flow and net investment hedges for 30 September 2020 are as follows:

		Cash flow hedge reserve		Foreign currency translation reserve	
	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash Flow hedges					
Floating rate loans and advances	Interest rate	1,508	30	-	-
Floating rate customer deposits	Interest rate	(193)	(15)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	36	(149)

Hedged items in relation to the Company's cash flow and net investment hedges for 30 September 2019 are as follows:

		Cash flow hedge reserve		Foreign currency translation reserve	
	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash Flow hedges					
Floating rate loans and advances	Interest rate	1,252	33	-	-
Floating rate customer deposits	Interest rate	(274)	(24)	-	-
Foreign currency debt issuance	Foreign exchange	14	-	-	-
Foreign currency investment securities	Foreign exchange	6	-	-	-
Highly probable forecast transactions	Foreign exchange	3	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	35	(149)

The table below details the reconciliation of the cash flow hedge reserve by risk type:

	Interest Rate $m	Foreign Currency $m	Total $m
Balance at 1 October 2018	106	-	106
Fair value gains	840	20	860
Transferred to income statement	1	2	3
Income taxes and others	(257)	(5)	(262)
Balance at 30 September 2019	690	17	707
Fair value gains	351	(15)	336
Transferred to income statement	(5)	(2)	(7)
Income taxes and others	(105)	4	(101)
Balance at 30 September 2020	931	4	935

Hedges from net investments in a foreign operation resulted in a $16 million increase in the foreign currency translation reserve during the year (2019: -$35 million). Of that, $15 million (2019: nil) was reclassified from FCTR to the income statement during the year.

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Company's contractual obligations are discharged, cancelled or expired.
Impact on the Income Statement	How we recognise gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated into a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated into a hedging relationship the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 24 for profit or loss treatment depending on the hedge type. Sources of hedge ineffectiveness may arise from basis risk and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Company monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. INVESTMENT SECURITIES

	2020 $m	2019 $m
Investment securities measured at fair value through other comprehensive income		
Debt securities	73,936	67,400
Equity securities	994	1,168
Investment securities measured at amortised cost		
Debt securities[1]	5,354	4,787
Total	80,284	73,355

2020 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities[2]	5,770	12,763	30,887	17,600	-	67,020
Corporate and financial institution securities[2]	633	1,700	7,104	71	-	9,508
Other securities[2]	-	-	532	2,230	-	2,762
Equity securities	-	-	-	-	994	994
Total	6,403	14,463	38,523	19,901	994	80,284
2019 Investment securities						
Government securities[2]	7,359	13,863	29,306	11,711	-	62,239
Corporate and financial institution securities[2]	247	1,069	6,121	21	-	7,458
Other securities[2]	-	-	773	1,717	-	2,490
Equity securities	-	-	-	-	1,168	1,168
Total	7,606	14,932	36,200	13,449	1,168	73,355

1. Includes allowance for expected credit losses of $1 million (2019: $1 million).
2. In 2020, ANZ reclassified investment securities issued by development banks and supra-nationals from Corporate and financial institution securities to Government securities. Comparative information has been restated accordingly, with $9,185 million reclassified as Government securities from Corporate and financial institution securities. In addition, ANZ reclassified certain investment securities from Government securities to Other securities and comparative information was restated with $577 million reclassified.

During the year, the Company recognised a net gain (before tax) in Other operating income from the recycling of gains previously deferred in equity of $21 million (2019: $26 million) in respect of investment securities.

The carrying value of equity securities classified as FVOCI securities is $994 million (2019: $1,168 million). This includes the Company's $934 million (2019: $1,106 million) investment in the Bank of Tianjin (BoT).

10. INVESTMENT SECURITIES (continuing)

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (i.e. transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Bank's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Company's financial asset disclosures on page 22. Additionally, expected credit losses associated with "Investment securities - debt securities at amortised cost" and "Investment securities - debt securities at fair value through comprehensive income" are recognised and measured in accordance with the accounting policy outlined in Note 12. For "Investment securities – debt securities at fair value through other comprehensive income" the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NET LOANS AND ADVANCES

	2020 $m	2019 $m
Overdrafts	4,466	6,265
Credit cards	5,990	7,788
Commercial bills	6,383	6,159
Term loans – housing	275,579	265,810
Term loans – non-housing	197,117	199,659
Other	2,133	1,454
Subtotal	491,668	487,135
Unearned income	(19)	(144)
Capitalised brokerage/mortgage origination fees	572	585
Gross loans and advances (including assets classified as held for sale)	492,221	487,576
Allowance for expected credit losses (refer to Note 12)	(4,219)	(2,921)
Net loans and advances	488,002	484,655
Residual contractual maturity:		
Within one year	98,736	83,848
After more than one year	389,266	400,807
Net loans and advances	488,002	484,655
Carried on Balance Sheet at:		
Amortised cost	483,986	483,858
Fair value through profit or loss (designated on initial recognition)[1]	4,016	797
Net loans and advances	488,002	484,655

1. From 1 October 2019, the Company changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through the profit and loss.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Company provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage/mortgage origination fees which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any provision for credit impairment, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Company enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Company retains substantially all of the risks and rewards of the transferred assets then the transferred assets remain on the Company's balance sheet, however, if substantially all the risks and rewards are transferred then the Company derecognises the asset.

If the risks and rewards are partially retained and control over the asset is lost, then the Company derecognises the asset. If control over the asset is not lost, the Company continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer as assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Company's Financial Asset disclosures on page 22. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 12.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The following tables present the movement in the allowance for ECL for the year. The total allowance for ECL at 30 September 2020 was $4,951 million (30 September 2019: $3,479 million).

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

			Stage 3[1]		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	**729**	**1,199**	**308**	**695**	**2,931**
Transfer between stages	139	(270)	(90)	221	-
New and increased provisions (net of releases)	(136)	246	143	995	1,248
Write-backs	-	-	-	(331)	(331)
Bad debts written off (excluding recoveries)	-	-	-	(953)	(953)
Foreign currency translation and other movements[2]	14	6	-	6	26
As at 30 September 2019	**746**	**1,181**	**361**	**633**	**2,921**
Transfer between stages	168	(258)	(122)	212	-
New and increased provisions (net of releases)	122	1,198	135	1,171	2,626
Write-backs	-	-	-	(286)	(286)
Bad debts written off (excluding recoveries)	-	-	-	(1,003)	(1,003)
Foreign currency translation and other movements[2]	(8)	(7)	(1)	(23)	(39)
As at 30 September 2020	**1,028**	**2,114**	**373**	**704**	**4,219**

1. The Company's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	**1**	**-**	**-**	**-**	**1**
New and increased provisions (net of releases)	-	-	-	-	-
Foreign currency translation	-	-	-	-	-
As at 30 September 2019	**1**	**-**	**-**	**-**	**1**
New and increased provisions (net of releases)	1	-	-	-	1
Foreign currency translation	(1)	-	-	-	(1)
As at 30 September 2020	**1**	**-**	**-**	**-**	**1**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI), with a corresponding charge to profit or loss.

			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	**4**	**-**	**-**	**-**	**4**
New and increased provisions (net of releases)	1	-	-	-	1
Foreign currency translation	-	-	-	-	-
As at 30 September 2019	**5**	**-**	**-**	**-**	**5**
New and increased provisions (net of releases)	2	-	-	-	2
Foreign currency translation	-	-	-	-	-
As at 30 September 2020	**7**	**-**	**-**	**-**	**7**

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

			Stage 3[1]		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	**408**	**141**	**8**	**18**	**575**
Transfer between stages	21	(23)	1	1	-
New and increased provisions (net of releases)	(33)	7	5	-	(21)
Write-backs	-	-	-	(1)	(1)
Foreign currency translation	9	1	-	(6)	4
As at 30 September 2019	**405**	**126**	**14**	**12**	**557**
Transfer between stages	15	(20)	(2)	7	-
New and increased provisions (net of releases)	100	78	3	13	194
Write-backs	-	-	-	(12)	(12)
Foreign currency translation	(7)	(1)	-	-	(8)
As at 30 September 2020	**513**	**183**	**15**	**20**	**731**

1. The Company's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release)	2020 $m	2019 $m
New and increased provisions (net of releases)[1]		
- Collectively assessed	1,420	11
- Individually assessed	1,403	1,217
Write-backs	(298)	(332)
Recoveries of amounts previously written-off	(188)	(182)
Total credit impairment charge	2,337	714

1. Includes the impact of transfers between collectively assessed and individually assessed.

The contractual amount outstanding on financial assets that were written off during the period ended 30 September 2020 and that are still subject to enforcement activity is $321 million (2019: $141 million).

COVID-19 REPAYMENT DEFERRAL PACKAGES OFFERED TO CUSTOMERS[1]

Since March 2020, the Company has 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 has 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. Refer to Key Judgements and Estimates in this Note for details on the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

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). The table below shows the outstanding balance as at 30 September 2020 of all loans that have been modified (both substantial and non-substantial modifications):

Assistance package category	Total loan outstanding At 30 September 2020 $m
Loan deferral package	
Retail	26,117
Commercial and other	8,989
Interest only	
Retail	126
Commercial and other	33
Term extensions	
Retail	3
Commercial and other	24
Total[2]	35,292
Retail	26,246
Commercial and other	9,046
Total[2]	35,292

1. COVID-19 loan deferral packages are available to customers if either their loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due but were up to date at 1 March 2020.
2. The gross carrying amount of loans at the date of modification that were considered non-substantial modifications and had loss allowances based on lifetime expected losses was $9,462 million. No gain or loss was recognised as a result of the modification and none of the loans have subsequently changed to a 12 month expected loss allowance.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS IMPAIRMENT MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Company considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Company uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Company's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Company, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Company's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a Significant Increase in Credit Risk (SICR) since origination. In determining what constitutes a SICR, the Company considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Company uses 30 days past due arrears as a backstop criteria for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives

For facilities subject to the COVID-19 repayment deferral arrangements noted above, an assessment of SICR has been determined based on various measures of the customer's current financial position and earnings capacity from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Customers in high risk categories, and those who have requested a deferral extension have been classified as having a SICR.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Company considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs ANZ's Internal Capital Adequacy Assessment Process (ICAAP) which is the process ANZ applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required.

The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic forecast scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

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

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Company'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 within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Company's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/ Assumption	Description	Considerations for the year ended 30 September 2020
Determining when a Significant Increase in Credit (SICR) Risk has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Company monitors the effectiveness of SICR criteria on an ongoing basis.	In response to the impacts of COVID-19, various packages, such as repayment deferrals, have been offered to eligible retail and commercial customers in Australia. The Company does not consider that when a customer is first provided assistance, all other things being equal, that there has been a SICR and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. This additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those who have requested a deferral extension, have been classified as having a SICR.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/ Assumption	Description	Considerations for the year ended 30 September 2020
Measuring both 12-month and lifetime credit losses	The PD, LGD and 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 Company's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 30 September 2020.
	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 changes to behavioural lifetime estimates during the year ended 30 September 2020.
Base case economic forecast	The Company derives a forward-looking "base case" economic scenario which reflects ANZ's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2020 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continuing impact of COVID-19. The Company 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 Company's credit portfolios in determining them. In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside scenario given the Company's assessment of downside risks. The assigned probability weightings in Australia and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/ Assumption	Description	Considerations for the year ended 30 September 2020
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, 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. 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 COVID-19. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to small business and commercial banking in Australia, for retail, commercial and agri banking in New Zealand and for tourism in the Pacific.

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 to stop or reduce the speed of the spread of COVID-19;
- The extent and duration of the economic downturn, along with the time 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 30 September 2020 are set out below. These reflect ANZ's view of the most likely future macro-economic conditions as at 30 September 2020. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2020	2021	2022
Australia			
GDP	-4.3%	1.6%	4.0%
Unemployment	7.3%	8.8%	7.7%
Residential property prices	-2.2%	-4.8%	2.0%
Consumer price index	0.8	1.2	1.3
New Zealand			
GDP	-5.6%	2.0%	5.6%
Unemployment	5.7%	9.1%	6.5%
Residential property prices	-0.3%	0.9%	4.1%
Consumer price index	1.6	1.0	1.2
Rest of world			
GDP	-4.5%	2.5%	2.5%
Consumer price index	1.0	1.8	2.0

12. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

The base case economic forecasts as at 30 September 2020 reflect a significant deterioration in current and expected economic conditions from the forecasts as at 30 September 2019 reflecting the emergence and ongoing impact of 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 continuing impact of COVID-19.

In addition to the base case economic forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside economic scenario given the Company's assessment of downside risks.

The assigned probability weightings in Australia 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 Company 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 Company's credit portfolios in determining them. The average weightings applied in the Company are set out below:

	2020	2019
The Company		
Base	50.0%	50.0%
Upside	10.9%	15.7%
Downside	33.4%	29.3%
Severe Downside	5.7%	5.0%

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2020:

	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	4,272	45
If 1% of Stage 2 facilities were included in Stage 1	4,218	(9)
100% upside scenario	1,566	(2,661)
100% base scenario	3,501	(726)
100% downside scenario	4,423	196
100% severe downside scenario	5,374	1,147

NOTES TO THE FINANCIAL STATEMENTS (continued)

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:

  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or

  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

13. DEPOSITS AND OTHER BORROWINGS

The table below presents our total deposits and other borrowings by type:

	2020 $m	2019 $m
Certificates of deposit	30,574	34,952
Term deposits	148,839	173,641
On demand and short term deposits	262,236	214,002
Deposits not bearing interest	22,016	15,765
Deposits from banks and securities sold under repurchase agreements[1]	86,947	76,468
Commercial paper	7,524	9,413
Deposits and other borrowings	558,136	524,241
Residual contractual maturity:		
- to be settled within 1 year	544,324	522,125
- to be settled after 1 year	13,812	2,116
Deposits and other borrowings	558,136	524,241
Carried on Balance Sheet at:		
Amortised cost	556,676	524,220
Fair value through profit or loss (designated on initial recognition)[2]	1,460	21
Deposits and other borrowings	558,136	524,241

1. Includes $12 billion of funds drawn under the RBA's Term Funding Facility (TFF). TFF is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method.
2. From 1 October 2019, the Company changed its accounting treatment for certain gold and loan deposit products which are now designated as at fair value through profit and loss.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that are:

- not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 16 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Company's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit and loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Company. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. DEBT ISSUANCES

The Company uses a variety of funding programmes to issue senior debt (including covered bonds) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the Company. In the winding up of the Company, the subordinated debt will be repaid by the Company, only after the repayment of claims of depositors, other creditors and the senior debt holders.

	2020 $m	2019 $m
Senior debt	64,591	71,767
Covered bonds	11,761	16,826
Total unsubordinated debt	**76,352**	88,593
Subordinated debt		
- Additional Tier 1 capital	7,833	7,838
- Tier 2 capital	12,865	8,415
Total subordinated debt	**20,698**	16,253
Total debt issued	**97,050**	104,846

For further information relating to debt issuances, refer to the ANZ 2020 Group Annual Report (Note 15 Debt Issuances) available at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

15. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Company's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Company's key material risks.

We disclose details of all key material risks impacting the Company, and further information on the Company's risk management activities, in the Governance and Risk Management section in the ANZ 2020 Group Annual Report available at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

This note details the Company's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Overview	• An overview of our Risk Management Framework
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Company's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposures
Liquidity and funding risk The risk that the Company is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Company having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Company's liabilities

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements to understand the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures*. It should be read in conjunction with the Governance and Risk Management section in the ANZ 2020 Group Annual Report available at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

The Board is responsible for establishing and overseeing the Company's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Company's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Company including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Company is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes the Company's strategy for managing risks and the key elements of the RMF that gives effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Company identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At the Company, risk is everyone's responsibility.

The Company has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect the Company's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Company's Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Company's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Company's major sources of income. As this activity is also a principal risk, the Company dedicates considerable resources to its management. The Company assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from inter-bank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Company when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Company's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Company can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business customers, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Company's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom the Company has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is referred out for manual assessment.

We use the Company's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Company's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or "the facility") is classified as defaulted.	N/A	N/A

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 Company would have to pay if the instrument is called upon.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
On-balance sheet positions						
Net loans and advances	488,002	484,655	-	-	488,002	484,655
Other financial assets:						
Cash and cash equivalents	98,083	77,949	1,084	934	96,999	77,015
Settlement balances owed to ANZ	7,116	3,442	7,116	3,442	-	-
Collateral paid	13,012	13,461	-	-	13,012	13,461
Trading securities	38,423	34,217	5,465	5,922	32,958	28,295
Derivative financial instruments	130,552	116,544	-	-	130,552	116,544
Investment securities						
- debt securities at amortised costs	5,354	4,787	-	-	5,354	4,787
- debt securities at FVOCI	73,936	67,400	-	-	73,936	67,400
- equity securities at FVOCI	994	1,168	994	1,168	-	-
Regulatory deposits	199	215	-	-	199	215
Due from controlled entities	100,654	88,874	-	-	100,654	88,874
Other financial assets[2]	1,460	2,167	-	-	1,460	2,167
Total other financial assets	469,783	410,224	14,659	11,466	455,124	398,758
Subtotal	957,785	894,879	14,659	11,466	943,126	883,413
Off-balance sheet positions						
Undrawn and contingent facilities[3]	226,714	211,796	-	-	226,714	211,796
Total	1,184,499	1,106,675	14,659	11,466	1,169,840	1,095,209

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Company's credit risk exposure is presented in the following tables based on the Company's internal rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	300,174	12,692	-	-	312,866
Satisfactory	115,745	30,200	-	-	145,945
Weak	8,348	14,740	-	-	23,088
Defaulted	-	-	3,936	1,817	5,753
Gross loans and advances at amortised cost	424,267	57,632	3,936	1,817	487,652
Allowance for ECL	(1,028)	(2,114)	(373)	(704)	(4,219)
Net loans and advances at amortised cost	423,239	55,518	3,563	1,113	483,433
Coverage ratio	0.24%	3.67%	9.48%	38.75%	0.87%
Loans and advances at fair value through profit or loss					4,016
Unearned income					(19)
Capitalised brokerage/mortgage origination fees					572
Net carrying amount					488,002

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	330,531	16,720	-	-	347,251
Satisfactory	95,286	23,717	-	-	119,003
Weak	6,462	7,770	-	-	14,232
Defaulted	-	-	4,248	1,604	5,852
Gross loans and advances at amortised cost	432,279	48,207	4,248	1,604	486,338
Allowance for ECL	(746)	(1,181)	(361)	(633)	(2,921)
Net loans and advances at amortised cost	431,533	47,026	3,887	971	483,417
Coverage ratio	0.17%	2.45%	8.50%	39.46%	0.60%
Loans and advances at fair value through profit or loss					797
Unearned income					(144)
Capitalised brokerage/mortgage origination fees					585
Net carrying amount					484,655

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	5,271	-	-	-	5,271
Satisfactory	84	-	-	-	84
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	5,355	-	-	-	5,355
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,354	-	-	-	5,354
Coverage ratio	0.02%	-	-	-	0.02%

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	4,714	-	-	-	4,714
Satisfactory	74	-	-	-	74
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	4,788	-	-	-	4,788
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	4,787	-	-	-	4,787
Coverage ratio	0.02%	-	-	-	0.02%

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	73,936	-	-	-	73,936
Satisfactory	-	-	-	-	-
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Investment securities - debt securities at FVOCI	73,936	-	-	-	73,936
Allowance for ECL recognised in other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	67,400	-	-	-	67,400
Satisfactory	-	-	-	-	-
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Investment securities - debt securities at FVOCI	67,400	-	-	-	67,400
Allowance for ECL recognised in other comprehensive income	(5)	-	-	-	(5)
Coverage ratio	0.01%	-	-	-	0.01%

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Other financial assets

	2020 $m	2019 $m
Strong	365,532	317,051
Satisfactory	9,724	9,138
Weak	577	382
Defaulted	1	-
Total carrying amount	375,834	326,571

Off-balance sheet commitments - undrawn and contingent facilities

	2020				
	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
Strong	159,158	2,984	-	-	162,142
Satisfactory	18,874	2,944	-	-	21,818
Weak	1,107	915	-	-	2,022
Defaulted	-	-	102	165	267
Gross undrawn and contingent facilities subject to ECL	179,139	6,843	102	165	186,249
Allowance for ECL included in Provisions	(513)	(183)	(15)	(20)	(731)
Net undrawn and contingent facilities subject to ECL	178,626	6,660	87	145	185,518
Coverage ratio	0.29%	2.67%	14.71%	12.12%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					41,196
Net undrawn and contingent facilities					226,714

	2019				
	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
Strong	139,051	1,816	-	-	140,867
Satisfactory	19,546	2,923	-	-	22,469
Weak	271	793	-	-	1,064
Defaulted	-	-	96	38	134
Gross undrawn and contingent facilities subject to ECL	158,868	5,532	96	38	164,534
Allowance for ECL included in Provisions	(405)	(126)	(14)	(12)	(557)
Net undrawn and contingent facilities subject to ECL	158,463	5,406	82	26	163,977
Coverage ratio	0.25%	2.28%	14.58%	31.58%	0.34%
Undrawn and contingent facilities not subject to ECL[1]					47,819
Net undrawn and contingent facilities					211,796

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

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CONCENTRATIONS OF CREDIT RISK

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

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Agriculture, forestry, fishing and mining	19,555	20,163	946	860	15,837	16,117	36,338	37,140
Business services	7,544	7,063	105	112	5,747	6,075	13,396	13,250
Construction	4,649	4,859	19	33	5,331	5,140	9,999	10,032
Electricity, gas and water supply	4,842	5,293	1,843	1,543	6,841	5,226	13,526	12,062
Entertainment, leisure and tourism	11,477	11,170	560	652	3,522	2,877	15,559	14,699
Financial, investment and insurance	49,254	52,333	364,478	321,569	44,678	39,107	458,410	413,009
Government and official institutions	3,347	2,002	75,554	62,886	1,224	1,637	80,125	66,525
Manufacturing	21,452	19,338	1,661	2,196	33,716	36,319	56,829	57,853
Personal lending	279,899	274,357	697	1,072	49,421	42,246	330,017	317,675
Property services	37,605	34,196	1,024	1,009	14,526	15,126	53,155	50,331
Retail trade	9,023	10,771	164	131	7,279	5,737	16,466	16,639
Transport and storage	11,599	11,955	1,016	966	7,412	6,844	20,027	19,765
Wholesale trade	9,973	12,665	2,237	2,784	17,151	16,347	29,361	31,796
Other	21,449	20,970	4,821	2,946	14,760	13,555	41,030	37,471
Gross total	491,668	487,135	455,125	398,759	227,445	212,353	1,174,238	1,098,247
Provision for credit impairment	(4,219)	(2,921)	(1)	(1)	(731)	(557)	(4,951)	(3,479)
Subtotal	487,449	484,214	455,124	398,758	226,714	211,796	1,169,287	1,094,768
Unearned income	(19)	(144)	-	-	-	-	(19)	(144)
Capitalised brokerage/mortgage origination fees	572	585	-	-	-	-	572	585
Maximum exposure to credit risk	488,002	484,655	455,124	398,758	226,714	211,796	1,169,840	1,095,209

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which the margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, for example: guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, Investment securities, Derivatives and Other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by the Company when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities.	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Net loans and advances	488,002	484,655	393,548	374,041	94,454	110,614
Other financial assets	455,124	398,758	42,000	29,998	413,124	368,760
Off-balance sheet positions	226,714	211,796	36,372	33,984	190,342	177,812
Total	1,169,840	1,095,209	471,920	438,023	697,920	657,186

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Company's trading and balance sheet management activities, the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Company level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR gauges the Company's possible daily loss based on historical market movements.

The Company's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

The Company measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	30 September 2020				30 September 2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	2.0	5.6	1.0	2.8	1.3	9.0	1.2	3.6
Interest rate	7.2	10.6	2.9	5.8	2.8	9.5	2.8	5.3
Credit	13.6	16.9	1.6	8.2	4.8	4.8	1.1	2.8
Commodity	2.7	4.3	1.3	2.2	1.5	4.0	1.1	1.8
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(10.5)	n/a	n/a	(7.9)	(4.9)	n/a	n/a	(5.9)
Total VaR	15.0	24.5	5.3	11.1	5.5	13.1	5.3	7.6

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Company as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Company's banking book, while ensuring the Company maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Company's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Company as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	30 September 2020				30 September 2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	60.8	60.8	18.8	33.4	22.7	22.7	16.4	18.9
New Zealand	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Asia Pacific, Europe & America	28.5	30.9	17.7	24.1	17.6	17.6	12.7	16.1
Diversification benefit[1]	(43.3)	n/a	n/a	(21.4)	(10.7)	n/a	n/a	(11.0)
Total VaR	46.0	47.6	25.5	36.1	29.6	29.6	21.2	24.0

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Company as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

15. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Company's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income. A positive number signifies that a rate increase is positive for net interest income over the next 12 months.

	2020	2019[1]
Impact of 1% rate shock		
As at period end	0.78%	1.01%
Maximum exposure	1.78%	1.01%
Minimum exposure	0.06%	0.02%
Average exposure (in absolute terms)	0.78%	0.42%

1. Prior period numbers have been restated to reflect IRR model enhancements

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise investments we hold for longer-term strategic reasons. The market risk impact on these equity investments is not captured by the Company's VaR processes for traded and non-traded market risks. Therefore, the Company regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are impaired based on the recognition and measurement policies set out in Note 10 Investment securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations — for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar — exposes the Company to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

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

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK AND FUNDING POSITION

For information related to the liquidity risk and funding position refer to the ANZ 2020 Group Annual Report (Note 16 Financial Risk Management), available at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE COMPANY'S LIABILITIES

The table below provides residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. The table below excludes "Due to controlled entities" liabilities of $100.9 billion (2019: $89.7 billion) as the contractual maturity is linked to the repayment of underlying assets which are managed on a pool basis which is continuously reviewed. All outstanding Debt Issuance and Subordinated Debt is profiled on the earliest date on which the Company may be required to pay. All at-call liabilities are reported in the "Less than 3 months" category. Any other items without a specified maturity date are included in the "After 5 years" category. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet. It should be noted that this is not how the Company manages its liquidity risk. The management of this risk is detailed in the ANZ 2020 Group Annual Report (Note 16 Financial Risk Management), available at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

2020	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	19,556	-	-	-	19,556
Collateral received	8,074	-	-	-	8,074
Deposits and other borrowings	479,498	65,779	14,419	158	559,854
Liability for acceptances	224	-	-	-	224
Debt issuances[1]	4,627	21,483	64,102	12,775	102,987
Derivative liabilities (excluding those held for balance sheet management)[2]	124,027				124,027
Lease liabilities[3]	66	234	855	1,114	2,269
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(8,430)	(14,025)	(51,487)	(13,620)	(87,562)
Pay leg	8,038	12,930	49,365	12,942	83,275
- Other balance sheet management					
Receive leg	(74,219)	(40,186)	(8,321)	(8,343)	(131,069)
Pay leg	74,097	39,327	8,048	7,029	128,501

2019	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	9,313	29	-	-	9,342
Collateral received	7,005	-	-	-	7,005
Deposits and other borrowings	447,479	74,646	3,818	97	526,040
Liability for acceptances	293	-	-	-	293
Debt issuances[1]	7,579	13,958	79,370	13,207	114,114
Derivative liabilities (excluding those held for balance sheet management)[2]	108,457	-	-	-	108,457
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(24,570)	(22,462)	(62,851)	(15,524)	(125,407)
Pay leg	23,832	20,392	58,629	14,668	117,521
- Other balance sheet management					
Receive leg	(84,339)	(24,538)	(8,350)	(1,583)	(118,810)
Pay leg	84,525	25,088	9,373	1,972	120,958

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company, and perpetual debt instruments after 5 years.
2. The full mark-to-market of derivative liabilities not held for balance sheet management purposes is included in the "less than 3 months" category.
3. On adoption of AASB 16 on 1 October 2019, the Company recognised a Lease liability of $2.1 billion presented within Payables and other liabilities. Comparative information has not been restated. Refer to Note 1 for further details.
4. Includes derivatives designated into hedging relationships of $3,202 million (2019: $2,927 million) and $4,001 million (2019: $5,956 million) categorised as held for trading but form part of the Company's balance sheet management.

At 30 September 2020 $191,300 million (2019: $171,881 million) of the Company's undrawn facilities and $36,146 million (2019: $40,472 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company carries a significant number of financial instruments on the balance sheet at fair value. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Company has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Company holds offsetting risk positions, then the Company uses the portfolio exemption in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises as we measure the derivative financial instruments (which we acquired to mitigate interest rate risk of the assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - Trading securities - Securities sold short - Derivative financial assets and liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instruments are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with their carrying amounts as reported on the balance sheet.

		2020			2019		
	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	7	98,083	-	98,083	77,949	-	77,949
Settlement balances owed to ANZ		7,116	-	7,116	3,442	-	3,442
Collateral paid		13,012	-	13,012	13,461	-	13,461
Trading securities	8	-	38,423	38,423	-	34,217	34,217
Derivative financial assets and liabilities	9	-	130,552	130,552	-	116,544	116,544
Investment securities	10	5,354	74,930	80,284	4,787	68,568	73,355
Net loans and advances	11	483,986	4,016	488,002	483,858	797	484,655
Regulatory deposits		199	-	199	215	-	215
Due from controlled entities		98,726	1,928	100,654	86,907	1,967	88,874
Other financial assets		1,460	-	1,460	2,167	-	2,167
Total		707,936	249,849	957,785	672,786	222,093	894,879
Financial liabilities							
Settlement balances owed by ANZ		19,556	-	19,556	9,342	-	9,342
Collateral received		8,074	-	8,074	7,005	-	7,005
Deposits and other borrowings	13	556,676	1,460	558,136	524,220	21	524,241
Derivative financial instruments	9	-	131,230	131,230	-	117,340	117,340
Due to controlled entities		100,932	-	100,932	89,683	-	89,683
Payables and other liabilities		4,377	3,693	8,070	4,231	2,390	6,621
Debt issuances	14	92,832	4,218	97,050	100,199	4,647	104,846
Total		782,447	140,601	923,048	734,680	124,398	859,078

FAIR VALUE HIERARCHY

The Company categorises 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.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY (continued)

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

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Assets								
Trading securities[1]	35,170	29,439	3,253	4,778	-	-	38,423	34,217
Derivative financial instruments	662	351	129,832	116,137	58	56	130,552	116,544
Investment securities[1]	73,838	67,182	105	228	987	1,158	74,930	68,568
Net loans and advances[2]	-	-	4,016	797	-	-	4,016	797
Due from controlled entities	-	-	1,928	1,967	-	-	1,928	1,967
Total	109,670	96,972	139,134	123,907	1,045	1,214	249,849	222,093
Liabilities								
Deposits and other borrowings[2]	-	-	1,460	21	-	-	1,460	21
Derivative financial instruments	1,109	868	130,066	116,421	55	51	131,230	117,340
Payables and other liabilities[3]	3,680	2,352	13	38	-	-	3,693	2,390
Debt issuances (designated at fair value)	996	1,009	3,222	3,638	-	-	4,218	4,647
Total	5,785	4,229	134,761	120,118	55	51	140,601	124,398

1. During the year, $127 million of assets were transferred from Level 2 to Level1 (2019: nil) following increased trading activity to support quoted prices. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. From 1 October 2019, the Company changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through profit and loss.
3. Payables and other liabilities relates to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

The net balance of Level 3 is an asset of $990 million (2019: $1,163million). 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;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed;
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Movement in the Level 3 balance is mainly due to the revaluation of the Company's investment in Bank of Tianjin.

There were no other material transfers in or out of Level 3 during the period.

Bank of Tianjin (BoT)

The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA (continued)

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 Company's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $93 million (Sep 19: $111 million) increase or decrease to the fair value of the investment, which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in the Level 3 inputs have a minimal impact on net profit and net assets of the Company.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs, the Company does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight line basis over the life of the transaction or until all inputs become observable.

The day one gains and losses deferred are not material.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Company's basis of estimating fair values of financial instruments carried at amortised cost:

Financial Asset and Liability	Fair Value Approach
Investment securities – debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Company's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Company to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to the Company for that instrument.

16. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Company's balance sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Company provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

	At amortised cost		Categorised into fair value hierarchy						Fair value (total)	
			Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)			
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Financial assets										
Net loans and advances	483,986	483,858	-	-	16,056	21,425	468,367	462,909	484,423	484,334
Investment securities	5,354	4,787	-	-	5,352	4,790	-	-	5,352	4,790
Due from controlled entities	98,726	86,907	-	-	-	-	98,726	86,907	98,726	86,907
Total	588,066	575,552	-	-	21,408	26,215	567,093	549,816	588,501	576,031
Financial liabilities										
Deposits and other borrowings	556,676	524,220	-	-	556,805	524,383		-	556,805	524,383
Debt issuances	92,832	100,199	23,214	39,620	71,133	61,832	-	-	94,347	101,452
Due to controlled entities	100,932	89,683		-	-	-	100,932	89,683	100,932	89,683
Total	750,440	714,102	23,214	39,620	627,938	586,215	100,932	89,683	752,084	715,518

KEY JUDGEMENTS AND ESTIMATES

The Company evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and liabilities at the balance sheet date.

The majority of valuation models the Company uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Company has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

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

When establishing the fair value of a financial instrument using a valuation technique, the Company considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 9 Derivative Financial Instruments) to reflect the Company's assessment of factors that market participants would consider in setting fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- Securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- Specified residential mortgages provided as security for notes and bonds issued to investors as part of the Company's covered bond programs;
- Collateral provided to central banks; and
- Collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	2020 $m	2019 $m
Securities sold under arrangements to repurchase[1]	60,612	42,640
Residential mortgages provided as security for covered bonds	17,937	20,052
Other	4,921	4,421

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Company's balance sheet; and
   - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The Company has received collateral associated with various financial instruments. Under certain transactions the Company has the right to sell, or to repledge, the collateral received. These transactions are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	2020 $m	2019 $m
Fair value of assets which can be sold or repledged	53,118	37,526
Fair value of assets sold or repledged	32,308	29,384

18. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

If the above conditions are not met, the financial assets and liabilities are presented on a gross basis.

The Company does not have any arrangements that satisfy the conditions necessary to offset financial assets and financial liabilities within the balance sheet. The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
2020	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	130,552	(2,531)	128,021	(117,039)	(5,625)	5,357
Reverse repurchase, securities borrowing and similar agreements[1]	52,322	(4,810)	47,512	(1,566)	(45,946)	-
Total financial assets	182,874	(7,341)	175,533	(118,605)	(51,571)	5,357
Derivative financial liabilities	(131,230)	1,567	(129,663)	117,039	9,402	(3,222)
Repurchase, securities borrowing and similar agreements[2]	(54,951)	13,589	(41,362)	1,566	39,796	-
Total financial liabilities	(186,181)	15,156	(171,025)	118,605	49,198	(3,222)

			Amount subject to master netting agreement or similar			
2019	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	116,544	(2,323)	114,221	(102,761)	(6,232)	5,228
Reverse repurchase, securities borrowing and similar agreements[1]	36,648	(4,845)	31,803	(1,414)	(30,389)	-
Total financial assets	153,192	(7,168)	146,024	(104,175)	(36,621)	5,228
Derivative financial liabilities	(117,340)	1,648	(115,692)	102,761	9,803	(3,128)
Repurchase, securities borrowing and similar agreements[2]	(40,826)	17,240	(23,586)	1,414	22,172	-
Total financial liabilities	(158,166)	18,888	(139,278)	104,175	31,975	(3,128)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented on the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented on the Balance Sheet within net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Balance at start of year	82	73	1,285	1,373	-	-	1,367	1,446
Additions	-	10	372	412	6	-	378	422
Amortisation expense[2]	-	-	(625)	(497)	(1)	-	(626)	(497)
Impairment expense[3]	(10)	-	(2)	(4)	-	-	(12)	(4)
Written off on disposal	(10)	-	-	-	-	-	(10)	-
Foreign currency exchange difference	-	(1)	-	1	-	-	-	-
Balance at end of year	62	82	1,030	1,285	5	-	1,097	1,367
Cost[4]	72	82	7,006	6,767	6	-	7,084	6,849
Accumulated amortisation/impairment	(10)	n/a	(5,976)	(5,482)	(1)	-	(5,987)	(5,482)
Carrying amount	62	82	1,030	1,285	5	-	1,097	1,367

1. Goodwill excludes notional goodwill in equity accounted investments.
2. During the second half of the 2020 financial year, the Company amended the application of its software amortisation policy. The Company recognised accelerated amortisation of $184 million.
3. During the September 2020 year, the Company recognised an impairment charge of $10 million to fully write off the goodwill relating to its business in the Pacific.
4. Includes impact of foreign currency translation differences.

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangible Assets
Definition	Excess amount the Company has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchases of "off the shelf" software assets are capitalised as assets. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Intangible asset arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially measured at fair value at acquisition. Subsequently carried at cost less accumulated amortisation and impairment losses.

19. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT (continued)

	Goodwill	Software	Other Intangible Assets
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Useful life of 3 years.
Depreciation method	Not applicable.	Straight-line method.	Straight-line method.

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill, and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying value of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the underlying pace of technological change.

During the Financial year the Company amended the application of the software policy to reflect the shorter lives of various types of software, including regulatory and compliance focused assets and purchased assets. These changes better reflect the Company's rapidly changing technology and business needs and ongoing reinvestment in purchased and internally developed software to ensure assets remain fit for purpose.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. OTHER PROVISIONS

	2020 $m	2019 $m
ECL allowance on undrawn and contingent facilities[1]	731	557
Customer remediation	969	967
Restructuring costs	70	37
Non-lending losses, frauds and forgeries	57	63
Other	330	281
Total other provisions	**2,157**	**1,905**

1. Refer to Note 12 Allowance for Expected Credit Losses for movement analysis.

	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance as at 1 October 2018	556	94	75	113
New and increased provisions made during the year	608	46	1	308
Provisions used during the year	(150)	(91)	(5)	(40)
Unused amounts reversed during the year	(47)	(12)	(8)	(100)
Balance at 30 September 2019	967	37	63	281
New and increased provisions made during the year	673	105	5	376
Provisions used during the year	(303)	(65)	(8)	(191)
Unused amounts reversed during the year[1]	(368)	(7)	(3)	(136)
Balance at end of year	969	70	57	330

1. Customer remediation includes a $72 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

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 Company 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 and contingent liabilities recognised as part of a business combination.

20. OTHER PROVISIONS (continued)

RECOGNITION AND MEASUREMENT

The Company recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Company holds provisions for various obligations including customer remediation, restructuring costs and surplus lease space, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice and adjustments are made to the provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2020 $m	2019 $m
Ordinary share capital	26,454	26,413
Reserves:		
Foreign currency translation reserve	(131)	(21)
Share option reserve	85	89
FVOCI reserve	129	65
Cash flow hedge reserve	935	707
Total reserves	1,018	840
Retained earnings	25,800	25,961
Total shareholders' equity	53,272	53,214

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2020		2019	
	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,834,584,923	26,413	2,873,618,118	27,533
Bonus option plan[1]	2,412,280	-	2,999,796	-
Dividend reinvestment plan[2]	3,373,022	61	-	-
Group employee share acquisition scheme	-	(20)	-	-
Share buy-back[3]	-	-	(42,032,991)	(1,120)
Balance at end of year	2,840,370,225	26,454	2,834,584,923	26,413

1. The Company issued 0.8 million shares under the Bonus Option Plan (BOP) for the 2020 interim dividend and 1.6 million shares for the 2019 final dividend (1.4 million shares for the 2019 interim dividend and 1.6 million shares for the 2018 final dividend).
2. 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final dividend, nil shares for the 2019 interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP).
3. The Company completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million in the September 2019 full year resulting in 42.0 million ANZ ordinary shares being cancelled in the September 2019 full year.

21. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon. The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital ('stress capital buffer') needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, ANZ maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision (BCBS).

For reporting purposes as part of the ANZ 2020 Annual Report, Capital Adequacy Ratios are presented for the Level 2 ADI and are not presented for the Company as a standalone entity. Refer to Note 23 Capital Management in the ANZ 2020 Group Annual Report for details of the Capital Adequacy Ratios, which can be found at https://www.anz.com/shareholder/centre/reporting/annual-report-annual-review/.

23. SHARES IN CONTROLLED ENTITIES

	Incorporated in	Nature of business	2020 $m	2019 $m
ACN 003 042 082 Ltd (in liquidation)	Australia	Holding Company	-	5
ANZ (Lao) Sole Company Ltd	Laos	Finance	26	26
ANZ Bank (Vietnam) Ltd	Vietnam	Banking	205	205
ANZ Capel Court Ltd	Australia	Securitisation Manager	18	18
ANZ Centre Chattels Trust	Australia	Property	167	167
ANZ Centre Trust	Australia	Property	550	550
ANZ Funds Pty Ltd	Australia	Holding Company	11,862	11,870
ANZ Lenders Mortgage Insurance Pty Ltd	Australia	Mortgage Insurance	398	398
ANZ Properties (Australia) Pty Ltd	Australia	Property	7	7
ANZ Rewards No.2 Pty Ltd	Australia	Credit Card Loyalty Program	40	40
ANZ Securities (Holdings) Pty Ltd	Australia	Holding Company	39	39
ANZ Support Services India Private Ltd	India	IT Services	25	25
ANZ Wealth Australia Ltd[1]	Australia	Holding Company	37	538
ANZi Holdings Pty Ltd	Australia	Holding Company	132	56
Australia and New Zealand Bank (China) Company Ltd	China	Banking	1,121	1,121
Australia and New Zealand Banking Group (PNG) Ltd	Papua New Guinea	Banking	40	40
Chongqing Liangping ANZ Rural Bank Company Ltd	China	Banking	-	5
Citizens Bancorp[2]	Guam	Holding Company	41	41
E S & A Holdings Pty Ltd	Australia	Non-operating	43	43
Esanda Finance Corporation Ltd	Australia	Non-operating	5	5
Looking Together Pty Ltd	Australia	Non-operating	-	6
PT Bank ANZ Indonesia (99% ownership)	Indonesia	Banking	262	262
Share Investing Ltd	Australia	Trustee	4	-
Shares in controlled entities			15,022	15,467

1. ANZ Wealth Australia Ltd returned $501 million of capital following the sale of its OnePath funds management business in January 2020.
2. Comparative amount has been updated to reclassify $17 million previously classified as ANZ Guam, Inc.

RECOGNITION AND MEASUREMENT

The Company's subsidiaries are those entities it controls through being exposed to, or having rights to, variable returns from the entity and being able to affect those returns through its power over the entity. The Company assesses whether it has power over those entities by examining the Company's existing rights to direct the relevant activities of the entity. Investments in controlled entities are carried at cost less any accumulated impairment losses.

At least at each reporting date, the Company reviews investments in controlled entities for any indication of impairment. If an indication of impairment exists, then the Company determines the recoverable amount of the controlled entity using the higher of:

- the controlled entity's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business, the Company enters into transactions where it transfers financial assets directly to third parties or to Structured Entities (SEs). These transfers may give rise to the Company fully, or partially derecognising those financial assets depending on the Company's exposure to the risks and rewards or control over the transferred assets. If the Company retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Company's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Company's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Company cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Company is also the holder of the securitised notes. In addition, the Company is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Company retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SE is recognised as a financial liability of the Company.

The Company is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Company when preparing consolidated Group financial statements.

COVERED BONDS

The Company operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Company is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Company is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Company retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Company.

The Company is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Company when preparing consolidated Group financial statements. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Company sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Securitisations[1,2]		Covered bonds		Repurchase agreements	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Current carrying amount of assets transferred	**78,793**	65,947	**17,937**	20,052	**60,612**	42,640
Carrying amount of associated liabilities	**78,793**	65,947	**17,937**	20,052	**54,951**	40,826

1. The balances relate to transfers to internal structured entities.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

25. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	2020 $m	2019 $m
Defined benefit obligation and scheme assets		
Present value of funded defined benefit obligation	(1,282)	(1,353)
Fair value of scheme assets	1,541	1,591
Net defined benefit asset	259	238
As represented in the Balance Sheet		
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(15)	(17)
Net assets arising from defined benefit obligations included in other assets	274	255
Net defined benefit asset	259	238
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $93 million (2019: surplus of $38 million). In 2020, the Company made defined benefit contributions totalling $2 million (2019: $2 million). It expects to make contributions of around $2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Company participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Company. The trustees are the legal owners of the assets, which are held separately from the assets of the Company and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The defined benefit section of the ANZ Australian Staff Superannuation Scheme and ANZ UK Staff Pension Scheme are the two largest defined benefit plans and have been closed to new members since 1987 and 2004 respectively. These plans did not have a material deficit, or surplus, at the last funding valuations. The Company has no present liability under the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Company may arise if any of these schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

For the Company's defined benefit schemes, an independent actuary calculates the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Company directly against the net defined benefit position.

Defined contribution superannuation schemes

The Company operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Company's contributions to these schemes are recognised as personnel expenses when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could affect the Statement of Other Comprehensive Income and Balance Sheet.

Assumptions	2020	2019	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2020 $m	2019 $m
Discount rate (% p.a.)	1.55 - 1.7	1.7 – 2.0	0.5% increase	(91)	(101)
Future salary increases (% p.a.)	2.95	3.15			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a)	1.5 – 2.8/2.15	1.75 - 3.0/2.35	0.5% increase	73	74
Life expectancy at age 60 for current pensioners			1 year increase	65	65
– Males (years)	26.0 - 28.7	25.6 – 28.6			
– Females (years)	28.9 - 30.4	28.8 – 30.3			

26. EMPLOYEE SHARE AND OPTION PLANS

The Company operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during the 2020 and 2019 years were the Employee Share Offer and the Deferred Share Plan.

Employee Share Offer	
Eligibility	Most permanent employees employed in either Australia or New Zealand with three years continuous service for the most recent financial year.
Grant	Up to AUD 1,000 in Australia (and AUD 800 in New Zealand) of ANZ shares, subject to Board approval.
Allocation value	One week Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Australia	ANZ ordinary shares are granted to eligible employees for nil consideration. The shares vest on grant and are held in trust for three years from grant date, after which time they may remain in trust, be transferred to the employee's name or sold. Dividends are automatically reinvested in the Dividend Reinvestment Plan.
New Zealand	Shares are granted to eligible employees on payment of NZD one cent per share. Shares vest subject to satisfaction of a three-year service period, after which they may remain in trust, be transferred to the employee's name or sold. Unvested shares are forfeited if the employee resigns or is dismissed for serious misconduct. Dividends are either paid in cash or reinvested into the Dividend Reinvestment Plan.
Expensing value (fair value)	In Australia, the fair value of the shares is expensed in the year shares are granted, as they are not subject to forfeiture. In New Zealand, the fair value is expensed on a straight-line basis over the three year vesting period. The expense is recognised as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	698,862 shares were granted on 2 December 2019 at an issue price of $24.96, noting this is the final Employee Share Offer in its current form following changes to variable remuneration (effective financial year 2020) as part of the Reimagining Reward initiative. 656,738 shares were granted on 3 December 2018 at an issue price of $26.91.

26. EMPLOYEE SHARE AND OPTION PLANS (continued)

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives	
Eligibility	Group CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Annual Variable Remuneration (AVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, is received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.
ii) ANZIP (all employees excluding the CEO, ExCo and other BEAR Accountable Executives[1]) and Business Unit Incentive Plans (BUIPs)	
Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	If VR is at or exceeds AUD 150,000, then 60% of VR amounts exceeding AUD 80,000 (subject to a minimum deferral amount of AUD 42,000) is deferred as shares.
Conditions	Deferred over three years from grant date.
iii) Long Term Incentives (LTIs)	
Eligibility	Selected employees (excludes the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	100% deferred shares.
Conditions	Vest three years from grant date.
iv) Exceptional circumstances	
Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with the Company to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to the Company.
v) Further information	
Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are paid in cash or reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	During the 2020 year, we granted 2,259,897 deferred shares (2019: 1,945,668) with a weighted average grant price of $24.94 (2019: $25.39).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2020 (2019: 9,810).

1. Specific deferral arrangements also exist under ANZIP for roles defined as United Kingdom Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2020 under the Employee Share Offer and the Deferred Share Plan, measured as at the date of grant of the shares, is $73.4 million (2019: $67.7 million) based on 2,958,759 shares (2019: 2,602,406) at VWAP of $24.81 (2019: $26.01).

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if the Company changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of the Company's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of the Company's securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2020 Remuneration Report.
Malus (downward adjustment)	The Company's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report.

Option Plans that operated during 2020 and 2019

i) Performance Rights

Allocation	We grant performance rights to the CEO and ExCo, and have granted performance rights to selected employees, as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period[1] and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.3a of the 2020 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2020, all performance rights lapsed due to not meeting the performance hurdles. In 2019, the performance rights that vested were satisfied through a share allocation, other than 47,195 performance rights for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, we granted 520,172 performance rights (2019: 885,810).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2020 (2019: 59,012).

[1] gThree years for grants during 2019.

26. EMPLOYEE SHARE AND OPTION PLANS (continued)

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 99,891 deferred share rights (2019: 68,357) for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, 2,393,424 deferred share rights (no performance hurdles) were granted (2019: 2,078,427).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any deferred share rights in 2020 (2019: 11,824).

Options, Deferred Share Rights and Performance Rights on Issue

As at 4 November 2020, there were 543 holders of 4,489,045 deferred share rights on issue and 125 holders of 2,216,062 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2020 and the movements during 2020:

	Opening balance 1 Oct 2019	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2020
Number of options/rights	6,688,538	2,913,596	(976,468)	0	(1,901,109)	6,724,557
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$19.94
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						151,829

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2019 and the movements during 2019:

	Opening balance 1 Oct 2018	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2019
Number of options/rights	7,148,573	2,964,237	(1,589,109)	0	(1,835,163)	6,688,538
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$26.66
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						181,581

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2020 and 2019, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 4 November 2020:

- no options/rights over ordinary shares have been granted since the end of 2020; and
- 15,592 shares issued as a result of the exercise of options/rights since the end of 2020, all with nil exercise prices.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2020		2019	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	24.78	24.93	25.83	25.52
Expected volatility of ANZ share price (%)[1]	20.0	20.0	20.0	20.0
Equity term (years)	2.5	6.0	2.5	4.8
Vesting period (years)	2.1	4.0	2.1	3.0
Expected life (years)	2.1	4.0	2.1	3.0
Expected dividend yield (%)	6.0	6.0	6.0	6.0
Risk free interest rate (%)	0.77	0.74	1.96	2.05
Fair value ($)	21.95	9.07	22.87	9.40

1. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a deferred period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2020 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 4,882,936 shares at an average price of $25.06 per share (2019: 4,317,094 shares at an average price of $25.99 per share).

27. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are defined as all directors and those personnel with a key responsibility for the strategic direction and management of the Company and report directly to the CEO. KMP compensation included within total personnel expenses in Note 3 Operating Expenses as follows:

	2020 $000	2019 $000[1]
Short-term benefits	19,260	15,784
Post-employment benefits	414	415
Other long-term benefits	397	213
Termination benefits	-	2,112
Share-based payments	8,198	6,184
Total	28,269	24,708

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including: the term of the loan, security required and the interest rate. Details of the terms and conditions of lending products can be found on ANZ.com. No amounts have been written off during the period, or individual provisions raised in respect of these balances. The aggregate of loans made, guaranteed or secured to KMP, including their related parties, were as follows:

	2020 $000	2019 $000
Loans advanced[1,2]	18,519	13,551
Interest charged	518	285

1. Prior period balance has been restated to reflect minor timing variances and omissions.
2. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	2020 Number[1]	2019 Number[1]
Shares, options and rights	2,211,879	1,892,754
Subordinated debt	21,052	11,802

1 Balances are at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits with the Bank of KMP and their related parties was $37 million (2019: $42 million).

Other transactions with KMP and their related parties included amounts paid to the Company in respect of investment management service fees, brokerage and bank fees and charges. The Company 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 and no more favourable than those given to other employees or customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RELATED PARTY DISCLOSURES (continued)

ASSOCIATES

During the course of the financial year, the Company conducted transactions with all associates on terms equivalent to those made on an arm's length basis as shown below:

	2020 $000	2019 $000
Amounts payable to associates	746	697
Other expenses paid to associates	7,706	7,624

There have been no material guarantees given or received. No amounts have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 23 Shares in Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As of 30 September 2020, we consider all outstanding amounts on these transactions to be fully collectible.

Transactions between the Company and its subsidiaries include providing a wide range of banking and other financial facilities. Details of amounts paid to, or received from, related parties, in the form of dividends or interest, are set out in Note 2 Operating Income.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of Premises and equipment.

28. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2020 $m	2019 $m
Contract amount of:		
Undrawn facilities	191,300	171,881
Guarantees and letters of credit	20,640	20,375
Performance related contingencies	15,505	20,097
Total	227,445	212,353

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Company may be required to pay, the total undrawn facilities of $191,300 million (2019: $171,881 million) mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE CONTINGENCIES

Guarantees and contingent liabilities relate to transactions that the Company has entered into as principal – including: guarantees, standby letters of credit and documentary letters of credit.

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

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

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Company may be required to pay, the total guarantees and letters of credit of $20,640 million (2019: $20,375 million) and total performance related contingencies of $15,505 million (2019: $20,097 million) mature within 12 months.

28. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES

As at 30 September 2020, the Company had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to note 20) 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 Company.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Company 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 Company has received various notices and requests for information from its regulators as part of both industry-wide and Company-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, currently include 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. The Company is defending the proceedings.

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 knowingly concerned 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.

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.

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.

28. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

WARRANTIES AND INDEMNITIES

The Company has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments.

CLEARING AND SETTLEMENT OBLIGATIONS

The Company has a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Company's potential exposure arising from these arrangements is unquantifiable in advance.

The Company holds memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX) and the Clearing Corporation of India. These memberships allow the Company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for Company to make default fund contributions. In the event of a default by another member, the Company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESSES

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973.

Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. AUDITOR FEES

	2020 $'000	2019 $'000
KPMG Australia		
Audit or review of financial reports	7,262	7,058
Audit-related services[1]	3,540	2,642
Non-audit services[2]	25	114
Total[3]	10,827	9,814
Overseas related practices of KPMG Australia		
Audit or review of financial reports	2,107	1,924
Audit-related services[1]	1,008	714
Non-audit services[2]	44	2
Total	3,159	2,640
Total auditor fees	13,986	12,454

1. Comprises prudential and regulatory services of $3.07 million (2019: $2.56 million), comfort letters $0.72 million (2019: $0.45 million) and other services $0.76 million (2019: $0.34 million).
2. The nature of the non-audit services includes training and methodology and procedural reviews.
3. Inclusive of goods and services tax.

The Company's policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

30. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2020 to the date of signing this report.

DIRECTORS' AND LEAD AUDITOR'S INDEPENDENCE DECLARATION

DIRECTORS' DECLARATION

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

a) in the Directors' opinion, the financial statements and notes of the Company:

   i) are prepared in accordance with Part 7.8 of the *Corporations Act 2001*, including that they comply with the Australian Accounting Standards and the applicable regulations of the *Corporations Regulations 2001*; and

   ii) give a true and fair view of the financial position of the Company as at 30 September 2020 and of its performance for the year ended on that date; and

b) The auditor's report lodged with the financial statements is a true copy of the report on the financial statements.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

4 November 2020

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2020 there have been:

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

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

KPMG

Alison Kitchen
Partner
Melbourne

4 November 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the part 7.8 of the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the relevant Corporations Regulations 2001.

The Financial Report comprises the:

- balance sheet as at 30 September 2020;
- income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended;
- notes 1 to 30 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of Financial Instruments held at Fair Value;
- Provisions for customer remediation; and
- IT systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($4,951M)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 12 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Company's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgmental post model adjustments the Company applies to the ECL results.

The Company's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Company. We exercise significant judgment in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Company in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Company's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included:

Testing key controls of the Company in relation to:

- the ECL model governance and validation processes which involved assessment of model performance;
- the assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Company's internal governance processes;
- reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Company's lending policies, monitoring of counterparty credit quality against the Company's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of counterparty risk assessments and risk grading against the requirements of the Company's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Company's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) in relation to the key IT applications used by the Company in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- re-performing credit assessments of a sample of wholesale loans controlled by the Company's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Company as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change). For each loan sampled, we challenged the Company's CCR and Security Indicator (SI), taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Company's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Company in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;

KEY AUDIT MATTERS (continued)

- obtaining an understanding of the Company's processes to determine ECL allowances, evaluating the Company's ECL model methodologies against established market practices and criteria in the accounting standards;
- working with KPMG risk consulting specialists, we assessed the accuracy of the Company's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Company;
- working with KPMG economic specialists, we challenged the Company's forward-looking macroeconomic assumptions and scenarios incorporated in the Company's ECL models. We compared the Company's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- testing the implementation of the Company's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Company's ECL model; and
- assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. This included:

- assessing the requirement for additional allowances considering the Company's ECL model and data deficiencies identified by the Company's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Company's loan portfolios;
- assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the portion of customers on loan deferral packages that are not aged. We also assessed assumptions used to determine whether a SICR event has occurred; and
- assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Company's assessment.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:
- **FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,045M**
- **FAIR VALUE OF LEVEL 2 ASSET POSITIONS $139,134M**
- **FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $55M**
- **FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $134,761M**

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 16 to the Financial Report.

The Key Audit Matter

The fair value of the Company's Level 2 and 3 financial instruments is determined by the Company through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and Level 2 financial instruments held at fair value is a Key Audit Matter due to:

- the high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable; and
- the complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 56% of the Company's financial assets carried at fair value and 96% of the Company's financial liabilities carried at fair value.

Level 3 financial instruments represented 0.4% of the Company's financial assets carried at fair value and 0.04% of the Company's financial liabilities carried at fair value. This population is made up of:

- investment securities at fair value through other comprehensive income;
- derivative assets and liabilities; and
- net loans and advances.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audit

Our audit procedures in relation to the valuation of financial instruments held at fair value included:

- we performed an assessment of the population of Financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- we tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - controls in relation to the review and challenge of daily profit and loss (P&L) by a control function;
  - control over the collateral management process, including review of margin reconciliations with clearing houses; and
  - controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- with the assistance of KPMG valuation experts, we independently re-valued a selection of financial instruments and FVAs. This involved sourcing independent inputs from markets data providers or external sources and using our own valuation models. We challenged the Company where our revaluations significantly differed from the Company's.
- in relation to the subjective valuation of Level 3 Investment Securities, with our valuation specialists, we:
  - assessed the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - compared the Company's valuation methodology to industry practice and the criteria in the accounting standards.
- we assessed the Company's financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

PROVISIONS FOR CUSTOMER REMEDIATION ($969M)

Refer to the critical accounting estimates, judgements and disclosures in Notes 20 and 28 to the Financial Report.

The Key Audit Matter

The Company has assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a key audit matter due to the judgements required by us in assessing the Company's determination of:

- the existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- the number of investigations and the quantum of amounts being paid arising from the present obligation;
- reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- the potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- obtaining an understanding of the Company's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- enquiring with the Company regarding ongoing legal, regulatory and other investigation into remediation activities;
- conducting independent discussions on significant matters with external legal counsel;
- reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings;
- inspecting correspondence with relevant regulatory bodies;
- for a sample of individual customer remediation matters, assessing the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions;
- testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Company's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;

KEY AUDIT MATTERS (continued)

- assessing the appropriateness of the Company's conclusions against the requirements of *Australian Accounting Standards* where estimates were unable to be reliably made for a provision to be recognised; and
- evaluating the related disclosures using our understanding obtained from our testing and against the requirements of *Australian Accounting Standards*.

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Company's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Company's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls. We work with our KPMG IT specialists as a core part of our audit team.

How the matter was addressed in our audit

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- assessing the governance and higher-level controls across the IT Environment, including those regarding Company policy design, review and awareness, and IT Risk Management practices;
- design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Company;
- design and operating effectiveness testing of controls used by the Company's technology teams to schedule system jobs and monitor system integrity;
- design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. We tested:
  - configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

INDEPENDENT AUDITOR'S REPORT (continued)

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Alison Kitchen
Partner
Melbourne
4 November 2020