2022

Half Year U.S. Disclosure Document

for the fiscal half year ended 31 March 2022

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

The date of this 2022 Half Year U.S. Disclosure Document is 13 May 2022.

U.S. Disclosure Document
Fiscal half year ended 31 March 2022

CONTENTS	PAGE

All references in this document to the “U.S. Disclosure Document” refer to the 2022 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended 31 March 2022 (the “March 2022 half” or “Mar 22” or “Mar 22 half” or “current period”), including the Annex attached hereto. References to the “September 2021 half” refer to the fiscal half year ended 30 September 2021 (the “September 2021 half” or “Sep 21” or “Sep 21 half”) and references to the “March 2021 half” refer to the fiscal half year ended 31 March 2021 (the “March 2021 half” or “Mar 21” or “Mar 21 half”), and we refer to prior fiscal half years in a similar fashion. References in this document to the “2021 Annual U.S. Disclosure Document” refer to the 2021 Annual U.S. Disclosure Document for the fiscal year ended 30 September 2021.

This U.S. Disclosure Document is dated 13 May 2022. All references in this document to “the date of this U.S. Disclosure Document” are to 13 May 2022.

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 at 31 March 2022, and the results of operations for the fiscal half year then ended. All financial information disclosed in this U.S. Disclosure Document relates to the Group.

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

- The Group‘s Condensed Consolidated Financial Statements for the half year ended 31 March 2022 (comprising the financial statements, notes to the financial statements and directors’ declaration) (hereafter referred to as the “Condensed Consolidated Financial Statements”); and
- The independent auditor’s review report on the Condensed Consolidated Financial Statements.

FORWARD-LOOKING STATEMENTS

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

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

RISK FACTORS SUMMARY

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

- changes in political and general business and economic conditions, including disruption in regional or global, credit and capital markets;
- the COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics;
- competition in the markets in which the Group operates;
- changes in the real estate markets in Australia, New Zealand or other markets where the Group does business;
- sovereign risk events that may destabilise global financial markets;
- market risk events;
- changes in exchange rates;
- the ongoing discontinuation of the London Interbank Offered Rate ("LIBOR") and developments affecting other benchmark rates;
- our ability to complete, integrate or separate and process acquisitions and divestments;
- credit risk;
- challenges in managing the Group's capital base;
- changes to our credit ratings;
- liquidity and funding risk events;
- changes in the valuation of some of the Group's assets and liabilities;
- changes to the Group's accounting policies;
- regulatory changes or a failure to comply with laws, regulations or policies;
- litigation and contingent liabilities;
- significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions;
- changes in monetary policies;
- the impact of 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 risk events;
- disruption of information technology systems or failure to successfully implement new technology systems;
- risk associated with the Group's information security including from cyber-attacks;
- risk associated with data management;
- risk associated with the models that the Group relies on for material business decisions;
- the impact of future climate events, human rights, geological events, plant, animal and human diseases, and other extrinsic events;
- the effectiveness of our risk management framework;
- risks associated with lending to customers that could be directly or indirectly impacted by climate risk; and
- various other factors beyond our control.

BASIS OF PREPARATION

The summary of condensed consolidated income statements and selected ratios for the fiscal half years ended 31 March 2022, 30 September 2021 and 31 March 2021, and the summary of condensed consolidated balance sheets and selected ratios as at 31 March 2022, 30 September 2021, and 31 March 2021, have been derived from the Condensed Consolidated Financial Statements. The Condensed Consolidated Financial Statements are attached to this U.S. Disclosure Document as the Annex.

The Condensed Consolidated Financial Statements and the financial information included herein, except where otherwise noted, have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards ("AASs"), issued by the Australian Accounting Standards Board ("AASB"), AASB 134 *Interim Financial Reporting* ("AASB 134") and the *Corporations Act 2001(Cth)* (the "Corporations Act"). International Financial Reporting Standards ("IFRS") are standards and interpretations issued by the International Accounting Standards Board ("IASB"). IFRS forms the basis of AASs. The Condensed Consolidated Financial Statements and the financial information included herein comply with the recognition and measurement requirements of IFRS and International Accounting Standard 34 *Interim Financial Reporting* issued by the IASB.

Amounts in this U.S. Disclosure Document are presented in Australian Dollars ("$", "AUD" or "A$") unless otherwise stated. Amounts reported in United States Dollars ("USD", "US$" or "U.S. dollars") have been translated at the 31 March 2022 Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), which was US$0.7499 = 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.

DISCONTINUED OPERATIONS

The Group completed the sale of its aligned dealer groups business to IOOF Holdings Limited (now known as Insignia Financial Limited) on 1 October 2018, its life insurance business to Zurich Financial Services Australia on 31 May 2019 and its OnePath pensions and investments business to IOOF Holdings Limited 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 partial recovery of certain costs based on the respective Transition Service Agreements.

There were no material financial impacts from the discontinued operations in the current or prior comparative periods.

DIVISIONAL PERFORMANCE - CONTINUING OPERATIONS

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations ("TSO") and Group Centre division). This involves the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division. The new reporting segments will be reflected in the September 2022 half to align with the implementation of the changes from 1 April 2022. The segment disclosures in this document remain unchanged from those reported at 30 September 2021 and are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer, during the March 2022 half.

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

- Australia Retail and Commercial division - re-segmentation of customers from Business Banking to Small Business Banking within the division;
- Institutional division - a number of small operations were transferred from Markets to Central Functions within the division;
- the completion of the transfer of Banking Services operations from the Group Centre division to the Institutional division. As the associated costs were previously recharged, there is no change to the previously reported divisional profits, however divisional balance sheets and full-time equivalent employees ("FTEs") have been restated to reflect this change.

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

Condensed Consolidated Income Statement

	Half Year			
	Mar 22 USD M[1]	Mar 22 $M	Sep 21 $M	Mar 21 $M
Interest income	**7,279**	**9,707**	9,650	9,879
Interest expense	**(1,955)**	**(2,607)**	(2,475)	(2,893)
Net interest income	**5,324**	**7,100**	7,175	6,986
Other operating income	**1,831**	**2,442**	1,878	1,381
Operating income	**7,155**	**9,542**	9,053	8,367
Operating expenses	**(3,593)**	**(4,791)**	(4,569)	(4,482)
Profit before credit impairment and income tax	**3,562**	**4,751**	4,484	3,885
Credit impairment (charge)/release[2]	**213**	**284**	76	491
Profit before income tax	**3,775**	**5,035**	4,560	4,376
Income tax expense	**(1,125)**	**(1,500)**	(1,331)	(1,425)
Profit after income tax from continuing operations	**2,650**	**3,535**	3,229	2,951
Profit/(Loss) after income tax from discontinued operations	**(4)**	**(5)**	(9)	(8)
Profit for the period	**2,646**	**3,530**	3,220	2,943
Profit attributable to non-controlling interests	**-**	**-**	(1)	-
Profit attributable to shareholders of the Company	**2,646**	**3,530**	3,219	2,943

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *The credit impairment charge/(release) represents the aggregation of the individually and collectively assessed credit impairment charges/(releases).*

	Half Year			
	Mar 22 USD[1]	Mar 22	Sep 21	Mar 21
Selected ratios				
Other operating income as a percentage of operating income - including discontinued operations	**26.0%**	**26.0%**	21.1%	16.8%
Net interest margin - including discontinued operations (%)	**1.58%**	**1.58%**	1.65%	1.63%
Operating expense to operating income ratio - including discontinued operations (%)	**50.5%**	**50.5%**	50.9%	53.8%
Dividends on ordinary shares ($M)[2]	**1,494**	**1,992**	1,955	973
Earnings per fully paid ordinary share (cents) including discontinued operations				
Basic	**94.3**	**125.7**	113.4	103.7
Diluted	**88.3**	**117.7**	106.7	98.4
Earnings per fully paid ordinary share (cents) from continuing operations				
Basic	**94.4**	**125.9**	113.7	104.0
Diluted	**88.4**	**117.9**	107.0	98.7
Ordinary share dividend payout ratio including discontinued operations (%)[3]	**57.0%**	**57.0%**	63.1%	67.7%
Dividend per ordinary share (cents)	**54**	**72**	72	70

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Dividends paid to ordinary equity holders of the Company during the corresponding fiscal period.*
3. *The ordinary dividend payout ratio calculation is based on the following dividend payments:*

Mar 22	*Sep 21*	*Mar 21*
$2,012 million	*$2,030 million*	*$1,992 million*

**Based on the proposed interim dividend announced on 4 May 2022 and on the forecast number of ordinary shares on issue at the dividend record date.*

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

	As at			
	Mar 22 USD M[1]	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Shareholders' equity excluding non-controlling interests	**46,304**	**61,747**	63,665	62,566
Subordinated debt[2]	**16,933**	**22,581**	25,279	23,660
Unsubordinated debt	**48,477**	**64,645**	75,775	83,963
Deposits and other borrowings	**585,138**	**780,288**	743,056	706,623
Gross loans and advances	**491,181**	**654,995**	633,764	618,609
Less: Individually assessed provision for credit impairment	**(464)**	**(619)**	(666)	(778)
Less: Collectively assessed provision for credit impairment	**(2,205)**	**(2,940)**	(3,379)	(3,472)
Net loans and advances	**488,512**	**651,436**	629,719	614,359
Total assets	**762,919**	**1,017,361**	978,857	1,018,339
Net assets	**46,311**	**61,756**	63,676	62,576
Risk weighted assets[3]	**328,389**	**437,910**	416,086	408,166
Capital adequacy ratios[3]:				
Common Equity Tier 1	**11.5%**	**11.5%**	12.3%	12.4%
Tier 1	**13.2%**	**13.2%**	14.3%	14.3%
Tier 2	**3.4%**	**3.4%**	4.1%	4.0%
Total capital ratio	**16.6%**	**16.6%**	18.4%	18.3%
Number of ordinary shares on issue (millions)	**2,794.1**	**2,794.1**	2,823.6	2,845.5

	Half Year			
	Mar 22 USD[1]	**Mar 22**	**Sep 21**	**Mar 21**
Selected ratios				
Profit attributable to the shareholders of the Company as a percentage of:				
Average total assets[4]	**0.70%**	**0.70%**	0.63%	0.56%
Average ordinary shareholders' equity excluding non-controlling interests[4]	**11.3%**	**11.3%**	10.2%	9.5%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[4]	**6.2%**	**6.2%**	6.1%	5.9%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *For the composition of subordinated debt refer to Note 13 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as part of the Annex) for further details.*
3. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority ("APRA") Basel 3 methodology (refer to pages 13 and 73).*
4. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA - INCLUDING DISCONTINUED OPERATIONS

	As at			
	Mar 22 USD M[1]	Mar 22 $M	Sep 21 $M	Mar 21 $M
Gross impaired assets				
Impaired loans[2]	**964**	**1,286**	1,549	1,941
Restructured items[3]	**281**	**375**	355	300
Non-performing commitments, contingencies and derivatives[2]	**36**	**48**	61	232
Total gross impaired assets	**1,281**	**1,709**	1,965	2,473
Allowance for expected credit losses[4]				
Individually assessed provision - impaired loans	**464**	**619**	666	778
Individually assessed provision - non-performing commitments, contingencies and derivatives	**13**	**17**	21	31
Collectively assessed provision	**2,817**	**3,757**	4,195	4,285
Total allowance for expected credit losses	**3,294**	**4,393**	4,882	5,094
Total gross loans and advances[5]	**491,181**	**654,995**	633,764	618,609
Credit risk weighted assets[6]	**261,578**	**348,817**	342,498	341,862
Collectively assessed provision as a percentage of credit risk weighted assets[6]	**1.08%**	**1.08%**	1.22%	1.25%
Gross impaired assets as a percentage of gross loans and advances	**0.26%**	**0.26%**	0.31%	0.40%
Individually assessed provision as a percentage of gross impaired assets	**37.2%**	**37.2%**	35.0%	32.7%
Individually assessed provision for impaired loans as a percentage of impaired loans	**48.1%**	**48.1%**	43.0%	40.1%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[5]	**0.7%**	**0.7%**	0.8%	0.8%
Credit risk weighted assets[6]	**1.3%**	**1.3%**	1.4%	1.5%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the 31 March 2022 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Impaired loans and non-performing commitments, contingencies and derivatives do not include exposures that are collectively assessed for Stage 3 Expected credit losses ("ECL"), which comprise unsecured retail exposures of 90+ days past due and defaulted but well secured exposures.*
3. *Restructured items are facilities where the original contractual terms have been modified for reasons related to the financial difficulties of the customer and are collectively assessed for Stage 3 ECL. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.*
4. *Includes allowance for ECL for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments - undrawn and contingent facilities. For Investment securities - debt securities at fair value through other comprehensive income ("FVOCI"), the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.*
5. *Consists of loans and advances and capitalised brokerage and other origination costs less unearned income.*
6. *Credit risk weighted assets are calculated using APRA Basel 3 methodology (refer to pages 13 and 73).*

OVERVIEW

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

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

As at 31 March 2022, the Group had total assets of $1,017.4 billion and shareholders' equity excluding non-controlling interests of $61.7 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as at 31 March 2022 and first in New Zealand[2] as at 31 March 2022.

ANZBGL's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (the "NZX"). At the close of trading on 31 March 2022, ANZBGL had a market capitalisation of $77.1 billion, which ranked seventh among the largest companies listed on the ASX[3].

1. *Source: Commonwealth Bank of Australia results announcement for the fiscal half year ended 31 December 2021; National Australia Bank results announcement for the fiscal half year ended 31 March 2022; Westpac Banking Corporation results announcement for the fiscal half year ended 31 March 2022.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending 31 December 2021.*
3. *Source: IRESS as at 31 March 2022.*

BUSINESS MODEL

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

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

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

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

STRATEGY

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

In particular, we want to help customers:

- save for, buy and own a 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 recognise that no one institution can do everything or innovate at the pace necessary to satisfy customers' needs – strong relationships with partners is therefore vital.
- **Purpose** and values-led people – who drive value by caring about our customers and the outcomes we create. Our people listen, learn and adapt and do the right thing the first time, delivering the outcomes that address financial and sustainability challenges.

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

PRINCIPAL ACTIVITIES

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the TSO and Group Centre division). This involves the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division. The new reporting segments will be reflected in the September 2022 half to align with the implementation of the changes from 1 April 2022. The divisions reported below remain unchanged from those reported at 30 September 2021 and are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer, during the March 2022 half.

During the March 2022 half, the Group operated on a divisional structure with five continuing divisions: Australia Retail and Commercial, Institutional, New Zealand, Pacific, and Group Centre.

As at 31 March 2022, 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 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 via the following business units:

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

New Zealand

The New Zealand division comprises the following business units:

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

Pacific

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

Group Centre

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

RECENT DEVELOPMENTS

Proposed Non-Operating Holding Company

On 4 May 2022, the Group announced it intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation. Following preliminary discussions, APRA has advised it has no in-principle objection to the proposed restructure. The Group has also consulted other key Australian and New Zealand regulators and to date has not received any objections. Consultation and engagement remains ongoing.

Should the proposed restructure proceed, a new listed parent holding company will be created with two wholly owned distinct groups of entities sitting directly beneath it. These would include the ‘Banking Group’ which would comprise the current Australia and New Zealand Banking Group Limited and the majority of its present-day subsidiaries and a ‘Non-Banking Group’, which would allow banking-adjacent businesses to be developed or acquired to help bring the best new technology and non-bank services to our customers. The majority of the Group’s 1835i investments and similar holdings would move to the Non-Banking Group.

Under this new structure there will be no impact on customers and no change to how the Group's banking operations are regulated. As the Group proceeds with a formal application, a comprehensive consultation program with shareholders, employees and other stakeholders will be undertaken. The proposal is subject to final ANZBGL Board approval and regulatory approvals and will require approval by the Federal Court and ANZBGL shareholders.

Subject to Board, regulator, Federal Treasurer, shareholder and court approval, the Group expects the new structure will be in place in early 2023.

Except as disclosed above, there have been no other significant developments since 31 March 2022 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As at 31 March 2022, the four major banking groups in Australia (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation) held approximately 72%[1] of the total Australian lending assets of Authorised Deposit-taking Institutions ("ADIs") that conduct business in Australia. The operations of the smaller regional banks are typically focused on servicing customers in a particular state or region with an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of both bank financial institutions and non-bank financial institutions that compete in selected markets with the four major banking groups. Non-bank financial intermediaries, such as building societies and credit unions, compete principally in the areas of accepting deposits and residential mortgage lending. Some large building societies have been granted banking authorisations under the *Banking Act 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 authorised deposit-taking institution statistics March 2022 (released 29 April 2022).*

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 31 March 2022, lending to the residential mortgage market accounted for over half of the lending in New Zealand by registered banks and this market is a key area of 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 at 31 March 2022.

The COVID-19 pandemic and other potential future economic disruptions could impact competition in the New Zealand financial services sector over the medium-term due to changes to regulation and monetary policy, funding cost and 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 specialisation (including Markets and Transaction Banking) enables the Group to differentiate itself from its competitors across the region.

Competition remains robust and a large number of banks have shown a willingness to commit portions of their balance sheet in support of growth opportunities in the region. This has contributed to the net interest margin on institutional lending in Asia being generally lower than that of similar lending in Australia and New Zealand. 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 1 July 1998, APRA has been responsible for the prudential and regulatory supervision of Australian ADIs, which include banks (including ANZBGL), credit unions, building societies, insurance companies and superannuation funds. Prior to this, the Australian banking industry was regulated by the Reserve Bank of Australia (“RBA”). The RBA has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA draws authority from the *Australian Prudential Regulation Authority Act 1998* of Australia.

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

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

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

Other Australian Regulators

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

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

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

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

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

Capital and Liquidity

Capital

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

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

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

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

Liquidity

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

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

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

Additionally, the Group has implemented APRA's Net Stable Funding Ratio (“NSFR”) requirement from 1 January 2018 following the release of the NSFR final standards in December 2016. The Group's Level 2 NSFR was 123% as at 31 March 2022 (30 September 2021: 124%).

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

Capital Management and Liquidity within APRA's Regulations

For further details of the Group's capital management and liquidity see “Liquidity and capital resources - 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 1 July 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 the BEAR's requirements, including for the deferral of certain components of that remuneration; and
- ANZBGL may be liable for substantial penalties for failing to comply with its BEAR obligations.

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

The FAR Bill lapsed upon the dissolution of the House of Representatives on 11 April 2022, following the announcement of a Federal election.

If the FAR Bill is reintroduced to the Australian Parliament following the May 2022 Australian Federal election and is subsequently passed in its current form, the FAR will be implemented in stages for in-scope entities within the Group, commencing with ANZBGL six months after the commencement of the legislation and the Group and certain senior personnel will be subject to, or impacted by, new or heightened accountability obligations. For example, the FAR will require ANZBGL to take reasonable steps to:

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

Under the FAR Bill, ANZBGL may be subject to substantial penalties for failing to comply with the FAR obligations.

If the FAR is implemented in a way that is consistent with the FAR Bill, any insurers or licensed superannuation trustees within the Group will be required to comply with the FAR 18 months after the commencement of the legislation.

It is not yet clear what any future Australian Government will do in respect of the FAR following the May 2022 Federal election. That Australian Government may seek to reintroduce legislation implementing the FAR in a form that is the same as what was proposed by the FAR Bill or it may seek to implement the FAR differently or not at all.

Crisis Management

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

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

Regulatory Developments - Capital and Liquidity

RBNZ Capital Requirements

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

The key requirements for ANZ New Zealand are as follows:

- ANZ New Zealand's Tier 1 capital requirement will increase to 16% of risk-weighted assets ("RWA"), of which up to 2.5% can be in the form of AT1 capital. ANZ New Zealand's total capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 capital.
- 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 Standardised Measurement Approach ("standardised 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 A$1.0 billion to A$1.5 billion between 31 March 2022 and the end of the transition period in 2028 (based on the Group's 31 March 2022 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

In response to the COVID-19 pandemic, the RBNZ amended ANZ New Zealand's Conditions of Registration to (among other things) restrict the payment of dividends and other distributions (other than discretionary payments payable to holders of AT1 capital instruments) to no more than 50% of its earnings. This restriction applies to all New Zealand-incorporated banks and will remain in place until 1 July 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.

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

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

- In July 2017, APRA released an information paper outlining its assessment on the additional capital required for the Australian banking sector to be considered "unquestionably strong" as originally outlined in the FSI final report in December 2014. APRA indicated that "in the case of the four major Australian domestic systemically important banks ("D-SIBs"), this equated to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5% from 1 January 2020".
- In November 2021, APRA released their final requirements in relation to capital adequacy and credit risk capital requirements for ADIs with an implementation date of 1 January 2023. The key aspects of APRA's final requirements are:
  - increased alignment with internationally agreed Basel standards;
  - 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 standardised approach;
  - improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardised approach; and
  - implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%. APRA's "Leverage Ratio" compares Tier 1 capital to the "exposure measure" (expressed as a percentage) as defined by APRA Prudential Standard APS110. It is designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

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

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

APRA Total Loss Absorbing Capacity Requirements

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

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

Restrictions on ANZBGL's ability to provide financial support

Effect of APRA's Prudential Standards

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

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

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

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

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

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

ANZBGL's exposure to ANZ New Zealand at 31 March 2022 is compliant with the APS222 limits.

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

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

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on 1 July 2017 (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

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

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

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

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

Payments policy

In December 2021, the Australian Government simultaneously responded to three inquiries and reviews relating to payments: a review into the Australian payments system, an inquiry into mobile payments and digital wallets, and an inquiry into Australia as a technology and financial centre (which addressed de-banking of fintech and cryptocurrency exchanges). The Australian Government agreed to many of the recommendations and the Australian Treasury is consulting on their implementation in 2022. On de-banking, the Australian Government is seeking the advice from the Council of Financial Regulators on the underlying causes and possible policy responses. The impact of this work on the Group, if any, is not yet clear.

Self-assessment into frameworks and practices

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

Residential mortgage lending practices

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

In October 2021, APRA increased the minimum interest rate buffer it expects ADIs to use when assessing the serviceability of home loan applications, from at least 2.5% to at least 3% over the loan interest rate. APRA indicated that its decision reflects growing financial stability risks from ADIs’ residential mortgage lending. APRA 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 authorisation 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 organisation in circumstances where the person knows, or is reckless as to whether, the organisation is a terrorist organisation. An organisation is a terrorist organisation if it is directly or indirectly engaged in, preparing, planning, assisting in or fostering the doing of a terrorist act, or is prescribed as a terrorist organisation in regulations under the Criminal Code Act.

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

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

NEW ZEALAND

The supervisory role of the RBNZ

The *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. This prudential capital buffer will progressively increase to 9% of RWA from July 2022 to July 2028. See “New Zealand Regulatory Developments — Bank capital adequacy requirements” below for further information.

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

In September 2021, the RBNZ released the findings from its thematic review on compliance with BS13 by New Zealand-incorporated banks. The RBNZ also began a comprehensive review of BS13 in February 2022. This includes reconsidering certain aspects of the Basel 3 liquidity standards that the RBNZ had previously considered were not suitable for adoption in New Zealand. See “New Zealand Regulatory Developments — Thematic review of registered banks' compliance with the RBNZ Liquidity Policy” and “New Zealand Regulatory Developments — RBNZ review of BS13” below for further information.

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

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

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

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

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

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

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

New Zealand Regulatory Developments

Regulatory Response to the COVID-19 Pandemic

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

- amendments to ANZ New Zealand's Conditions of Registration to restrict the payment of dividends and other distributions (other than discretionary payments payable to holders of AT1 capital instruments) to no more than 50% of ANZ New Zealand’s earnings. This restriction applies to all New Zealand-incorporated banks and will remain in place until 1 July 2022 (subject to no significant worsening in economic conditions);
- the implementation by the RBNZ of an up to NZ$100 billion Large-scale Asset Purchase program designed to inject cash into the economy, and a Funding for Lending Program designed to provide banks with low cost funding and encourage lower borrowing costs for New Zealand businesses and households;
- the implementation by the New Zealand Government of various support schemes including a Small Business Cash Flow Loan Scheme (under which loans are provided to assist small businesses impacted by the COVID-19 pandemic), 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) and Wage Subsidy Schemes (to help employers adversely affected by COVID-19 lockdowns to continue to pay their staff and protect jobs); and
- tax reforms to assist medium and smaller businesses, including raising the provisional tax threshold from NZ$2,500 to NZ$5,000, in order to lower compliance costs and introducing new rules to allow businesses meeting certain "business continuity criteria" to carry-forward their tax losses notwithstanding changes in continuity of shareholder ownership.

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

Bank capital adequacy requirements

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

- ANZ New Zealand's Tier 1 capital requirement will increase to 16% of RWA, of which up to 2.5% could be in the form of AT1 Capital. ANZ New Zealand's Total Capital requirement will increase to 18% of RWA, of which up to 2% can be Tier 2 Capital. The increased capital ratios requirement will be implemented progressively from 1 July 2022 to 1 July 2028.
- AT1 capital must consist of perpetual preference shares, which may be redeemable. It is anticipated that ANZ New Zealand will be able to refinance existing internal AT1 securities to external counterparties. Tier 2 capital must consist of long-term subordinated debt.
- The Tier 1 capital requirement will include a CET1 prudential capital buffer of 9% of RWA. This will include: a 2% domestic, systemically important bank capital buffer; a 1.5% 'early-set' counter-cyclical capital buffer (which can be temporarily reduced to 0% following a financial crisis, or temporarily increased to prevent asset price bubbles from developing); and a 5.5% capital conservation buffer.
- Contingent capital instruments will no longer be treated as eligible regulatory capital. As at 30 September 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 1 January 2022 to 1 July 2028, should these instruments remain outstanding. ANZ New Zealand redeemed NZ$500m of these AT1 instruments in December 2021.
- As an IRB approach accredited bank, ANZ New Zealand's credit RWA outcomes will be increased to approximately 90% of what would be calculated under the standardised approach. This will be achieved by applying an 85% output floor, which took effect on 1 January 2022, and increasing the credit RWA scalar from 1.06 to 1.20 from 1 October 2022.
- ANZ New Zealand will be required to report RWA, and resulting capital ratios, using both the IRB and the standardised approaches from 30 September 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.

RBNZ's revised outsourcing policy

Large New Zealand-incorporated banks, such as ANZ New Zealand, must ensure outsourcing arrangements comply with BS11 (the RBNZ's revised outsourcing policy). In order to be compliant with BS11, ANZ New Zealand must be able to meet the BS11 policy outcomes on a stand-alone basis without reliance on any other Group entity.

Outsourcing arrangements in place prior to 1 October 2017 must be compliant with BS11 by 1 October 2023. A formal program has been established and is responsible for delivering ANZ New Zealand's compliance with BS11 for existing outsourcing arrangements, as outlined in its Path-to-Compliance Plan.

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

New financial advice regime in New Zealand

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

As a financial advice provider, ANZ New Zealand is required to be licensed under the new regime. ANZ New Zealand has obtained a transitional financial advice provider license from the Financial Markets Authority ("FMA"), and must hold a full license from 16 March 2023.

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

Review of the Reserve Bank Act

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

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

- 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); and
  - 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).
- The Deposit Takers Act is expected to, among other things:
  - create a single regulatory regime for all bank and non-bank deposit takers;

- introduce a depositor compensation scheme that will protect up to NZ$100,000 per depositor, per licensed deposit taker, if a pay-out event is triggered;
- strengthen accountability requirements for directors of deposit takers;
- broaden the RBNZ's supervision and enforcement tools; and
- strengthen and clarify the RBNZ's crisis resolution framework.(which in substance carries over the key statutory management powers from the Reserve Bank Act but places those powers (where practicable) directly in the hands of the RBNZ as resolution authority).

An exposure draft of a Deposit Takers Bill was released to the public for consultation in December 2021, and the Bill is expected to be introduced to the New Zealand Parliament around May 2022 and enacted in 2023. The depositor compensation scheme is targeted for initial implementation in 2023, ahead of the rest of the Act coming into effect. 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.

Conduct regulations for financial institutions

The Financial Markets (Conduct of Institutions) Amendment Bill (“FMCIA Bill”) is expected to take effect in December 2024. It will, if passed in its current form, require financial institutions (including registered banks, licensed insurers and non-bank deposit takers) that are in the business of providing relevant services and associated products to:

- obtain a license under Part 6 of the 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 operationalise the fair conduct principle, and publish a summary of the fair conduct program; and
- comply with regulations that regulate performance incentives for staff and others who are involved in providing a service.

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

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

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

In March 2022, the Minister of Commerce announced further changes to CCCFA regulations and guidance in the Responsible Lending Code to address unintended impacts caused by the CCLA Act reforms. The Council of Financial Regulators and Minister of Business, Innovation, and Employment are reviewing the implementation and impacts of the CCLA Act reforms, which may also result in further changes to the CCCFA.

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

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

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

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

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

RBNZ review of BS13

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

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

The first consultation paper for the review was released in February 2022. The review is expected to involve four rounds of consultation and a quantitative impact study. An updated liquidity policy is currently scheduled to be released in 2025.

Cyber resilience guidance and information sharing consultation

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

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

Debt serviceability restrictions

In November 2021, the RBNZ commenced consultation on debt serviceability restrictions for residential mortgage lending. The consultation focused on two proposed restrictions: debt-to-income limits (which restrict lending to borrowers based on the ratio of their total debt to total income) and interest rate floors (which set a minimum test interest rate that banks may use in their serviceability assessments). In April 2022, the RBNZ announced its intention to proceed with designing a framework for operationalising debt-to-income restrictions, with the aim of finalising the framework in late 2022 so that restrictions could be introduced in mid-2023 if required. In response to market conditions, the RBNZ has not progressed with imposing an interest rate floor but has not ruled this option out if market conditions were to change.

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

Loan-to-value ratio restrictions

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

- 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; and
- 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.

Material non-compliance with Conditions of Registration

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

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

As first reported in the ANZ New Zealand Disclosure Statement for the fiscal year ended 30 September 2019, 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 RBNZ. Applying the last RBNZ approved methodologies to the affected exposures as at 30 September 2019 would have decreased RWA by NZ$47 million (0.05%) in aggregate, which was not sufficient to affect the reported capital ratios.

As at 31 March 2022, all non-compliant models had been submitted to RBNZ for approval, with all but three approved. The final model was submitted to RBNZ on 16 December 2021. The three remaining unapproved models and the initial dates of non-compliance are:

- Bank rating - 2008
- Project and structured finance - 2009
- Commercial property: special purpose asset investment - 2011

ANZ New Zealand’s model compendium required under Part E1.5 of BPR120 was non-compliant as it included unapproved model changes. An updated model compendium was submitted to RBNZ in April 2021, and RBNZ confirmed the compendium as being compliant in October 2021.

Other matters relevant *to the conditions of registration*

There are other matters currently under review where there may be more than one valid interpretation of the respective policy wording or requirement. Where there may be some uncertainty about the interpretation ANZ New Zealand has applied, where appropriate it has sought guidance from, and will be liaising with, 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. The first review was on ANZ New Zealand’s compliance with certain aspects of the RBNZ Banking Supervision Handbook document Capital Adequacy Framework (Internal Models Based Approach) (BS2B) (“**Capital Adequacy Review**”), and the second review was on the effectiveness of ANZ New Zealand’s directors’ attestation and assurance framework (“**Attestation Review**”).

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

The final Capital Adequacy Review was completed in December 2021. The report found that ANZ New Zealand had made significant progress to address non-compliance issues and improvement items identified by the 2019 Capital Adequacy Review report. In particular, all non-compliant capital models have been submitted to the RBNZ for approval. As at 31 March 2022, all but three non-compliant models have been approved by RBNZ

Loan information litigation

In September 2021, a representative proceeding was brought against ANZ New Zealand, alleging breaches of disclosure requirements under consumer credit legislation in respect of variation letters sent to certain loan customers. ANZ New Zealand is defending the allegations. The proceedings are still at an early stage. A hearing of the plaintiff's application for leave to bring representative proceedings is scheduled for May 2022.

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 capitalised" or is the subject of an enforcement action requiring it to maintain a specific level of capital, or if its U.S. bank subsidiary in Guam and American Samoa fails to maintain at least a "Satisfactory" or better rating under the *Community Reinvestment Act*. The FRB is the "umbrella" supervisor with jurisdiction over FHCs, including ANZBGL.

ANZBGL is subject to U.S. federal laws and regulations, including the *International Banking Act of 1978* (the "IBA"). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally-licensed branch regulated primarily by the Office of the Comptroller of the Currency in the United States (the "OCC"), ANZBGL's New York branch ("New York Branch") can engage in activities permissible for national banks, with the exception that the New York Branch may not accept retail deposits. The New York Branch does not accept retail deposits (only institutional and corporate deposits) and thus is not subject to the supervision of the Federal Deposit Insurance Corporation ("FDIC"). The U.S. bank subsidiary operating in Guam and American Samoa does accept retail deposits and is subject to supervision by the FDIC. In March 2022, ANZBGL announced its intention to exit its community banking operations in Guam and American Samoa. Any such transactions would be subject to governmental and regulatory approvals and other conditions.

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

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

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

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

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps and security-based swaps, require the central execution and clearing of standardised OTC derivatives on regulated trading platforms and clearing houses, set limits on the size of positions in certain types of derivatives, require the reporting of transaction data to regulated swap 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 dealer 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 certain Australian rules in lieu of compliance with corresponding 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 is required to comply with the uncleared swap margin rules promulgated by the FRB, Farm Credit Administration, FDIC, Federal Housing Financial Agency and the OCC. These rules impose requirements to collect and post initial and variation margin in respect of in-scope trading with in-scope counterparties. The rules of the prudential regulators and the CFTC also allow non-U.S. swap dealers, such as ANZBGL, to comply with the applicable laws of non-U.S.

jurisdictions in lieu of compliance with their margin rules, 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 organisations, depending on the size of their U.S. operations and their risk profile. Under the final rules, ANZBGL is next required to submit a reduced resolution plan by 1 July 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 finalised in their current form and will be effective retroactively.

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

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

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

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

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

OTHER REGULATORS

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

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

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

RISK FACTORS

Introduction

The Group's activities are subject to risks, 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. Changes in political and general business and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the Group's Position

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

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

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

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

Inflationary pressures are now at multi-decade highs in many economies, including in New Zealand, Australia, the United States, Canada, Europe and UK. Geopolitical tensions, rising interest rates, central bank tightening, and persistent COVID-19 challenges to the global economy, such as global shipping capacity constraints, higher costs for freight, supply chain issues, higher energy prices, higher food prices, and tightened labour markets, are all contributing to rising inflationary pressures on the global economy. This may lead to counterparties defaulting on their debt obligations, countries re-denominating their currencies and/or introducing capital controls and/or one or more major economies collapsing. While difficult to predict, such events could destabilise global financial markets, adversely affecting all participants, including adversely affecting the Group's Position.

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

Should economic conditions 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. Refer to risk factor 10 "Credit risk may adversely affect the Group's Position".

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

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

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

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. Ongoing COVID-19 related supply chain disruption and labour mobility constraints could result in a decline in profit margins, and could impact customer's cash flows, capital, liquidity and financing needs. This in turn has impacted demand for the Group's products and services and may result in further short and long-term deteriorations of the quality of the Group's credit portfolio. Many of the Group's borrowers may continue to be negatively impacted by the COVID-19 pandemic, resulting in an increased risk of credit loss, particularly in the following sectors: transportation; tourism and travel; entertainment; education; discretionary retail; and property segments. See Notes 1, 10 and 14 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

COVID-19 has notably impacted the property construction industry through increased contractor risk and a potential contagion effect impacting stability of the property development sectors. Disrupted supply chains and resultant cost increases remain a risk to project feasibility where underlying property prices may not increase in line with cost increases, causing projects to be delayed or cancelled.

In response to the COVID-19 pandemic, the Group established a range of accommodations and measures, such as loan payment deferrals, designed to assist its personal and business customers. There can be no assurance that any future accommodations or measures will be sufficient to prevent or mitigate further hardship, or prevent disruption to the ongoing demand for the Group's products and services, and there is a risk that the Group's Position may be materially and adversely affected.

Substantially reduced global economic activity has caused substantial volatility in the financial markets and such volatility is expected to continue, to have a significant impact on the global economy and global markets, as well as on the economies of Australia and New Zealand. Travel restrictions, border controls, social distancing measures, quarantine protocols and other containment measures have contributed, and may continue to contribute, to reduced economic activity in Australia, New Zealand and elsewhere around the world and suppress demand for commodities, interrupt the supply chain for industries, dampen consumer confidence and suppress business earnings and growth prospects, all of which could contribute to ongoing volatility in global financial markets.

In addition, COVID-19 pandemic related geopolitical risk persists. 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. Conduct risk may be heightened because of the blended/hybrid working model through its impact on employees' behaviour and/or the Group's systems and processes. The risk of customer harm will continue to be shaped by the economic and social impact of the pandemic. As the economy recovers, individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

The ongoing ramifications of the COVID-19 pandemic remain highly uncertain and, as of the date of this document, it is difficult to predict the further spread or duration of the COVID-19 pandemic and whether and to what extent, vaccines, boosters or other medical treatments will be effective in curtailing the effects of the COVID-19 pandemic.

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

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

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

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

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

- entities that the Group competes with, including those outside of Australia and New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, because those lower levels of regulation may give them a lower cost base and/or the ability to attract employees that the Group would otherwise seek to employ;
- digital technologies and business models are changing customer behaviour and the competitive environment and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models in the financial services sector;
- existing companies from outside of the traditional financial services sector are directly competing with the Group by offering products and services traditionally provided by banks, including by obtaining banking licenses and/or by partnering with existing providers;

- consumers and businesses may choose to transact using, or to invest or store value in, new forms of currency (such as cryptocurrencies or central bank digital currencies) in relation to which the Group may choose not, or may not competitively be able, to provide financial services. For example, the Reserve Bank of Australia has announced that it is actively researching central bank digital currency, the effect of which, if adopted, on the Group's Position is uncertain. Any new form of currency could change how financial intermediation and markets operate and, with that, the competitive and commercial position of the Group; and
- Open Banking (as described below) may lead to increased competition (see risk factor 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, changes in interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and temporary regulatory safe harbours. The low-growth environment will likely lead to heightened competitive intensity and margin compression.

4. 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. Since 2019, property prices in Australia have risen, but now may be affected by rising interest rates depending on the extent and the speed of increases.

APRA is proposing the introduction of credit-based macroprudential measures in Australia, which would require ADIs to ensure they have the ability to limit growth in particular forms of lending (including commercial and residential property); moderate higher risk lending during periods of heightened systemic risk or meet particular lending standards, at levels determined by APRA; and ensure adequate reporting against limits is established. These changes to APRA's policy framework and the formalisation of the credit-based macroprudential policy measures prudential standard, may adversely affect the Group's Position. These proposals 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".

In New Zealand residential property median prices increased significantly in 2021. However, the following factors may moderate the rate of future New Zealand residential property price increases, or result in a decrease in prices in the future:

- The New Zealand Government 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 by 5 years (which is akin to a capital gains tax on investment property if sold within 10 years from date of purchase); the removal of interest deductibility from 1 October 2021 for residential property investors who hold their investments (acquired on or after 27 March 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; and
- Recent amendments to the Credit Contracts and Consumer Finance Act 2003, loan-to-value ratio restrictions and proposed debt serviceability restrictions may impact credit availability in New Zealand and demand for residential property.

Increases in interest rates may affect debt serviceability and reduce demand for residential property in both Australia and New Zealand.

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

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

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

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

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

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 change in the value of the Australian dollar against other currencies in which the Group earns revenues (particularly the New Zealand dollar and the U.S. dollar) or holds capital, may adversely affect the Group's reported earnings and/or capital ratios.

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

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

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

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

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

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

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

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

There can also be no assurance that any acquisition (or divestment) would have the anticipated positive results around synergies, cost or cost savings, time to integrate and overall performance; as the underlying assumptions for the acquisition (or divestment) may not ultimately prove to be accurate or achievable.

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

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 honour its contractual obligations. Credit losses can and have resulted in financial services organisations realising significant losses and, in some cases, failing altogether.

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

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

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

- industries impacted by the COVID-19 pandemic particularly those referred to in the risk factor 2 "The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position";
- industries exposed to the unwinding of government stimulus packages and/or timing of the opening of borders (both domestic and international) as well as industries reliant on consumer discretionary spending;
- industries that are heavily exposed to fuel supply shortages and associated rising costs including aviation, road transport & shipping and agriculture, particularly given the conflict in Russia and Ukraine and the associated impact on oil and gas prices;
- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g. technology, agriculture and communications, financial institutions and/or declining global growth and disruption to global supply chains which include but are not limited to retail, wholesale, automotive, manufacturing and packaging;
- 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 labour mobility issues. Earnings for hotel accommodation and certain retail sectors are still being impacted by reduced mobility and the extent of longer-term implications for some offices remains uncertain due to the shift to remote working arrangements;
- 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 30 "Impact of future climate events, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"; and
- industries exposed to the volatility of the U.S. 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 analyse 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 such as 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.

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.

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 15 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)) are measured at fair value with changes in fair value recognised in earnings or equity.

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

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

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

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

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 2022 fiscal year is outlined in Note 1 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

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

Legal and regulatory risk

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

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

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

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

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

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

Prudential Developments

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

  - Implementing more risk-sensitive risk weightings for residential mortgage lending;
  - Introduction of the Basel II capital floor that limits the risk weighted asset ("RWA") outcome for Internal Ratings-Based ("IRB") ADIs to no less than 72.5% of the RWA outcome under the standardised approach;
  - Improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
  - Improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardised approach; and
  - Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%.
- APRA has indicated that the above changes will likely result in a decrease in RWA, but this would be offset by the increased capital allocation to regulatory buffers. APRA has also indicated that, as ADIs are currently meeting the 'unquestionably strong' benchmarks, it is not APRA's intention to require ADIs to raise additional capital. Accordingly, APRA has therefore sought to calibrate the proposed capital requirements for ADIs, measured in dollar terms, to be consistent at an industry level with the existing 'unquestionably strong' capital benchmarks for ADIs under the current capital framework. The impact of these proposed changes on individual ADIs (including ANZBGL), however, will vary depending on the final form of requirements implemented by APRA.
- In November 2021, APRA released an information paper setting out its framework for macroprudential policy. To support the implementation of the framework, APRA is also consulting on steps to formalise and embed credit-based macroprudential policy measures within its prudential standards, within a new attachment to Prudential Standard APS 220 Credit Risk Management ("APS 220"). APRA's objective is to strengthen the transparency, implementation and enforceability of macroprudential policy. The proposed updates to APS 220 include a set of credit-based macroprudential measures that could be used to address systemic risks if needed. The proposed updates to APS 220 include two main types of credit-based macroprudential measures: lending limits (the purpose of temporary lending limits would be to moderate any excessive growth in higher-risk lending during periods of heightened systemic risks); and lending standards, whereby APRA may also set minimum requirements for lending standards, including measures such as the serviceability buffer for residential mortgages. The implementation of such changes could restrict the Group's flexibility and/or impact the profitability of one or more business lines. For further information, see risk factor 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".
- Additionally, APRA is consulting on revisions to a number of prudential standards relating to market risk, being Interest Rate Risk in the Banking Book ("IRRBB"), Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalised by APRA, the aggregate final outcome from all changes to APRA's prudential standards relating to their review of ADIs 'unquestionably strong' capital framework remains uncertain.
- In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of RWA by January 2024. On 2 December 2021, APRA announced that it has finalised its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of RWA by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of RWA. APRA expects the requirement to be satisfied predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on ANZ's actual RWA as at January 2026, including the final impact of the revisions to APRA's capital framework announced on 29 November 2021. APRA noted "Given changes to RWA from the ADI capital reforms, the lower end of the range in dollar terms broadly equates to a requirement of 4.5 percentage points of RWA under the new capital framework, in place from 2023".
- The RBNZ has released new capital adequacy requirements for New Zealand banks, which are set out in the BPR documents, and are being implemented in stages during a transition period from October 2021 to July 2028. The net impact on the Group is expected to be an increase in CET1 capital of approximately A$1.0 to A$1.5 billion between 31 March 2022 and the end of the transition period in 2028 (based on the Group's 31 March 2022 balance sheet). This amount could vary over time subject to changes to the capital position in ANZ New Zealand (e.g. from RWA growth, management buffer requirements, potential dividend payments).
- Additionally, under changes outlined in the BPR documents, from 1 January 2022 there will be an annual 12.5% reduction in the maximum regulatory capital recognition of ANZ New Zealand's total Additional Tier 1 capital instruments that were outstanding at 30 September 2021.
- 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 1 July 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.

ASIC's Regulatory Priorities

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 centre on: changing behaviours 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.

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

Competition Laws, Regulations and Inquiries

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

Product Laws, Regulations and Inquiries

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

Increasing Regulatory Powers, Corporate Penalties and Funding for Regulators

There are increased penalties for breaches of laws in Australia, including the Australian consumer law, as well as increased powers to regulators and funding for regulators to enforce breaches. Increasing regulatory powers include ASIC's product intervention power and proposed expansions of ASIC directions powers. The Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act 2019 significantly increased the sanctions applicable to the contravention of a range of corporate and financial sector obligations. The imposition of such penalties on the Group may adversely affect the Group's Position.

Senior Executive Accountability Laws and Regulations

There are increasing penalties and specialised rules applicable to senior executives in the banking sector. The Banking Executive Accountability Regime ("BEAR") was introduced in 2018 as a new responsibility and accountability framework for the directors and most senior executives in ADI groups. The Australian Government announced in January 2020 that BEAR will be replaced by the Financial Accountability Regime ("FAR"), extending the regime to other APRA-regulated entities. It was proposed that the FAR be jointly administered by APRA and ASIC and could impose larger civil penalties for any breaches. In October 2021, the Australian Government introduced the Financial Accountability Regime Bill 2021 ("FAR Bill"). In April 2022, the FAR Bill lapsed following the announcement of an election. It is not yet clear what any future Australian Government will do in respect of the FAR. It may seek to reintroduce legislation implementing the FAR in a form that is the same as what was proposed by the FAR Bill or it may seek to implement the FAR differently or not at all. Potential risks to the Group from the BEAR legislation and the FAR include the risk of penalties and the risk to the Group's ability to attract and retain high-quality directors and senior executives.

Royal Commission's compensation scheme of last resort

The Royal Commission made various recommendations concerning law reform and self-regulatory standards, a number of which have been addressed. There will be additional costs and further exposures associated with the proposed establishment of the Government's Compensation Scheme Of Last Resort ("CSLR") scheme. The purpose of the CSLR is to support ongoing confidence in the financial system's dispute resolution framework by facilitating compensation payments to eligible consumers who have received a determination for compensation from the Australian Financial Complaints Authority ("AFCA"). In April 2022, implementation of the CSLR scheme lapsed following the announcement of an election. It is not yet clear what any future Australian Government will do in respect of the scheme. It may seek to reintroduce legislation implementing the scheme in the same as that originally proposed or it may seek to implement the scheme differently or not at all. The outcomes and total costs associated with these possible exposures and the legislative change remain uncertain and the impact may adversely affect the Group's Position.

Other government or regulatory interventions in the financial sector

There are various Australian Government, Parliamentary and regulator led inquiries and interventions into Australia's financial sector. These inquiries are wide ranging and could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position, including through taxes and levies. Scrutiny of banks continues following the commencement by the AUSTRAC (the Australian Government financial intelligence agency set up to monitor financial transactions to identify money laundering, organised crime, tax evasion, and terrorism financing) of civil penalty proceedings in 2017 and 2019 against two major Australian banks relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth). The Australian Parliament's Joint Standing Committee on Trade and Investment Growth has conducted an inquiry into the prudential regulation of investment in Australia's export industries. The terms of reference focused on prudential standards and practices across banking, insurance and superannuation and how these were impacting businesses and the rural, regional and national economies. The Australian Senate Select Committee on Australia ("ASCC") as a Technology and Financial Centre has released its final report from an inquiry into a range of issues concerning technology and Australian financial services, including the 'debanking' of fintechs by Australian banks. The Australian Government has also released a policy paper concerning 'Transforming Australia's Payment System' that responds, in part, to the ASCC's report (see "Payments Policy" below). The Australian Government has also established a regional banking taskforce to assess the impact of bank branch closures on regional communities. The impact of these areas of work on ANZBGL, if any, is not yet clear. See also risk factor 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 ("Code") concluded in December 2021 with a report that made 116 recommendations, including for a new enforceable provision requiring banks to have systems and mechanisms to ensure that all provisions in the Code are implemented. The Australian Banking Association and member banks will develop positions on the recommendations in the calendar year 2022. An updated Code will come into effect 6 months after ASIC's approval.

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

Open Banking Laws

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

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

In December 2021, the Australian Government agreed to the vast majority of the report's 100 recommendations. While the implications for the Group of an expansion of CDR are not yet clear and will depend on the final form of the Government's policy, Open Banking may lead to increased competition that may adversely affect the Group's Position.

Cyber Security and Critical Infrastructure

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

Payments Policy

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

Privacy Act Review

The Australian Government is consulting on a draft bill to increase penalties and enforcement measures and to introduce a binding online privacy code to enhance privacy protections. As currently drafted the code would likely apply to online banking platforms. The Government is also consulting on an expansive set of potential reforms to the Privacy Act which would have a significant impact on how an entity can use individuals' information. It is not yet clear how or whether any future Australian Government will progress the draft bill. However implementing additional regulatory obligations may adversely affect the Group's Position.

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed, or have implemented, significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), proposed changes to RBNZ's mortgage lending standards, proposed conduct regulations for financial institutions under the Financial Markets (Conduct of Institutions) Amendment 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 the discontinuation of LIBOR, the reform of certain other benchmark rates and the transition to alternative benchmark rates (as to which see risk factor 8 "The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the Group's securities issuances and its capital markets and investment activities" above).

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

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

Such failures may also result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the Group's litigation and contingent liabilities, see risk factor 17 "Litigation and contingent liabilities may adversely affect the Group's Position" and Note 20 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

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

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

The Group had contingent liabilities as at 31 March 2022 in respect of the matters outlined in Note 20 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

Note 20 includes, among other things, descriptions of:

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

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 issues at financial institutions both domestically and globally and the related fines and settlement sums mean that these risks continue to be an area of focus for the Group.

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

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

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

Similarly, the RBNZ has stated that its appetite for taking formal enforcement action for breaches of the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 has increased, and the propensity for other regulators (including in Asia and the Pacific) to take action for non-compliance with their local AML/CTF laws has increased.

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

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

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

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.

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 penalise 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 penalise 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 broader '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. In addition, the ongoing loss of key resources and subject matter expertise, combined with the subsequent challenges of finding sufficiently qualified replacements increases the risk of inadvertent non-compliance with the breadth and detail of the obligations. A failure to successfully operate the implemented processes or to implement all obligations could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

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

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

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

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

Internal control, operations and reputational risk

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 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 behaviour);
- 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);
- 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"); and
- change risk events (for example, failure to deliver a change or risks resulting from change initiatives).

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. Whilst most major offices have returned to a blended/hybrid working environment, the Group endeavours to follow the relevant government direction in terms of place of work, and any occupancy restrictions. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability.

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

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 given the challenges in the current environment to recruit, develop and retain an appropriately skilled and qualified person into these roles particularly in areas such as digital, technology, risk or compliance, could have an adverse effect on the Group's Position. These risks may be further exacerbated by the ongoing impacts of the COVID-19 pandemic, including on employee well-being, social and employment choices.

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 realised, it is possible there may be unintended consequences from the Group's actions which may give rise to negative perceptions about the Group.

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

- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- market manipulation or anti-competitive behaviour;
- 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
- unauthorised trading activities in financial markets, in breach of the Group's policies and standards.

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

For further discussion of the increasing regulatory focus on conduct risk, see risk factor 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 the ANZ New Zealand Group, which relies on the Group to provide a number of IT systems. A failure of the Group's systems may affect the Group's network, which may in turn, adversely affect the Group's Position. The COVID-19 pandemic has highlighted that these arrangements must cater for vast and improbable events, and ensure critical 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 organisations are greater.

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

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

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

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

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

As a large financial institution, the Group relies on a number of models for material business decision making including but not limited to 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

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

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

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

Recent examples in Australia include severe drought conditions, bushfires in 2019/2020, and severe flooding in 2021 and 2022.

Geological event impacts have occurred in New Zealand in 2011 and the COVID-19 pandemic continues to impact the Group's operations and customers.

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

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

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

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

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

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

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

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

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

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

The Group’s most material climate-related risks result from its lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable or unwilling to repay debt, or 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$0.7499 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on 31 March 2022.

Major exchange rates

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

	Balance Sheet			Profit & Loss Average		
	As at			Half Year		
	Mar 22	**Sep 21**	**Mar 21**	**Mar 22**	**Sep 21**	**Mar 21**
Chinese Renminbi	**4.7505**	4.6568	4.9879	**4.6261**	4.8602	4.9209
Euro	**0.6703**	0.6209	0.6490	**0.6406**	0.6310	0.6263
Pound Sterling	**0.5704**	0.5357	0.5538	**0.5398**	0.5418	0.5568
Indian Rupee	**56.663**	53.481	55.883	**54.500**	55.577	55.046
Indonesian Rupiah	**10,743**	10,314	11,073	**10,387**	10,821	10,711
Japanese Yen	**91.432**	80.616	84.229	**83.399**	82.539	78.911
Malaysian Ringgit	**3.1460**	3.0162	3.1585	**3.0413**	3.1297	3.0684
New Taiwan Dollar	**21.412**	20.060	21.662	**20.264**	20.988	21.245
New Zealand Dollar	**1.0760**	1.0473	1.0894	**1.0590**	1.0626	1.0697
Papua New Guinean Kina	**2.6347**	2.5270	2.6665	**2.5492**	2.6378	2.6315
United States Dollar	**0.7483**	0.7202	0.7600	**0.7260**	0.7518	0.7507

For the March 2022 half, 36% of ANZ's operating income including discontinued operations was derived from the New Zealand and Asia Pacific, Europe and Americas ("APEA") geographic regions (Sep 21 half: 33%; Mar 21 half: 32%).

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

Australian Dollar movement against foreign currencies[1]

	Movement		
Half year ended	**Mar 22**	**Sep 21**	**Mar 21**
Chinese Renminbi	**-5%**	-1%	3%
Euro	**2%**	1%	4%
Pound Sterling	**0%**	-3%	3%
Indian Rupee	**-2%**	1%	7%
Indonesian Rupiah	**-4%**	1%	6%
Japanese Yen	**1%**	5%	8%
Malaysian Ringgit	**-3%**	2%	5%
New Taiwan Dollar	**-3%**	-1%	5%
New Zealand Dollar	**0%**	-1%	0%
Papua New Guinean Kina	**-3%**	0%	11%
United States Dollar	**-3%**	0%	10%

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

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

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

OPERATING AND FINANCIAL REVIEW

The following discussion of statutory profit is based on the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) prepared under AASs (refer to "Section 1: Key Information - Basis of Preparation" for a description of AASs).

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

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

Large/notable items - continuing operations

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

Business divestments/closures

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

	Gain/(Loss) from divestments/closures			Completed divested business results		
	Half Year			Half Year		
Impact of large/notable items on:	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
ANZ Worldline partnership	**307**	-	-	**60**	46	77
ANZ Share Investing	**-**	-	(251)	**-**	-	-
Financial planning and advice business	**(69)**	-	-	**-**	-	-
Legal entity rationalisation	**(65)**	-	-	**-**	-	-
Other divestments	**(5)**	-	13	**-**	-	-
Profit/(Loss) before income tax	**168**	-	(238)	**60**	46	77
Income tax benefit/(expense) and non-controlling interests	**37**	-	-	**(18)**	(14)	(23)
Profit/(Loss) from continuing operations	**205**	-	(238)	**42**	32	54

- **ANZ Worldline partnership**

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

- **ANZ Share Investing**

  During the March 2021 half, the Group recognised a $251 million loss in Other operating income on reclassifying its ANZ Share Investing business as held for sale in the Australia Retail and Commercial division. This transaction completed during the September 2021 half with no further gain or loss recognised.

- **Financial planning and advice business**

  During the March 2022 half, the Group agreed to sell its financial planning and advice business servicing the affluent customer segment to Zurich Financial Services Australia Ltd. As a result of the transaction, the Group recognised a $62 million loss largely comprising a goodwill write-off of $40 million in other operating income, restructuring expenses of $7 million, and an income tax benefit of $9 million in the Australia Retail and Commercial division.

- **Legal entity rationalisation**

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

- **Other divestments**

  During the March 2022 half, the Group announced the planned closure of the ANZ American Territories ("ANZ American Samoa and ANZ Guam"). A cost of $18 million, comprising restructuring expenses of $12 million and a credit impairment charge of $6 million, was recognised in the Pacific division. In addition, the Group released excess provisions originally raised as part of the UDC Finance and Paymark Limited divestments completed in prior fiscal years and recognised a $13 million gain in Other operating income in the Group Centre division.

  During the March 2021 half, the Group disposed of its rights and obligations relating to a legacy portfolio of insurance underwritten by Tower Limited ("Tower") to Tower and recognised a $13 million gain in Other operating income in the New Zealand division.

Customer remediation

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

	Half Year		
Impact of large/notable items on:	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Operating income	**(25)**	(68)	(74)
Operating expenses	**(148)**	(93)	(92)
Profit/(Loss) before income tax	**(173)**	(161)	(166)
Income tax benefit/(expense) and non-controlling interests	**50**	48	58
Profit/(Loss) from continuing operations	**(123)**	(113)	(108)

Litigation settlements

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

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

Restructuring

In addition to the restructuring expenses associated with business divestments/closures, the Group recognised restructuring expenses of $31 million after tax in the March 2022 half year (Sep 21 half: $16 million; Mar 21 half: $76 million) relating to operational changes across all divisions.

Withholding tax

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

Asian associate items

	Half Year		
Impact of large/notable items on:	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
AmBank 1MDB settlement[1]	**-**	-	(212)
AmBank goodwill impairment[2]	**-**	-	(135)
Profit/(Loss) before income tax	**-**	-	(347)
Income tax benefit/(expense) and non-controlling interests	**-**	-	-
Profit/(Loss) from continuing operations	**-**	-	(347)

1. *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 recognised a $212 million reduction in equity accounted earnings after tax reflecting its share of the settlement provision during the March 2021 half.*
2. *AmBank partially impaired goodwill and the Group recognised a $135 million reduction in equity accounted earnings after tax reflecting its share of the impairment during the March 2021 half.*

Large/Notable items - continuing operations

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

	March 2022 Half Year							March 2021 Half Year						
	Large/notable items included in continuing profit							Large/notable items included in continuing profit						
	Gain/(Loss) from divestments /closures $M	Divested business results $M	Customer remediation $M	Litigation settlements $M	Restructuring[1] $M	Withholding tax $M	Total $M	Gain/(Loss) from divestments /closures $M	Divested business results $M	Customer remediation $M	Litigation settlements $M	Restructuring $M	Asian associate items $M	Total $M
Impact of large/notable items on:														
Net interest income	-	-	(3)	-	-	-	**(3)**	-	-	(56)	-	-	-	**(56)**
Other operating income	193	87	(22)	-	-	-	**258**	(238)	103	(18)	-	-	(347)	**(500)**
Operating income	193	87	(25)	-	-	-	**255**	(238)	103	(74)	-	-	(347)	**(556)**
Operating expenses	(19)	(29)	(148)	(10)	(30)	-	**(236)**	-	(29)	(92)	(69)	(105)	-	**(295)**
Profit before credit impairment and income tax	174	58	(173)	(10)	(30)	-	**19**	(238)	74	(166)	(69)	(105)	(347)	**(851)**
Credit impairment (charge)/ release	(6)	2	-	-	-	-	**(4)**	-	3	-	-	-	-	**3**
Profit before income tax	168	60	(173)	(10)	(30)	-	**15**	(238)	77	(166)	(69)	(105)	(347)	**(848)**
Income tax benefit/(expense) and non-controlling interests	37	(18)	50	-	(1)	(126)	**(58)**	-	(23)	58	21	29	-	**85**
Profit/(Loss) from continuing operations	205	42	(123)	(10)	(31)	(126)	**(43)**	(238)	54	(108)	(48)	(76)	(347)	**(763)**

	March 2022 Half Year							September 2021 Half Year						
	Large/notable items included in continuing profit							Large/notable items included in continuing profit						
	Gain/(Loss) from divestments /closures $M	Divested business results $M	Customer remediation $M	Litigation settlements $M	Restructuring[1] $M	Withholding tax $M	Total $M	Gain/(Loss) from divestments /closures $M	Divested business results $M	Customer remediation $M	Litigation settlements $M	Restructuring $M	Asian associate items $M	Total $M
Impact of large/notable items on:														
Net interest income	-	-	(3)	-	-	-	**(3)**	-	-	(30)	-	-	-	**(30)**
Other operating income	193	87	(22)	-	-	-	**258**	-	77	(38)	-	-	-	**39**
Operating income	193	87	(25)	-	-	-	**255**	-	77	(68)	-	-	-	**9**
Operating expenses	(19)	(29)	(148)	(10)	(30)	-	**(236)**	-	(31)	(93)	-	(22)	-	**(146)**
Profit before credit impairment and income tax	174	58	(173)	(10)	(30)	-	**19**	-	46	(161)	-	(22)	-	**(137)**
Credit impairment (charge)/ release	(6)	2	-	-	-	-	**(4)**	-	-	-	-	-	-	**-**
Profit before income tax	168	60	(173)	(10)	(30)	-	**15**	-	46	(161)	-	(22)	-	**(137)**
Income tax benefit/(expense) and non-controlling interests	37	(18)	50	-	(1)	(126)	**(58)**	-	(14)	48	-	6	-	**40**
Profit/(Loss) from continuing operations	205	42	(123)	(10)	(31)	(126)	**(43)**	-	32	(113)	-	(16)	-	**(97)**

1. *Restructuring expense before tax of $30 million (Sep 21: $22 million; Mar 21: $105 million) does not include restructuring expenses of $19 million (Sep 21: nil; Mar 21: nil) incurred as part of the business divestments/closures.*

GROUP INCOME STATEMENT INFORMATION

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Net interest income	**7,100**	7,175	6,986
Other operating income[1]	**2,442**	1,878	1,381
Operating income	**9,542**	9,053	8,367
Operating expenses	**(4,791)**	(4,569)	(4,482)
Profit before credit impairment and income tax	**4,751**	4,484	3,885
Credit impairment (charge)/release	**284**	76	491
Profit before income tax	**5,035**	4,560	4,376
Income tax expense and non-controlling interests	**(1,500)**	(1,332)	(1,425)
Profit after income tax from continuing operations	**3,535**	3,228	2,951
Profit/(Loss) after income tax from discontinued operations	**(5)**	(9)	(8)
Profit after income tax	**3,530**	3,219	2,943

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

Group results - continuing operations

Comparison of March 2022 with March 2021

Profit after income tax from continuing operations increased $584 million (+20%) compared with the March 2021 half mainly due to:

- Net interest income increased $114 million (+2%) driven by a $42.2 billion increase in average interest earning assets, partially offset by 5 basis point ("bps") decrease in net interest margin. The increase in average interest earning assets was driven by increases in cash and other liquid assets, and net loans and advances, partially offset by a decrease in trading and investment securities. The decrease in net interest margin was driven by unfavourable asset pricing, unfavourable liquidity impact reflecting growth in lower yielding liquid assets, and unfavourable asset and funding mix. This was partially offset by favourable wholesale funding and deposit pricing and the favourable impact of Markets balance sheet activities. Refer to "Analysis of Major Income and Expense Items" on pages 49 and 50 for further details on key movements.
- Other operating income increased $1,061 million (+77%) driven by favourable unrealised mark-to-market movements on economic hedges of $597 million, favourable impact of business divestments/closures of $431 million and an increase in share of associates' profit of $316 million. This was partially offset by lower Markets other operating income of $242 million. Refer to "Analysis of Major Income and Expense Items" on pages 51 and 52 for further details on key movements.
- Operating expenses increased $309 million (+7%) driven by higher personnel, other and technology expenses, partially offset by lower restructuring and premises expenses. Refer to "Analysis of Major Income and Expense Items" on page 53 for further details on key movements.
- Credit impairment release decreased $207 million (-42%) driven by lower collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 54 and 55 for further details on key movements.

Comparison of March 2022 with September 2021

Profit after income tax from continuing operations increased $307 million (+10%) compared with the September 2021 half mainly due to:

- Net interest income decreased $75 million (-1%) driven by a 7 bps decrease in net interest margin, partially offset by a $29.9 billion increase in average interest earning assets. The decrease in net interest margin was driven by unfavourable asset pricing, unfavourable asset and funding mix, unfavourable liquidity impact reflecting the growth in lower yielding liquid assets, and unfavourable impact of Markets balance sheet activities. This was partially offset by favourable wholesale funding and deposit pricing. The increase in average interest earning assets was driven by increases in cash and other liquid assets, and net loans and advances, partially offset by a decrease in trading and investment securities. Refer to "Analysis of Major Income and Expense Items" on pages 49 and 50 for further details on key movements.
- Other operating income increased $564 million (+30%) driven by favourable unrealised mark-to-market movements on economic hedges of $341 million, favourable unrealised mark-to-market movements on revenue and expense hedges of $224 million and favourable impact of business divestments/closures of $193 million. This was partially offset by lower Markets other operating income of $96 million and lower net fee and commission income of $99 million. Refer to "Analysis of Major Income and Expense Items" on pages 51 and 52 for further details on key movements.
- Operating expenses increased $222 million (+5%) driven by higher personnel, other, restructuring and technology expenses, partially offset by lower premises expenses. Refer to "Analysis of Major Income and Expense Items" on page 53 for further details on key movements.
- Credit impairment release increased $208 million driven by a higher collectively assessed credit impairment release, partially offset by higher individually assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 54 and 55 for further details on key movements.

ANALYSIS OF MAJOR INCOME AND EXPENSE ITEMS

Net interest income - continuing operations

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

	Half Year		
Group	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Net interest income[1]	**7,100**	7,175	6,986
Average interest earning assets[2]	**899,678**	869,825	857,524
Average deposits and other borrowings[2]	**768,118**	728,925	696,066
Net interest margin (%)	**1.58**	1.65	1.63

	Half Year		
Net interest margin by major division	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Australia Retail and Commercial			
Net interest margin (%)[1]	**2.55**	2.59	2.56
Average interest earning assets[2]	**303,623**	308,937	311,211
Average deposits and other borrowings[2]	**258,812**	245,089	240,094
Institutional			
Net interest margin (%)[1]	**0.83**	0.85	0.77
Average interest earning assets[2]	**390,901**	374,019	397,339
Average deposits and other borrowings[2]	**323,662**	302,551	292,475
New Zealand			
Net interest margin (%)[1]	**2.33**	2.34	2.32
Average interest earning assets[2]	**129,773**	125,729	120,580
Average deposits and other borrowings[2]	**105,179**	100,444	95,864

1. *Includes large/notable items of -$3 million for the March 2022 half (Sep 21 half: -$30 million; Mar 21 half: -$56 million). Refer to pages 45 to 47 for further details on large/notable items. Also includes the major bank levy of -$165 million for the March 2022 half (Sep 21 half: -$157 million; Mar 21 half: -$189 million).*
2. *Averages are calculated using predominantly daily averages.*

Comparison of March 2022 with March 2021

The increase in net interest income of $114 million (+2%) was driven by:

Net interest margin (-5 bps)

- Wholesale funding and deposit pricing (+8 bps): driven by deposit margin management across all divisions and wholesale funding costs.
- Asset pricing (-10 bps): driven by pricing competition in home lending in the Australia Retail and Commercial and New Zealand divisions.
- Asset and funding mix (-3 bps): driven by unfavourable product mix reflecting impacts of customers switching from variable to fixed rate home loans, lower unsecured lending and lower overall growth in the Australia Retail and Commercial division. This was partially offset by favourable deposit mix with growth in at-call deposits, and increased customer deposits relative to wholesale funding.
- Liquidity (-5 bps): driven by growth in lower yielding liquid assets.
- Earnings on capital and replicating portfolio (+1 bps): driven by growth in volumes, partially offset by a lower earnings yield.
- Markets Balance Sheet activities (+3 bps): driven by a reduction in lower margin Markets average interest earning assets.
- Large/notable items (+1 bps): driven by reduced customer remediation.

Average interest earning assets (+$42.2 billion or +5%)

- Average net loans and advances (+$20.6 billion or +4%): driven by lending growth in the Institutional division, home loan growth in the New Zealand division and the impact of foreign currency translation movements, partially offset by a decline in the Australia Retail and Commercial division.
- Average trading and investment securities (-$24.1 billion or -17%): driven primarily by portfolio rebalancing activities in Markets, partially offset by the impact of foreign currency translation movements over the period.
- Average cash and other liquid assets (+$45.6 billion or +36%): driven by higher central bank balances, partially offset by lower reverse repurchase agreements.

Average deposits and other borrowings (+$72.0 billion or +10%)

- Average deposits and other borrowings (+$72.0 billion or +10%): 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.

Comparison of March 2022 with September 2021

The decrease in net interest income of $75 million (-1%) was driven by:

Net interest margin (-7 bps)

- Wholesale funding and deposits pricing (+4 bps): driven by deposit margin management across all divisions and wholesale funding costs.
- Asset pricing (-6 bps): driven by continued competition in home lending in the Australia Retail and Commercial and New Zealand divisions.
- Asset and deposit mix (-3 bps): driven by the impacts of customers switching from variable to fixed rate home loans and lower growth in the Australia Retail and Commercial division. This was partially offset by favourable deposit mix with growth in at-call deposits, and increased customer deposits relative to wholesale funding.
- Liquidity (-2 bps): driven by growth in lower yielding liquid assets.
- Earnings on capital and replicating portfolio (+1 bps): driven by growth in volumes and improvement in earnings yield.
- Markets Balance Sheet activities (-2 bps): driven primarily by an increase in lower margin Markets average interest earning assets.
- Large/notable (+1 bps): driven by lower customer remediation.

Average interest earning assets (+$29.9 billion or +3%)

- Average net loans and advances (+$19.8 billion or +3%): driven by growth in Institutional lending as well as home lending growth in the New Zealand division and the impact of foreign currency translation movements, partially offset by a decline in the Australia Retail and Commercial division.
- Average trading and investment securities (-$10.2 billion or -8%): driven primarily by portfolio rebalancing activities in Markets, partially offset by the impact of foreign currency translation movements over the period.
- Average cash and other liquid assets (+$20.3 billion or +13%): driven by higher central bank balances and higher reverse repurchase agreements.

Average deposits and other borrowings (+$39.2 billion or +5%)

- Average deposits and other borrowings (+$39.2 billion or +5%): driven by growth in at-call deposits across all divisions, increases in commercial paper and the impact of foreign currency translation movements, partially offset by lower term deposits and certificates of deposits.

Other operating income - continuing operations

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Net fee and commission income[1]	**953**	1,052	1,011
Markets other operating income	**396**	492	638
Share of associates' profit/(loss)	**74**	66	(242)
Economic hedges[2]	**524**	183	(73)
Revenue and expense hedges[3]	**70**	(154)	17
Other[1,4]	**425**	239	30
Total other operating income from continuing operations[5,6]	**2,442**	1,878	1,381
Markets income			
Net interest income	**416**	439	402
Other operating income	**396**	492	638
Total Markets income	**812**	931	1,040

1. *Excluding the Markets business unit.*
2. *Represents unrealised gains and losses on economic hedges used to manage interest rate and foreign exchange risk and the ineffective portion of designated accounting hedges.*
3. *Represents unrealised gains and losses on revenue and expense hedges used to hedge large foreign exchange currency denominated revenue and expense streams.*
4. *Includes foreign exchange earnings and net income from insurance business.*
5. *Includes large/notable items of $258 million for the March 2022 half (Sep 21 half: $39 million; Mar 21 half: -$500 million). Refer to pages 45 to 47 for further details on large/notable items.*
6. *Includes Other operating income, Net income from insurance business and Share of associates' profit/(loss) as presented in the Condensed Consolidated Income Statement (attached to this U.S. Disclosure Document as part of the Annex).*

Comparison of March 2022 with March 2021

Other operating income increased by $1,061 million (+77%). Key factors affecting the result were:

Net fee and commission income (-$58 million or -6%)

- $59 million decrease in the Australia Retail and Commercial division largely driven by Breakfree package fee changes.
- $16 million decrease from lower divested business results in the Australia Retail and Commercial and Institutional divisions.
- $23 million increase driven by lower customer remediation.

Markets income (-$228 million or -22%)

Markets income decreased $228 million (-22%) driven by a $242 million decrease in Other operating income, partially offset by a $14 million increase in Net interest income. This was primarily attributable to the following business activities:

- $179 million decrease in Balance Sheet income from lower realised gains and unfavourable mark-to-market movements attributable to steepening yield curves.
- $107 million decrease in Credit and Capital Markets income driven by stronger Credit Trading conditions in the March 2021 half.
- $22 million decrease from Derivative Valuation Adjustments from higher mark-to-market credit valuation adjustments.
- $53 million increase in Rates income driven by more favourable trading conditions in a rising interest-rate environment.
- $17 million increase in Foreign Exchange income driven by customer demand for hedging solutions with increased volatility and interest rate differentials across currencies, partially offset by the release of customer remediation provisions in the March 2021 half.
- $10 million increase in Commodities income driven by increased demand for hedging solutions and more favourable trading conditions.

Share of associates' profit/(loss) (+$316 million)

- $347 million increase driven by the Group's share of charges recognised by AmBank in the March 2021 half in respect of the 1MDB settlement ($212 million) and goodwill impairment ($135 million).
- $31 million decrease in share of associates' profits from PT Panin ($41 million), partially offset by an increase from AmBank ($10 million).

Economic hedges (+$597 million)

- For the March 2022 half, the majority of the $524 million gain on economic hedges relates to funding related swaps, principally from widening AUD/USD and NZD/USD currency basis spreads and interest rate movements, and the impact of rising yield curves on the economic hedges of select structured finance and specialised leasing transactions.
- For the March 2021 half, the majority of the $73 million loss on economic hedges relates to funding related swaps, principally from the strengthening of the AUD and NZD against the USD and narrowing of basis spreads on the EUR/USD currency pair.

Revenue and expense hedges (+$53 million)

- For the March 2022 half, the gain of $70 million on revenue and expense hedges was mainly due to appreciation of AUD against the NZD.
- For the March 2021 half, the gain of $17 million on revenue and expense hedges was mainly due to the strengthening of the AUD against the USD and NZD.

Other (+$395 million)

- $431 million increase driven by divestments/closures:
  - $496 million increase in the Australia Retail and Commercial division from the gain on sale on completion of the ANZ Worldline partnership ($307 million) and the loss on reclassification of ANZ Share Investing to held for sale ($251 million) in the March 2021 half, partially offset by loss on sale of the financial planning and advice business ($62 million).

  - $52 million decrease in the Group Centre division driven by the recycling of foreign currency translation reserves from Other comprehensive income to profit or loss on dissolution of Minerva and ANZ Asia ($65 million), partially offset by the release of excess provisions originally raised as part of the UDC Finance and Paymark Limited divestments completed in the prior years ($13 million).
  - $13 million decrease in the New Zealand division from the gain on sale of a legacy insurance portfolio to Tower in the March 2021 half.
- $29 million increase in the New Zealand division driven by realised gains from the sale of government securities.
- $18 million increase in the Institutional division driven by higher international payment volumes in Transaction Banking and favourable adjustments to loans measured at fair value in Corporate Finance.
- $76 million decrease in the Group Centre division primarily driven by lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group and lower valuation adjustments from investments measured at fair value in the digital business.
- $11 million decrease in the Australia Retail and Commercial division driven by a gain on disposal of the offsite ATM network in the March 2021 half.

Comparison of March 2022 with September 2021

Other operating income increased by $564 million (30%). Key factors affecting the result were:

Net fee and commission income (-$99 million or -9%)

- $113 million decrease in the Australia Retail and Commercial division driven by Breakfree package fee changes, the timing of recognition of cards incentives and seasonality of fees.
- $15 million decrease in the New Zealand division driven by the removal or reduction of funds under management fees.
- $30 million increase driven by lower customer remediation.

Markets income (-$119 million or -13%)

Markets income decreased $119 million (-13%) driven by a $96 million (-20%) decrease in Other operating income and a $23 million (-5%) decrease in Net interest income. This was primarily attributable to the following business activities:

- $222 million decrease in Balance Sheet income with lower realised gains following portfolio rebalancing in the prior half, and lower interest income.
- $29 million decrease in Credit and Capital Markets income driven by lower fee revenues from reduced customer issuance volumes and valuation impacts from widening credit spreads.
- $8 million decrease from Derivative Valuation Adjustments from higher mark-to-market credit valuation adjustments.
- $62 million increase in Foreign Exchange income driven by customer demand for hedging solutions with increased volatility and interest rate differentials across currencies.
- $57 million increase in Rates income driven by more favourable trading conditions in a rising interest-rate environment.
- $21 million increase in Commodities income driven by increased demand for hedging solutions and more favourable trading conditions.

Share of associates' profit/(loss) (+$8 million or +12%)

- $8 million increase in the share of associates' profits from AmBank ($34 million), partially offset by a decrease from PT Panin ($26 million).

Economic hedges (+$341 million)

- For the March 2022 half, the majority of the $524 million gain on economic hedges relates to relates to funding related swaps, principally from widening AUD/USD and NZD/USD currency basis spreads and interest rate movements, and the impact of rising yield curves on the economic hedges of select structured finance and specialised leasing transactions.
- For the September 2021 half, the majority of the $183 million gain on economic hedges relates to funding related swaps, principally from the weakening of the AUD and NZD against USD.

Revenue and expense hedges (+$224 million)

- For the March 2022 half, the gain of $70 million on revenue and expense hedges was mainly due to appreciation of AUD against the NZD.
- For the September 2021 half, the loss of $154 million on revenue and expense hedges was mainly due to the weakening of the AUD against the USD and NZD.

Other (+$186 million or +78%)

- $193 million increase driven by divestments/closures:
  - $245 million increase in the Australia Retail and Commercial division from the gain on sale on completion of the ANZ Worldline partnership ($307 million) partially offset by loss on sale of the financial planning and advice business ($62 million).
  - $52 million decrease in the Group Centre division driven by the recycling of foreign currency translation reserves from Other comprehensive income to profit or loss on dissolution of Minerva and ANZ Asia ($65 million) partially offset by the release of excess provisions originally raised as part of the UDC Finance and Paymark Limited divestments completed in the prior fiscal years ($13 million).
- $29 million increase in the New Zealand division driven by realised gains from the sale of government securities.
- $15 million increase in the Institutional division driven by higher international payment volumes in Transaction Banking and favourable adjustments to loans measured at fair value in Corporate Finance.
- $50 million decrease in the Group Centre division primarily driven by lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group and lower valuation adjustments from investments measured at fair value in the digital business.

Operating expenses - continuing operations

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Personnel	**2,654**	2,497	2,449
Premises	**341**	355	350
Technology	**815**	803	785
Restructuring	**49**	22	105
Other	**932**	892	793
Total operating expenses from continuing operations[1]	**4,791**	4,569	4,482
Full time equivalent staff from continuing operations	**39,529**	39,684	37,844
Average full time equivalent staff from continuing operations	**40,013**	38,489	37,594

1. *Includes large/notable items of $236 million for the March 2022 half (Sep 21 half: $146 million; Mar 21 half: $295 million). Refer to pages 45 to 47 for further details on large/notable items.*

Comparison of March 2022 with March 2021

Operating expenses increased by $309 million (+7%):

- Personnel expenses increased $205 million (+8%) driven by higher resourcing during the period to support investments to meet regulatory and compliance obligations and to develop digital capabilities, as well as Home Loan processing. Wage inflation and the impact of unfavourable foreign currency translation movements also contributed to the overall increase. This was partially offset by the benefits of customers continuing to embrace digital channels and productivity improvements arising from technology and back-office optimisation.
- Premises expenses decreased $9 million (-3%) driven by ongoing optimisation of property footprint and the sale of the offsite ATM network.
- Technology expenses increased $30 million (+4%) driven by higher software license costs and increased spend on investment initiatives, partially offset by lower amortisation charges.
- Restructuring expenses decreased $56 million (-53%) with lower charges across all divisions.
- Other expenses increased $139 million (+18%) driven by increased spend on investment initiatives and higher customer remediation. This was partially offset by expenses relating to a litigation settlement agreed in the March 2021 half.

Comparison of March 2022 with September 2021

Operating expenses increased by $222 million (+5%):

- Personnel expenses increased $157 million (+6%) resulting from higher resourcing during the period to support investments to meet regulatory and compliance obligations and to develop digital capabilities, as well as Home Loan processing. Wage inflation and the impact of unfavourable foreign currency translation movements also contributed to the overall increase. This was partially offset by the benefits of customers continuing to embrace digital channels and productivity improvements arising from technology and back-office optimisation.
- Premises expense decreased $14 million (-4%) driven by ongoing optimisation of property footprint and the sale of the offsite ATM network.
- Technology expenses increased $12 million (+1%) driven by higher software licence costs, partially offset by lower amortisation charges.
- Restructuring expenses increased $27 million driven by the planned closure of ANZ American Territories and retrenchment costs relating to the business changes in the Australia Retail and Commercial division.
- Other expenses increased $40 million (+4%) driven by higher customer remediation partially offset by seasonally lower marketing spend.

Credit risk - continuing operations

The Group's assessment of ECL from its credit portfolio is subject to judgements and estimates made by management based on a variety of internal and external information, as well as the Group's experience of the performance of the portfolio under previously stressed conditions. Refer to Note 1 of the Condensed Consolidated Financial Statements (attached to this U.S. Disclosure Document as the Annex) for further information.

Credit impairment charge/(release)

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Collectively assessed			
Australia Retail and Commercial	**(323)**	(106)	(515)
Institutional	**(27)**	(49)	(110)
New Zealand	**(17)**	(8)	(53)
Pacific	**(3)**	15	-
Group Centre	**(1)**	3	-
Total collectively assessed	**(371)**	(145)	(678)
Individually assessed			
Australia Retail and Commercial	**88**	61	134
Institutional	**(8)**	15	55
New Zealand	**(4)**	(10)	(5)
Pacific	**6**	3	3
Group Centre	**5**	-	-
Total individually assessed	**87**	69	187
Total credit impairment charge/(release)			
Australia Retail and Commercial	**(235)**	(45)	(381)
Institutional	**(35)**	(34)	(55)
New Zealand	**(21)**	(18)	(58)
Pacific	**3**	18	3
Group Centre	**4**	3	-
Total credit impairment charge/(release)	**(284)**	(76)	(491)

	Collectively assessed				Individually assessed			
March 2022 Half Year	**Stage 1 $M**	**Stage 2 $M**	**Stage 3 $M**	**Total $M**	**Stage 3 - New and increased $M**	**Stage 3 - Recoveries and write-backs $M**	**Total $M**	**Total $M**
Australia Retail and Commercial	56	(391)	12	**(323)**	239	(151)	**88**	**(235)**
Institutional	53	(71)	(9)	**(27)**	20	(28)	**(8)**	**(35)**
New Zealand	4	(23)	2	**(17)**	33	(37)	**(4)**	**(21)**
Pacific	(5)	-	2	**(3)**	9	(3)	**6**	**3**
Group Centre	(1)	-	-	**(1)**	-	5	**5**	**4**
Total	107	(485)	7	**(371)**	301	(214)	**87**	**(284)**
September 2021 Half Year								
Australia Retail and Commercial	(32)	(62)	(12)	**(106)**	285	(224)	**61**	**(45)**
Institutional	(14)	(41)	6	**(49)**	57	(42)	**15**	**(34)**
New Zealand	8	(10)	(6)	**(8)**	21	(31)	**(10)**	**(18)**
Pacific	(1)	5	11	**15**	6	(3)	**3**	**18**
Group Centre	3	-	-	**3**	-	-	**-**	**3**
Total	(36)	(108)	(1)	**(145)**	369	(300)	**69**	**(76)**
March 2021 Half Year								
Australia Retail and Commercial	(136)	(357)	(22)	**(515)**	326	(192)	**134**	**(381)**
Institutional	(89)	(8)	(13)	**(110)**	88	(33)	**55**	**(55)**
New Zealand	(6)	(30)	(17)	**(53)**	34	(39)	**(5)**	**(58)**
Pacific	(2)	(1)	3	**-**	7	(4)	**3**	**3**
Group Centre	-	-	-	**-**	-	-	**-**	**-**
Total	(233)	(396)	(49)	**(678)**	455	(268)	**187**	**(491)**

Comparison of March 2022 with March 2021

- The collectively assessed credit impairment release decreased $307 million (-45%) driven by lower releases across the Australia Retail and Commercial ($192 million), Institutional ($83 million) and New Zealand ($36 million) divisions. Collectively assessed credit impairment provision decreased substantially in the March 2021 half primarily due to improvements in the economic outlook and improvements in portfolio mix. The collectively assessed credit impairment release in the March 2022 half was primarily driven by underlying improvement in risk profile, portfolio mix and the reduction in COVID-19 specific management overlays, partially offset by changes in economic scenario weights and new management overlays for floods.
- The individually assessed credit impairment charge decreased $100 million (-53%) driven by decreases across the Australia Retail and Commercial division (-$46 million) with underlying delinquency and impairment flows remaining subdued post government and bank COVID-19 support packages, and the Institutional division (-$63 million) due to higher impairments taken in the March 2021 half.

Comparison of March 2022 with September 2021

- The collectively assessed credit impairment release increased $226 million driven by a higher release in the Australia Retail and Commercial division ($217 million). Collectively assessed credit impairment provisions decreased in the September 2021 half as a result of underlying changes in portfolio risk combined with a relatively stable view of forward-looking economic outlook. The collectively assessed credit impairment release in the March 2022 half was primarily driven by underlying improvement in risk profile, portfolio mix and the reduction in COVID-19 specific management overlays, partially offset by changes in economic scenario weights and new management overlays for floods.
- The individually assessed credit impairment charge increased by $18 million (26%) driven by increases across the Australia Retail and Commercial division ($27 million) with lower write-backs in the home loans, business banking and small business banking portfolios, and the New Zealand division ($6 million) substantially driven by a single name exposure. This was partially offset by a decrease in the Institutional division (-$23 million) with lower transition to impairment over the period.

Allowance for expected credit losses[1]

	As at		
	Mar 22 $M	Sep 21 $M	Mar 21 $M
Collectively assessed			
Australia Retail and Commercial	**1,891**	2,225	2,331
Institutional	**1,280**	1,346	1,364
New Zealand	**495**	526	513
Pacific	**89**	95	77
Group Centre	**2**	3	-
Total collectively assessed	**3,757**	4,195	4,285
Individually assessed			
Australia Retail and Commercial	**364**	406	520
Institutional	**185**	195	191
New Zealand	**62**	63	79
Pacific	**25**	23	19
Group Centre	**-**	-	-
Total individually assessed	**636**	687	809
Allowance for ECL			
Australia Retail and Commercial	**2,255**	2,631	2,851
Institutional	**1,465**	1,541	1,555
New Zealand	**557**	589	592
Pacific	**114**	118	96
Group Centre	**2**	3	-
Total allowance for ECL	**4,393**	4,882	5,094

	Collectively assessed				Individually assessed	
As at March 2022	Stage 1 $M	Stage 2 $M	Stage 3 $M	Total $M	Stage 3 $M	Total $M
Australia Retail and Commercial	477	1,074	340	**1,891**	364	**2,255**
Institutional	973	292	15	**1,280**	185	**1,465**
New Zealand	154	286	55	**495**	62	**557**
Pacific	12	47	30	**89**	25	**114**
Group Centre	1	1	-	**2**	-	**2**
Total	1,617	1,700	440	**3,757**	636	**4,393**
As at September 2021						
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
Group Centre	3	-	-	3	-	3
Total	1,554	2,205	436	4,195	687	4,882
As at March 2021						
Australia Retail and Commercial	462	1,530	339	2,331	520	2,851
Institutional	940	407	17	1,364	191	1,555
New Zealand	141	313	59	513	79	592
Pacific	18	42	17	77	19	96
Group Centre	-	-	-	-	-	-
Total	1,561	2,292	432	4,285	809	5,094

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

Gross impaired assets

	As at		
	Mar 22 $M	Sep 21 $M	Mar 21 $M
Gross impaired assets			
Impaired loans[1]	**1,286**	1,549	1,941
Restructured items[2]	**375**	355	300
Non-performing commitments, contingencies and derivatives[1]	**48**	61	232
Gross impaired assets	**1,709**	1,965	2,473
Gross impaired assets by division			
Australia Retail and Commercial	**857**	1,041	1,228
Institutional	**641**	704	892
New Zealand	**155**	164	310
Pacific	**56**	56	43
Gross impaired assets	**1,709**	1,965	2,473
Gross impaired assets by size of exposure			
Less than $10 million	**1,054**	1,289	1,474
$10 million to $100 million	**221**	222	267
Greater than $100 million	**434**	454	732
Gross impaired assets	**1,709**	1,965	2,473
Individually assessed provisions			
Impaired loans	**(619)**	(666)	(778)
Non-performing commitments, contingencies and derivatives	**(17)**	(21)	(31)
Net impaired assets	**1,073**	1,278	1,664

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

Comparison of March 2022 with March 2021

- Gross impaired assets decreased $764 million (-31%) driven by decreases across the Australia Retail and Commercial division (-$371 million) with underlying delinquency flows remaining subdued due to government and bank COVID-19 support packages, the Institutional division (-$251 million) driven by the upgrade and repayments of several single name exposures, and the New Zealand division (-$155 million) with the upgrade of a large Agribusiness customer and a number of Agribusiness asset sales in the September 2021 half.

Comparison of March 2022 with September 2021

- Gross impaired assets decreased $256 million (-13%) driven by decreases across the Australia Retail and Commercial division (-$184 million) with underlying delinquency flows remaining subdued post government and bank COVID-19 support packages, and the Institutional division (-$63 million) due to the repayments of several single name exposures.

The Group's individually assessed provision coverage ratio on impaired assets was 37.2% at 31 March 2022 (Sep 21: 35.0%; Mar 21: 32.7%).

New impaired assets

	Half Year		
	Mar 22 $M	Sep 21 $M	Mar 21 $M
New impaired assets			
Impaired loans[1]	**478**	508	798
Restructured items[2]	**138**	70	239
Non-performing commitments, contingencies and derivatives[1]	**23**	33	84
Total new impaired assets	**639**	611	1,121
New impaired assets by division			
Australia Retail and Commercial	**393**	461	421
Institutional	**137**	62	602
New Zealand	**99**	75	69
Pacific	**10**	13	29
Total new impaired assets	**639**	**611**	**1,121**

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

Comparison of March 2022 with March 2021

- New impaired assets decreased $482 million (-43%) driven by the Institutional division (-$465 million) by a small number of well secured single name exposures taken in March 2021 half, and the Australia Retail and Commercial division (-$28 million) with underlying delinquency flows remaining subdued post government and bank COVID-19 support packages. This was partially offset by an increase in the New Zealand division ($30 million) driven by the impairment of a single name exposure.

Comparison of March 2022 with September 2021

- New impaired assets increased by $28 million (5%) driven by the Institutional division ($75 million) with the impairment of a small number of well secured single name exposures, and the New Zealand division ($24 million) driven by the impairment of a single name exposure. This was partially offset by a decrease in the Australia Retail and Commercial division (-$68 million) with underlying delinquency flows remaining subdued post government and bank COVID-19 support packages.

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

	As at		
	Mar 22 $M	Sep 21 $M	Mar 21 $M
Australia Retail and Commercial	**2,311**	2,567	2,837
Institutional	**18**	19	18
New Zealand	**370**	357	358
Pacific	**122**	120	75
Group Centre	**2**	2	2
Total accruing loans - past due 90 days or more	**2,823**	3,065	3,290

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

Comparison of March 2022 with March 2021

- The accruing loans - past due 90 days or more decreased by $467 million (-14%) primarily driven by home loans in Australia and commercial portfolios in Australia and New Zealand due to the underlying delinquency flows remaining subdued reflecting the impact of government and bank COVID-19 support packages.

Comparison of March 2022 with September 2021

- The accruing loans - past due 90 days or more decreased by $242 million (-8%) primarily driven by home loans in Australia and commercial portfolios in Australia and New Zealand due to the underlying delinquency flows remaining subdued reflecting the impact of government and bank COVID-19 support packages.

Concentrations of credit risk/loans and advances by industry category

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

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

Income tax expense - continuing operations

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Income tax expense	**1,500**	1,331	1,425
Effective tax rate	**29.8%**	29.2%	32.6%
Australian corporate tax rate	**30.0%**	30.0%	30.0%

Comparison of March 2022 with March 2021

- The effective tax rate decreased from 32.6% to 29.8%. The decrease of 276 bps was driven by the net non-tax assessable gain from divestments/closures in the March 2022 half (-163 bps), the non-tax deductible impacts of the reclassification of ANZ Share Investing to held for sale in the March 2021 half (-171 bps) and lower equity accounted earnings (-208 bps). This was partially offset by higher withholding tax expense mainly due to the dividend payment from ANZ Papua New Guinea (+217 bps).

Comparison of March 2022 with September 2021

- The effective tax rate increased from 29.2% to 29.8%. The increase of 61 bps was driven by higher withholding tax expense mainly due to the dividend payment from ANZ Papua New Guinea (+252 bps), partially offset by the net non-tax assessable gain from divestments/closures in the March 2022 half (-172 bps).

CONDENSED BALANCE SHEET INFORMATION

	As at		
	Mar 22 $B	Sep 21 $B	Mar 21 $B
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**186.0**	168.0	146.3
Trading and investment securities	**119.2**	127.8	138.3
Derivative financial instruments	**45.2**	38.7	104.7
Net loans and advances	**651.4**	629.7	614.4
Other	**15.6**	14.7	14.6
Total assets	**1,017.4**	978.9	1,018.3
Liabilities			
Settlement balances owed by ANZ / Collateral received	**26.5**	23.1	26.7
Deposits and other borrowings	**780.3**	743.1	706.6
Derivative financial instruments	**47.8**	36.0	102.9
Debt issuances	**87.2**	101.1	107.6
Other	**13.8**	11.9	11.9
Total liabilities	**955.6**	915.2	955.7
Total equity	**61.8**	63.7	62.6

Comparison of March 2022 with March 2021

- Cash / Settlement balances owed to ANZ / Collateral paid increased $39.7 billion (+27%) driven by increases in balances with central banks and reverse repurchase agreements, partially offset by the impact of foreign currency translation movements.
- Trading and investment securities decreased $19.1 billion (-14%) primarily driven by lower liquid assets in Markets due to portfolio rebalancing activities in the September 2021 half.
- Derivative financial assets and liabilities decreased $59.5 billion (-57%) and $55.1 billion (-54%) respectively driven by a reduction following a change made in the September 2021 half 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 at the date of the change).
- Net loans and advances increased $37.0 billion (+6%) driven by higher lending volumes in the Institutional division (+$27.0 billion), an increase in the New Zealand division (+$7.6 billion) reflecting home loan growth, an increase in long-dated reverse repurchase agreements (+$2.6 billion) in Group Treasury and the impact of foreign currency translation movements. This was partially offset by a decrease in the Australia Retail and Commercial division (-$2.1 billion) driven by home loan contraction.
- Deposits and other borrowings increased $73.7 billion (+10%) driven by increases in customer deposits across the Australia Retail and Commercial (+$22.1 billion), Institutional (+$19.2 billion) and New Zealand (+$5.7 billion) divisions, increases in deposits from banks and repurchase agreements (+$11.4 billion), drawdowns of the RBA Term Funding Facility (“TFF”) and the RBNZ’s Funding for Lending Programme (“FLP”) and Term Lending Facility (“TLF”) (+9.8 billion) and commercial paper (+$5.7 billion), and the impact of foreign currency translation movements. This was partially offset by decreases in certificates of deposit (-$3.1 billion).
- Debt issuances decreased $20.4 billion (-19%) driven by the redemption of ANZ Capital Note (“CN”) 1 and ANZ CN2. This was partially offset by the issuance of ANZ CN6 and ANZ CN7 and the drawdown of the TFF, classified in Deposits and other borrowings.

Comparison of March 2022 with September 2021

- Cash / Settlement balances owed to ANZ / Collateral paid increased $18.0 billion (+11%) driven by increases in balances with central banks and overnight inter-bank deposits, partially offset by the impact of foreign currency translation movements.
- Trading and investment securities decreased $8.6 billion (-7%) primarily driven by lower liquid assets in Markets and the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $6.5 billion (+17%) and $11.8 billion (+33%) driven by the impact of market rate movements.
- Net loans and advances increased $21.7 billion (+3%) driven by higher lending volumes in the Institutional division (+$19.6 billion), an increase in the New Zealand division (+$4.6 billion) reflecting home loan growth, an increase in long-dated reverse repurchase agreements (+$3.0 billion) in Group Treasury, and loan growth in the Australia Retail and Commercial division (+0.9 billion), partially offset by the impact of foreign currency translation movements.
- Deposits and other borrowings increased $37.2 billion (+5%) driven by increases in customer deposits across the Australia Retail and Commercial (+$10.9 billion), Institutional (+$10.5 billion) and New Zealand (+$5.0 billion) divisions, increases in deposits from banks and repurchase agreements (+$15.9 billion) and commercial paper (+$6.3 billion), partially offset by the impact of foreign currency translation movements.
- Debt issuances decreased $13.9 billion (-14%) driven by the redemption of ANZ CN2 partially replaced by the issuance of ANZ CN7 and the drawdown of the TFF, 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”.

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

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

March 2022 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	3,864	1,621	1,505	46	64	-	**7,100**
Other operating income	746	782	245	34	41	594	**2,442**
Operating income	4,610	2,403	1,750	80	105	594	**9,542**
Operating expenses	(2,155)	(1,241)	(678)	(80)	(637)	-	**(4,791)**
Profit/(Loss) before credit impairment and income tax	2,455	1,162	1,072	-	(532)	594	**4,751**
Credit impairment (charge)/release	235	35	21	(3)	(4)	-	**284**
Profit/(Loss) before income tax	2,690	1,197	1,093	(3)	(536)	594	**5,035**
Income tax (expense)/benefit and non-controlling interests	(704)	(467)	(306)	(3)	152	(172)	**(1,500)**
Profit/(Loss) after income tax from continuing operations	1,986	730	787	(6)	(384)	422	**3,535**
Balance Sheet							
Net loans and advances	342,173	174,986	129,594	1,664	3,019	-	**651,436**
Other external assets	2,908	281,520	3,329	2,132	76,036	-	**365,925**
External assets	345,081	456,506	132,923	3,796	79,055	-	**1,017,361**
Customer deposits	263,420	243,836	100,102	3,763	(67)	-	**611,054**
Other external liabilities	10,173	173,043	22,928	223	138,184	-	**344,551**
External liabilities	273,593	416,879	123,030	3,986	138,117	-	**955,605**

September 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	4,015	1,586	1,477	47	50	-	**7,175**
Other operating income	587	864	231	32	135	29	**1,878**
Operating income	4,602	2,450	1,708	79	185	29	**9,053**
Operating expenses	(2,024)	(1,173)	(702)	(73)	(597)	-	**(4,569)**
Profit/(Loss) before credit impairment and income tax	2,578	1,277	1,006	6	(412)	29	**4,484**
Credit impairment (charge)/release	45	34	18	(18)	(3)	-	**76**
Profit/(Loss) before income tax	2,623	1,311	1,024	(12)	(415)	29	**4,560**
Income tax expense and non-controlling interests	(788)	(372)	(287)	2	122	(9)	**(1,332)**
Profit/(Loss) after income tax from continuing operations	1,835	939	737	(10)	(293)	20	**3,228**
Balance Sheet							
Net loans and advances	341,233	158,231	128,466	1,771	18	-	**629,719**
Other external assets	2,778	271,131	3,766	1,984	69,479	-	**349,138**
External assets	344,011	429,362	132,232	3,755	69,497	-	**978,857**
Customer deposits	252,504	239,628	97,719	3,767	(35)	-	**593,583**
Other external liabilities	8,978	144,478	24,280	131	143,731	-	**321,598**
External liabilities	261,482	384,106	121,999	3,898	143,696	-	**915,181**

March 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other Items[1] $M	Group $M
Net interest income	3,974	1,519	1,393	49	51	-	**6,986**
Other operating income	302	1,014	238	33	(150)	(56)	**1,381**
Operating income	4,276	2,533	1,631	82	(99)	(56)	**8,367**
Operating expenses	(2,000)	(1,274)	(623)	(71)	(514)	-	**(4,482)**
Profit/(Loss) before credit impairment and income tax	2,276	1,259	1,008	11	(613)	(56)	**3,885**
Credit impairment (charge)/release	381	55	58	(3)	-	-	**491**
Profit/(Loss) before income tax	2,657	1,314	1,066	8	(613)	(56)	**4,376**
Income tax expense and non-controlling interests	(875)	(366)	(295)	(1)	95	17	**(1,425)**
Profit/(Loss) after income tax from continuing operations	1,782	948	771	7	(518)	(39)	**2,951**
Balance Sheet							
Net loans and advances	344,269	147,446	120,482	1,713	449	-	**614,359**
Other external assets	3,510	345,315	3,812	1,609	49,734	-	**403,980**
External assets	347,779	492,761	124,294	3,322	50,183	-	**1,018,339**
Customer deposits	241,315	223,666	93,201	3,394	(53)	-	**561,523**
Other external liabilities	9,328	209,720	21,175	132	153,885	-	**394,240**
External liabilities	250,643	433,386	114,376	3,526	153,832	-	**955,763**

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

Australia Retail and Commercial - continuing operations

	Half Year		
Australia Retail and Commercial	Mar 22 $M	Sep 21 $M	Mar 21 $M
Net interest income	**3,864**	4,015	3,974
Other operating income	**746**	587	302
Operating income	**4,610**	4,602	4,276
Operating expenses	**(2,155)**	(2,024)	(2,000)
Profit before credit impairment and income tax	**2,455**	2,578	2,276
Credit impairment (charge)/release	**235**	45	381
Profit before income tax	**2,690**	2,623	2,657
Income tax expense and non-controlling interests	**(704)**	(788)	(875)
Profit after income tax	**1,986**	1,835	1,782
Consisting of:			
Retail	**1,119**	1,290	1,220
Commercial and Private Bank	**867**	545	562
Profit after income tax	**1,986**	1,835	1,782
Balance Sheet			
Net loans and advances	**342,173**	341,233	344,269
Other external assets	**2,908**	2,778	3,510
External assets	**345,081**	344,011	347,779
Customer deposits	**263,420**	252,504	241,315
Other external liabilities	**10,173**	8,978	9,328
External liabilities	**273,593**	261,482	250,643
Risk weighted assets	**170,383**	163,793	163,006
Average gross loans and advances[1]	**343,867**	345,741	346,168
Average deposits and other borrowings[1]	**258,812**	245,089	240,094
Ratios			
Return on average assets	**1.16%**	1.06%	1.03%
Net interest margin	**2.55%**	2.59%	2.56%
Operating expenses to operating income	**46.7%**	44.0%	46.8%
Operating expenses to average assets	**1.26%**	1.17%	1.16%
Individually assessed credit impairment charge/(release)	**88**	61	134
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**0.05%**	0.04%	0.08%
Collectively assessed credit impairment charge/(release)	**(323)**	(106)	(515)
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.19%)**	(0.06%)	(0.30%)
Gross impaired assets	**857**	1,041	1,228
Gross impaired assets as a % of GLA	**0.25%**	0.30%	0.35%
Total full time equivalent staff	**14,505**	14,480	14,118

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

Comparison of March 2022 with March 2021

Profit after income tax increased by $204 million (+11%).

Key factors affecting the result were:

- Lending volumes decreased driven by home loan contraction and lower unsecured lending, partially offset by an increase in commercial lending.
- Net interest margin decreased driven by unfavourable lending mix from stronger growth in lower margin fixed rate home loans, continued competitive pressures and deposit margin compression. This was partially offset by further deposit repricing benefits, stronger deposit volume growth and favourable deposit mix.
- Other operating income increased driven by the gain on sale relating to the ANZ Worldline partnership and the loss on reclassification of ANZ Share Investing to held for sale in the March 2021 half. This was partially offset by Breakfree package fee changes and the loss on sale of the financial planning and advice business.
- Operating expenses increased driven by higher investment spend and higher customer remediation, partially offset by productivity benefits and lower restructuring expenses.
- Credit impairment release decreased driven by a lower collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment charge with underlying delinquency and impairment flows remaining subdued post government and bank COVID-19 support packages.

Comparison of March 2022 with September 2021

Profit after income tax increased by $151 million (+8%).

Key factors affecting the result were:

- Lending volumes are largely flat compared to the September 2021 half.
- Net interest margin decreased driven by unfavourable lending mix from stronger growth in lower margin fixed rate home loans, continued competitive pressures and deposit margin compression. This was partially offset by further deposit repricing benefits, stronger deposit volume growth and favourable deposit mix.
- Other operating income increased driven by the gain on sale relating to the ANZ Worldline partnership, partially offset by Breakfree package fee changes and the loss on sale of the financial planning and advice business.
- Operating expenses increased driven by higher investment spend and customer remediation, partially offset by productivity benefits.
- Credit impairment release increased driven by a higher collectively assessed credit impairment release, partially offset by a higher individually assessed credit impairment charge, with lower write-backs in the home loans, business banking and small business banking portfolios.

Institutional - continuing operations

Institutional	Half Year Mar 22 $M	Sep 21 $M	Mar 21 $M
Net interest income	**1,621**	1,586	1,519
Other operating income	**782**	864	1,014
Operating income	**2,403**	2,450	2,533
Operating expenses	**(1,241)**	(1,173)	(1,274)
Profit before credit impairment and income tax	**1,162**	1,277	1,259
Credit impairment (charge)/release	**35**	34	55
Profit before income tax	**1,197**	1,311	1,314
Income tax expense and non-controlling interests	**(467)**	(372)	(366)
Profit after income tax	**730**	939	948
Consisting of:			
Transaction Banking	**240**	237	199
Corporate Finance	**452**	434	409
Markets	**183**	282	358
Central Functions	**(145)**	(14)	(18)
Profit after income tax	**730**	939	948
Balance Sheet			
Net loans and advances	**174,986**	158,231	147,446
Other external assets	**281,520**	271,131	345,315
External assets	**456,506**	429,362	492,761
Customer deposits	**243,836**	239,628	223,666
Other external liabilities	**173,043**	144,478	209,720
External liabilities	**416,879**	384,106	433,386
Risk weighted assets	**186,619**	172,065	169,984
Average gross loans and advances[1]	**170,891**	151,298	151,897
Average deposits and other borrowings[1]	**323,662**	302,551	292,475
Ratios			
Return on average assets	**0.32%**	0.38%	0.35%
Net interest margin	**0.83%**	0.85%	0.77%
Net interest margin (excluding Markets)	**1.77%**	1.86%	1.85%
Operating expenses to operating income	**51.6%**	47.9%	50.3%
Operating expenses to average assets	**0.55%**	0.48%	0.47%
Individually assessed credit impairment charge/(release)	**(8)**	15	55
Individually assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.01%)**	0.02%	0.07%
Collectively assessed credit impairment charge/(release)	**(27)**	(49)	(110)
Collectively assessed credit impairment charge/(release) as a % of average GLA[2]	**(0.03%)**	(0.06%)	(0.15%)
Gross impaired assets	**641**	704	892
Gross impaired assets as a % of GLA	**0.36%**	0.44%	0.60%
Total full time equivalent staff	**6,236**	6,196	6,061

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

Comparison of March 2022 with March 2021

Profit after income tax decreased by $218 million (-23%).

Key factors affecting the result were:

- Lending volumes increased across Corporate Finance, Markets and Transaction Banking following strong core lending and customer flows during the period. Customer deposits increased predominantly in Transaction Banking.
- Net interest margin ex-Markets decreased primarily driven by deposit margin compression.
- Other operating income decreased driven by Markets reflecting volatile interest rate movements and valuation adjustments during the period.
- Operating expenses decreased driven by lower litigation settlements, restructuring expenses and divested business results, partially offset by higher investment spend.
- Credit impairment release decreased driven by a lower collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment charges driven by higher impairments taken in the March 2021 half.
- Income tax expense increased driven by the dividend withholding tax on the dividend payment from ANZ PNG to ANZBGL.

Comparison of March 2022 with September 2021

Profit after income tax decreased by $209 million (-22%).

Key factors affecting the result were:

- Lending volumes increased across Corporate Finance, Markets and Transaction Banking following strong core lending and customer flows during the period. Customer deposits increased predominantly in Transaction Banking.
- Net interest margin ex-Markets decreased primarily driven by deposit margin compression.
- Other operating income decreased driven by Markets reflecting volatile interest rate movements during the period.
- Operating expenses increased driven by higher investment spend.
- Credit impairment release is flat as lower collectively assessed credit impairment releases were largely offset by lower individually assessed credit impairment charges.

New Zealand - continuing operations

Table reflects NZD for New Zealand.

AUD results shown on page 69.

	Half Year		
New Zealand	Mar 22 NZD M	Sep 21 NZD M	Mar 21 NZD M
Net interest income	**1,594**	1,570	1,490
Other operating income	**260**	244	255
Operating income	**1,854**	1,814	1,745
Operating expenses	**(718)**	(745)	(668)
Profit before credit impairment and income tax	**1,136**	1,069	1,077
Credit impairment (charge)/release	**22**	18	63
Profit before income tax	**1,158**	1,087	1,140
Income tax expense and non-controlling interests	**(324)**	(305)	(315)
Profit after income tax	**834**	782	825
Consisting of:			
Personal[1]	**442**	457	521
Business[1]	**372**	328	303
Central Functions	**20**	(3)	1
Profit after income tax	**834**	782	825
Balance Sheet			
Net loans and advances	**139,443**	134,537	131,250
Other external assets	**3,582**	3,944	4,153
External assets	**143,025**	138,481	135,403
Customer deposits	**107,710**	102,336	101,530
Other external liabilities	**24,670**	25,428	23,069
External liabilities	**132,380**	127,764	124,599
Risk weighted assets	**77,322**	74,524	71,220
Average gross loans and advances[2]	**137,455**	133,666	129,047
Average deposits and other borrowings[2]	**111,389**	106,744	102,546
Net funds management income	**101**	116	109
Funds under management	**37,358**	39,043	36,489
Average funds under management	**38,415**	37,878	35,468
Ratios			
Return on average assets	**1.19%**	1.14%	1.25%
Net interest margin	**2.33%**	2.34%	2.32%
Operating expenses to operating income	**38.7%**	41.1%	38.3%
Operating expenses to average assets	**1.02%**	1.08%	1.01%
Individual credit impairment charge/(release)	**(4)**	(11)	(6)
Individual credit impairment charge/(release) as a % of average GLA[3]	**(0.01%)**	(0.02%)	(0.01%)
Collective credit impairment charge/(release)	**(18)**	(7)	(57)
Collective credit impairment charge/(release) as a % of average GLA[3]	**(0.03%)**	(0.01%)	(0.09%)
Gross impaired assets	**167**	173	338
Gross impaired assets as a % of GLA	**0.12%**	0.13%	0.26%
Total full time equivalent staff	**7,026**	7,060	6,691

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

New Zealand results and commentary are reported in NZD. AUD results are shown on page 69.

Comparison of March 2022 with March 2021

Profit after income tax increased by NZD 9 million (+1%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth.
- Net interest margin increased driven by favourable deposit mix, lower funding costs and deposit repricing, partially offset by lower home loan margins due to competition, and a higher mix of fixed rate home loans.
- Other operating income increased driven by gains on sale of government securities, partially offset by lower fees from the removal or reduction of funds under management fees, and a gain on sale of New Zealand legacy insurance portfolio in the March 2021 half.
- Operating expenses increased driven by higher investment spend, and FTE increases, partially offset by lower discretionary spend and productivity gains.
- Credit impairment releases decreased driven by a lower collectively assessed credit impairment release.

Comparison of March 2022 with September 2021

Profit after income tax increased by NZD 52 million (+7%).

Key factors affecting the result were:

- Lending volumes increased driven by home loan growth.
- Net interest margin decreased driven by continued competition in home lending, partially offset by favourable deposit mix and deposit margin management.
- Other operating income increased primarily driven by gains on sale of government securities, partially offset by lower fees from the removal or reduction of funds under management fees.
- Operating expenses decreased primarily driven by productivity gains, and lower investment spend, discretionary spend, and customer remediation.
- Credit impairment release increased driven by higher collectively assessed credit impairment release, partially offset by lower individually assessed credit impairment release substantially driven by new and increased individually assessed charges relating to a single name exposure.

New Zealand - continuing operations

Table reflects AUD for New Zealand.

NZD results shown on page 67.

New Zealand	Half Year Mar 22 $M	Half Year Sep 21 $M	Half Year Mar 21 $M
Net interest income	**1,505**	1,477	1,393
Other operating income	**245**	231	238
Operating income	**1,750**	1,708	1,631
Operating expenses	**(678)**	(702)	(623)
Profit before credit impairment and income tax	**1,072**	1,006	1,008
Credit impairment (charge)/release	**21**	18	58
Profit before income tax	**1,093**	1,024	1,066
Income tax expense and non-controlling interests	**(306)**	(287)	(295)
Profit after income tax	**787**	737	771
Consisting of:			
Personal[1]	**418**	431	486
Business[1]	**352**	307	284
Central Functions	**17**	(1)	1
Profit after income tax	**787**	737	771
Balance Sheet			
Net loans and advances	**129,594**	128,466	120,482
Other external assets	**3,329**	3,766	3,812
External assets	**132,923**	132,232	124,294
Customer deposits	**100,102**	97,719	93,201
Other external liabilities	**22,928**	24,280	21,175
External liabilities	**123,030**	121,999	114,376
Risk weighted assets	**71,861**	71,161	65,376
Average gross loans and advances[2]	**129,793**	125,780	120,639
Average deposits and other borrowings[2]	**105,179**	100,444	95,864
Net funds management income	**96**	109	102
Funds under management	**34,719**	37,280	33,495
Average funds under management	**36,275**	35,643	33,157
Ratios			
Return on average assets	**1.19%**	1.14%	1.25%
Net interest margin	**2.33%**	2.34%	2.32%
Operating expenses to operating income	**38.7%**	41.1%	38.3%
Operating expenses to average assets	**1.02%**	1.08%	1.01%
Individual credit impairment charge/(release)	**(4)**	(10)	(5)
Individual credit impairment charge/(release) as a % of average GLA[3]	**(0.01%)**	(0.02%)	(0.01%)
Collective credit impairment charge/(release)	**(17)**	(8)	(53)
Collective credit impairment charge/(release) as a % of average GLA[3]	**(0.03%)**	(0.01%)	(0.09%)
Gross impaired assets	**155**	164	310
Gross impaired assets as a % of GLA	**0.12%**	0.13%	0.26%
Total full time equivalent staff	**7,026**	7,060	6,691

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

LIQUIDITY AND CAPITAL RESOURCES - INCLUDING DISCONTINUED OPERATIONS

Liquidity risk - including discontinued operations

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Group has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group and managed in accordance with the risk appetite set by the Board.

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

- **Scenario modelling of funding sources**

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

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

  A key component of this framework is the LCR, which is a severe short term liquidity stress scenario mandated by banking regulators globally, including APRA. As part of meeting LCR requirements, ANZBGL has a CLF with the RBA. The CLF has been established to offset the shortage of available HQLA in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage-backed securities, that are eligible to be pledged as security with the RBA. The total amount of the CLF available to a qualifying ADI is set annually by APRA. In September 2021, APRA wrote to ADIs to advise that APRA and the RBA consider there to be sufficient HQLA for ADIs to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022.

  From 1 January 2022, ANZBGL's CLF is $8.0 billion (2021 calendar year end: $10.7 billion). Consistent with APRA's requirement, ANZBGL's CLF will reduce by $2.7 billion on 1 May 2022, 1 September 2022 and 1 January 2023. This reduction will be managed as part of ANZBGL's funding plans over this period.

- **Liquid assets**

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

  - Highest-quality liquid assets ("HQLA1"): Cash, highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
  - High-quality liquid assets ("HQLA2"): High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
  - Alternative liquid assets ("ALA"): Assets qualifying as collateral for the CLF and other eligible securities listed by the RBNZ.

  In March 2020, in response to the economic impact of COVID-19, the RBA established the TFF. Under the TFF, the RBA has offered three-year funding to ADIs secured by RBA eligible collateral. ADIs can include the undrawn but available TFF as a liquid asset for the LCR, representing a committed central bank facility that can be drawn at the ADI's discretion. As at 1 July 2021, ANZ's available TFF has been fully drawn. Prior to the drawdown, the undrawn but available TFF was represented below by the assets that are eligible to be pledged as security with the RBA.

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

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

	Half Year Average		
	Mar 22 $B	**Sep 21 $B**	**Mar 21 $B**
Market Values Post Discount[1]			
HQLA1	**224.1**	211.5	186.2
HQLA2	**7.6**	8.5	10.4
Internal Residential Mortgage Backed Securities	**3.2**	3.3	18.5
Other ALA[2]	**6.2**	5.5	7.9
Total liquid assets	**241.1**	228.8	223.0
Cash flows modeled under stress scenario			
Cash outflows	**230.3**	208.1	203.2
Cash inflows	**47.2**	39.3	41.3
Net cash outflows	**183.1**	168.8	161.9
Liquidity Coverage Ratio[3]	**132%**	136%	138%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS210 Liquidity) and consistent with APS330 requirements.*
2. *Comprised of assets qualifying as collateral for the CLF and TFF up to approved facility limit; and any liquid assets as defined in the RBNZ's Liquidity Policy - Annex: Liquidity Assets - Prudential Supervision Department Document BS13A12.*
3. *All currency Level 2 LCR.*

Funding - including discontinued operations

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

$6.0 billion of term wholesale funding (excluding Additional Tier 1 Capital) with a remaining term greater than one year as at 31 March 2022 was issued during the period. In addition, the Group issued $1.3 billion of Additional Tier 1 Capital during the period.

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

	As at		
	Mar 22 $B	Sep 21 $B	Mar 21 $B
Customer deposits and other liabilities			
Australia Retail and Commercial	**263.4**	252.5	241.3
Institutional	**243.8**	239.6	223.6
New Zealand	**100.1**	97.7	93.2
Pacific	**3.8**	3.8	3.4
Customer deposits	**611.1**	593.6	561.5
Other funding liabilities[1,2]	**9.6**	8.1	8.9
Total customer liabilities (funding)	**620.7**	601.7	570.4
Wholesale funding			
Unsubordinated debt and central bank term funding[3]	**86.4**	97.1	96.0
Subordinated debt[4,5]	**22.6**	25.3	23.7
Certificates of deposit	**36.9**	37.7	40.0
Commercial paper	**31.9**	25.7	26.1
Other wholesale borrowings[6,7]	**111.3**	88.5	87.9
Total wholesale funding	**289.1**	274.3	273.7
Shareholders' equity	**61.8**	63.7	62.6
Total funding	**971.6**	939.7	906.7

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 (Sep 21: $20.1 billion; Mar 21: $12.0 billion), RBNZ FLP of $1.4 billion (Sep 21: $0.9 billion; Mar 21: nil) and TLF of $0.3 billion (Sep 21: $0.3 billion; Mar 21: nil).*
4. *Includes subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not meet the APRA Tier 2 requirements.*
5. *Includes USD 300 million perpetual subordinated notes which ceased to be treated as Basel 3 transitional Tier 2 capital under APRA's capital framework from 1 January 2022.*
6. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings.*
7. *Includes RBA open repurchase arrangement netted down by the corresponding exchange settlement account cash balance.*

Net Stable Funding Ratio

The following table shows the Level 2 Net Stable Funding Ratio ("NSFR") composition:

	As at		
	Mar 22 $B	Sep 21 $B	Mar 21 $B
Required Stable Funding[1]			
Retail & small and medium enterprises, corporate loans <35% risk weight[2]	**202.2**	198.7	196.0
Retail & small and medium enterprises, corporate loans >35% risk weight[2]	**190.7**	182.0	179.0
Other lending[3]	**32.6**	31.9	29.7
Liquid assets	**11.5**	11.6	12.1
Other assets[4]	**36.5**	38.3	37.2
Total Required Stable Funding	**473.5**	462.5	454.0
Available Stable Funding[1]			
Retail & small and medium enterprise customer deposits	**301.5**	287.8	275.7
Corporate, public sector entities & operational deposits	**118.4**	115.5	105.9
Central bank & other financial institution deposits	**4.0**	4.5	4.7
Term funding[5]	**69.7**	74.2	70.7
Short term funding & other liabilities	**5.0**	2.4	5.6
Capital	**84.2**	88.3	85.0
Total Available Stable Funding	**582.8**	572.7	547.6
Net Stable Funding Ratio	**123%**	124%	121%

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

Term debt maturity profile

The amounts disclosed below represent the outstanding principal of term debt issued by the Group under its term funding programs, and drawdowns under the RBA's TFF and RBNZ's TLF and FLP on or before 31 March 2022. 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 at 31 March 2022.

Contractual maturity ($M)[1]	FY22	FY23	FY24	FY25	FY26	After 2026	Total
Unsubordinated debt and central bank term funding[2]	6,612	29,975	23,979	8,863	4,923	8,490	82,842
Subordinated debt[3]	200	109	2,819	3,162	6,026	3,421	15,737
Total	**6,812**	**30,084**	**26,798**	**12,025**	**10,949**	**11,911**	**98,579**

1. *The maturity profile is presented as the total amount of term debt scheduled to mature in the relevant fiscal year ending 30 September. Maturities for the fiscal year ending 30 September 2022 ("FY22") relate to term debt maturing in the period 1 April 2022 to 30 September 2022.*
2. *Includes transferable certificates of deposit, drawdowns of the RBA's TFF and the RBNZ's TLF and FLP included as "Deposits and other borrowings" in the balance sheet.*
3. *The maturity profile for all non-perpetual subordinated debt is presented based on the next callable date. The maturity profile excludes additional Tier 1 capital.*

	As at 31 March 2022		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investors Service	P-1	Aa3	Stable
Standard & Poor's	A-1+	AA-	Stable
Fitch Ratings	F1	A+	Stable

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

Capital management - including discontinued operations

	APRA Basel 3		
	As at		
Qualifying Capital	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Tier 1			
Shareholders' equity and non-controlling interests	**61,756**	63,676	62,576
Prudential adjustments to shareholders' equity	**180**	3	110
Gross Common Equity Tier 1 capital	**61,936**	63,679	62,686
Deductions	**(11,425)**	(12,320)	(11,900)
Common Equity Tier 1 capital	**50,511**	51,359	50,786
Additional Tier 1 capital	**7,490**	8,114	7,645
Tier 1 capital	**58,001**	59,473	58,431
Tier 2 capital	**14,780**	17,125	16,464
Total qualifying capital	**72,781**	76,598	74,895
Capital adequacy ratios (Level 2)			
Common Equity Tier 1	**11.5%**	12.3%	12.4%
Tier 1	**13.2%**	14.3%	14.3%
Tier 2	**3.4%**	4.1%	4.0%
Total capital ratio	**16.6%**	18.4%	18.3%
Risk weighted assets	**437,910**	416,086	408,166

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.
- Specialised Lending - APRA requires the supervisory slotting approach be used in determining credit RWA for specialised lending exposures. The Internationally Comparable basis allows for the advanced internal ratings based approach to be used when calculating RWA for these exposures.
- Unsecured Corporate Lending LGD - an adjustment to align ANZ's unsecured corporate lending LGD to 45% to be consistent with banks in other jurisdictions. The 45% LGD rate is also used in the Foundation Internal Ratings-Based approach ("FIRB").
- Undrawn Corporate Lending exposure at default ("EAD") - an adjustment to ANZ's credit conversion factors for undrawn corporate loan commitments to 75% (used in FIRB approach) to align with banks in other jurisdictions.

Comparison of March 2022 with September 2021

ANZ's CET1 ratio decreased 81 bps to 11.53% during the half year. Key drivers of the movement in the CET1 ratio were:

- Statutory profit excluding large/notable items increased the CET1 ratio by +86 bps.
- Higher underlying CRWA usage (excluding foreign currency translation movements, regulatory changes and other one-offs) decreased the CET1 ratio by -33 bps primarily driven by lending growth in the Institutional division.
- Higher underlying non-CRWA usage (excluding foreign currency translation movements) decreased the CET1 ratio by -42 bps primarily from increases in IRRBB RWA due to increases in embedded losses.
- Capital deductions of -2 bps mainly from equity accounted increase from share in associates.
- Payment of the 2021 Final Dividend (net of BOP issuance, DRP neutralised) reduced the CET1 ratio by -48 bps.
- Completion of $791 million of the announced $1.5 billion share buy-back reduced the CET1 ratio by -19 bps.
- Other impacts totalling -23 bps primarily reflecting movements in net deferred tax assets (-13 bps), net RWA imposts (-3 bps), FVOCI reserve movements (-4 bps), large/notable items, including mergers and acquisitions and net others of -3 bps.

Leverage ratio - including discontinued operations

At 31 March 2022, the Group's APRA Leverage Ratio was 5.2% which is above the 3.5% APRA minimum for internal ratings-based approach ADIs ("IRB ADIs") which includes ANZ. The following table summarises the Group's Leverage Ratio calculation:

	As at		
	Mar 22 $M	Sep 21 $M	Mar 21 $M
Tier 1 Capital (net of capital deductions)	**58,001**	59,473	58,431
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**928,686**	901,969	878,187
Derivative exposures	**36,474**	37,769	33,933
Securities financing transaction exposures	**34,223**	30,484	26,947
Other off-balance sheet exposures	**117,904**	117,848	114,125
Total exposure measure	**1,117,287**	1,088,070	1,053,192
APRA Leverage Ratio	**5.2%**	5.5%	5.5%

Comparison of March 2022 with September 2021

ANZ's leverage ratio decreased -28 bps during the March 2022 half. Key drivers of the movement were:

- Net statutory capital generation (largely from statutory profit excluding large/notable items and movements in capital deductions), less dividends paid (+15 bps).
- Net decrease from ANZ CN2 and ANZ New Zealand CN redemptions partially offset by AT1 issuance of ANZ CN7 (-7 bps).
- Growth in exposures (excluding the impacts of foreign exchange) predominantly from on-balance sheet exposures reduced the leverage ratio by -22 bps. The on-balance sheet exposure growth was mainly in liquid assets and lending growth within the Institutional division.
- Share buy-backs reduced leverage ratio by -7 bps.
- Net other impacts (including large/notable items) of -7 bps

Summary

Refer to “Section 4: Directors, Senior Management/Executives and Employees” on pages 80 to 85 of ANZ’s 2021 Annual U.S. Disclosure Document for a comprehensive discussion of the Group’s Directors, Senior Management and Executives, and Corporate Governance.

During the period since the 2021 Annual U.S. Disclosure Document to the date of this U.S. Disclosure Document, there were no material changes to these matters with the exception of the following:

Changes to Directors

On 16 December 2021 Ms. Paula Dwyer ceased as a Non-Executive Director of ANZ.

Changes to Senior Management and Executives

On 1 March 2022, ANZ announced it will combine its Digital Division, including ANZx, and its Australian retail business with Mrs. Maile Carnegie appointed Group Executive Australian Retail. As part of these changes, ANZ will also separate out its commercial businesses in Australia into a new division to better prepare it for future growth opportunities. Outgoing Group Executive Australia Retail & Commercial Mr. Mark Hand will assist Mr. Shayne Elliott (ANZ Chief Executive Officer) with the establishment of the new Commercial Division before leaving ANZ later in the year.

Industrial Relations Developments

Australia

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

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

On 19 September 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 31 October 2017. As at 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 labour 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 at 1 August 2020, expiring on 31 July 2022. Negotiations for the renewal of this agreement will commence in early July 2022.

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

Asia Pacific, Europe & America

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

Major Shareholders

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

As at 10 May 2022, we are aware of two entities which are the beneficial owners of 5% or more of our ordinary shares.

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

We were also made aware that on 22 April 2022 Vanguard Group became a substantial shareholder, with an interest in 139,745,231 ordinary shares (5.001%) in the Company.

Refer to the 2021 Remuneration Report (attached to the 2021 U.S. Disclosure Document as part of the Annex) for further information (as at the relevant dates referred to therein) regarding share and option holdings by key management personnel (including directors).

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

Description of Ordinary Shares and Constituent Documents

Constitution

A copy of the Company's Constitution, as adopted by shareholders on 18 December 2007 and incorporating amendments approved by shareholders on 17 December 2010 and 19 December 2018 is available on the Company's website at: *https://www.anz.com/debtinvestors/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. However, the Company must not issue shares or grant options if the issue or grant would result in a breach of the Listing Rules.

Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be determined by the directors from time to time in accordance with 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 authorises the Board of Directors to issue preference shares with any rights attaching to them that the Board of Directors determines prior to their issue. These include rights to dividends that are cumulative or non-cumulative and that are in priority to the rights of ordinary shareholders, and rights to a return of capital and to participate in surplus assets in a winding up in priority to the rights of ordinary shareholders. Preference shareholders have rights to vote only in limited circumstances unless the Board of Directors otherwise determines prior to issue of the preference shares. There is no limit on the amount of preference shares which 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 the Group, the operation of which may at a subsequent date result in a change in control of the Group.

However, on 4 May 2022, the Group announced it intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation. For more information, see "Section 2: information on the Group – Recent Developments".

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

Other transactions of key management personnel and their related parties

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

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 31 March 2022.

Associates

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

For further information on related party transactions, refer to Note 32 of the 2021 Financial Report (attached to the 2021 U.S. Disclosure Document as part of the Annex).

CHESS

CHESS stands for the "Clearing House Electronic Subregister System" and is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. ASX Settlement Pty Limited authorises certain participants such as brokers, custodians, institutional investors and settlement agents to access CHESS and settle trades made by themselves or on behalf of clients. Following consultation on a replacement for CHESS, ASX confirmed in October 2020 a go-live date of April 2023 for the replacement system (although in March 2022 ASX announced that there was a strong likelihood of a delay to that go-live date).

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

LEGAL PROCEEDINGS

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 12 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)) and/or disclosures as deemed appropriate have been made. In some instances, we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

Refer to Note 33 of the 2021 Financial Report (attached to the 2021 U.S. Disclosure Document as part of the Annex) for a description of contingent liabilities and contingent assets as at 30 September 2021. Refer to Note 20 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document) for a description of contingent liabilities and contingent assets as at 31 March 2022.

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 United States District Court against local and international banks, including the Company. The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on certain benchmark rates. The claimants sought damages or compensation in amounts not specified, and alleged that the defendant banks, including the Company, violated US anti-trust laws, antiracketeering laws, and (in one case only), the Commodity Exchange Act and unjust enrichment principles. As at 31 March 2022, ANZ has reached an agreement to settle one of these matters, and an in-principle agreement to settle the other. The financial impact is not material. The settlements are without admission of liability and remain subject to finalisation and court approval.

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

- **Capital raising action**

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

- **Consumer credit insurance litigation**

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

- **Esanda dealer car loan litigation**

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

- **OnePath superannuation litigation**

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

- **New Zealand loan information litigation**

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

- **Credit cards litigation**

  In November 2021, a class action was brought against the Company alleging that certain interest terms in credit card contracts were unfair contract terms and that it was unconscionable for the Company to rely on them. The Company is defending the allegations.

- **Unlicensed third parties action**

  In November 2021, ASIC commenced civil penalty proceedings against the Company alleging that three unlicensed third parties provided home loan application documents to the Company's lenders, including in connection with the Company's home loan introducer program. ASIC alleges that the Company contravened its obligations under credit legislation. The Company is defending the allegations.

- **Breakfree/offset action**

  In December 2021, ASIC commenced civil penalty proceedings against the Company in relation to benefits including fee waivers and discounts not being applied under the ANZ Breakfree package, as well as system errors impacting offset account calculations. ASIC seeks civil penalties in respect of alleged false or misleading representations and unconscionable conduct. ASIC also alleges that the Company engaged in misleading or deceptive conduct and breached certain statutory obligations as a financial services licensee. The Company is not contesting the claim and will join ASIC to submit a proposed penalty of $25 million to the Court.

- **Royal Commission**

  The Royal Commission released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

- **Security recovery actions**

  Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

- **Warranties and indemnities**

  The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

DIVIDEND DISTRIBUTION POLICY

The Board of Directors of 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 2022 interim dividend. For the 2022 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. The "Acquisition Price" to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX and Cboe Australia during the ten trading days commencing on 13 May 2022, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid 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;

(h) certain persons or entities associated with the Russian government, including current or former ministers, senior government officials, persons who are or have been engaged in an activity or performing a function that is of economic or strategic significance to Russia, and immediate family members of such persons; and

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

2. The Minister for Foreign Affairs also has the ability to designate a person or entity that, for the purposes of the Autonomous Sanctions Regulations 2011 of Australia:

   (a) has contributed to the proliferation of weapons of mass destruction;

   (b) has caused or attempted to cause, assisted with causing or with attempting cause, or has otherwise been complicit in a significant cyber incident;

   (c) has engaged in, has been responsible for or has been complicit in an act that constitutes a serious violation or serious abuse of a person’s right to life, right not to be subjected to torture or degrading treatment or punishment, or right not to be held in slavery; or

   (d) has engaged in, has been responsible for or has been complicit in an act of corruption that is serious,

   and in certain circumstances immediate family members or persons or entities that have obtained a financial or other benefit.

3. Under Part 4 of the Charter of the United Nations Act 1945 of Australia, the Charter of the United Nations (Dealing with Assets) Regulations 2008 of Australia provide for sanctions against using or dealing with financial or other assets of persons or entities listed by the Minister for Foreign Affairs in the Commonwealth of Australia Gazette from time to time. Under Part 3 of the Charter of the United Nations Act 1945 of Australia and pursuant to specific regulations, it is prohibited to make certain supplies (which may include financial supplies) in respect of certain countries, including:

   (a) Democratic Republic of the Congo (see the Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008 of Australia);

   (b) North Korea (see the Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008 of Australia);

   (c) Sudan (see the Charter of the United Nations (Sanctions – Sudan) Regulations 2008 of Australia);

   (d) Iran (see the Charter of the United Nations (Sanctions – Iran) Regulation 2016 of Australia);

   (e) Iraq (see the Charter of the United Nations (Sanctions – Iraq) Regulations 2008 of Australia);

   (f) Al-Qaida, ISIL and the Taliban (see the Charter of the United Nations (Sanctions – ISIL (Da’esh) and Al-Qaida) Regulations 2008 of Australia and the Charter of the United Nations (Sanctions – the Taliban) Regulation 2013 of Australia);

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

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

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

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

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

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

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

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

4. Under the AML Act (or, where applicable, the Financial Transaction Reports Act 1988 of Australia), transfer of physical currency or digital currency (cryptocurrency) of $10,000 (or the foreign equivalent) and above must be reported by certain persons (including ANZ) to AUSTRAC.

LIMITATIONS AFFECTING SECURITY HOLDERS

The following Australian laws impose limitations on the right of persons to hold, own or vote on shares in 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 19 December 2018. There have been no changes to the Constitution subsequently.

MATERIAL CONTRACTS

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

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

ADI - Authorised Deposit-taking Institution as defined by APRA.

APRA - Australian Prudential Regulation Authority.

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

APS - ADI Prudential Standard.

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

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

Coronavirus ("COVID-19") is a respiratory illness which was declared a Public Health Emergency of International Concern. COVID-19 was characterised as a pandemic by the World Health Organisation on 11 March 2020.

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

Credit risk is the risk of financial loss resulting from the failure of ANZ's customers and counterparties to honour or perform fully the terms of a loan or contract.

Credit risk weighted assets ("CRWA") represent assets which are weighted for credit risk according to a set formula as prescribed in APS 112/113.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations' debt excluding securitisation deposits.

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

Derivative credit valuation adjustment ("CVA") - Over the life of a derivative instrument, 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.

Embedded losses - In relation to interest rate risk in the banking book, APRA requires ADIs to give consideration to embedded gains or losses in banking book items that are not accounted for on a marked-to-market basis when determining regulatory capital. The embedded loss or gain measures the difference between the book value and the economic value of banking book activities at a point in time.

Fair value is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

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

FX means foreign exchange.

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

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

Impaired assets - 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 realisable value of security (or other credit mitigants), the likely return available upon liquidation or bankruptcy, legal uncertainties, estimated costs involved in recovery, the market price of the exposure in secondary markets and the amount and timing of expected receipts and recoveries.

Interest rate risk in the banking book ("IRRBB") relates to the potential adverse impact of changes in market interest rates on 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.

Internationally comparable basis refers to ANZ's interpretation of the regulations documented in the Basel Committee publications: 'Basel 3: A global regulatory framework for more resilient banks and banking systems' (June 2011) and 'International Convergence of Capital Measurement and Capital Standards' (June 2006). They also include differences identified in APRA's information paper entitled International Capital Comparison Study (13 July 2015).

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

Level 2 in the context of APRA supervision - the consolidated ANZ Group excluding associates, insurance and funds management entities, commercial non-financial entities and certain securitisation 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 unamortised intangible assets (including goodwill and software).

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

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

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

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

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

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

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

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

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

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

Annex: Condensed Consolidated Financial Statements for the half year ended 31 March 2022 and independent auditor's review report on the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal half year ended 31 March 2022

CONTENTS **Page**

The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2022.

Directors

The names of the Directors of the Company who held office during and since the end of the half year are:

Mr PD O'Sullivan	Chairman
Mr SC Elliott	Director and Chief Executive Officer
Ms IR Atlas, AO	Director
Ms PJ Dwyer	Director, retired on 16 December 2021
Ms SJ Halton, AO PSM	Director
Mr GR Liebelt	Director
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT Macfarlane	Director
Ms CE O'Reilly	Director, appointed 1 November 2021

Result

The consolidated profit attributable to shareholders of the Company was $3,530 million, and consolidated profit attributable to shareholders of the Company from continuing operations was $3,535 million. Further details are contained in Group Results on pages 19 to 45 which forms part of this report, and in the Condensed Consolidated Financial Statements.

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the Group Results on pages 19 to 45 which forms part of this report.

Lead auditor's independence declaration

The lead auditor's independence declaration given under section 307C of the *Corporations Act 2001* (as amended) is set out on page 119 which forms part of this report.

Rounding of amounts

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

Significant events since balance date

The Group intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation. Following preliminary discussions, APRA has advised they have no in-principle objection to the proposed restructure. The Group has also consulted other key Australian and New Zealand regulators and to date has not received any objections. Consultation and engagement remains ongoing. Further information about the proposal can be found at http://shareholder.anz.com.

There have been no other significant events from 31 March 2022 to the date of signing this report that have not been adjusted or disclosed.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan	**Shayne C Elliott**
Chairman	*Managing Director*

3 May 2022

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Interest income		**9,707**	9,650	9,879	1%	-2%
Interest expense		**(2,607)**	(2,475)	(2,893)	5%	-10%
Net interest income	2	**7,100**	7,175	6,986	-1%	2%
Other operating income	2	**2,313**	1,754	1,571	32%	47%
Net income from insurance business	2	**55**	58	52	-5%	6%
Share of associates' profit/(loss)	2, 18	**74**	66	(242)	12%	large
Operating income		**9,542**	9,053	8,367	5%	14%
Operating expenses	3	**(4,791)**	(4,569)	(4,482)	5%	7%
Profit before credit impairment and income tax		**4,751**	4,484	3,885	6%	22%
Credit impairment (charge)/release	10	**284**	76	491	large	-42%
Profit before income tax		**5,035**	4,560	4,376	10%	15%
Income tax expense	4	**(1,500)**	(1,331)	(1,425)	13%	5%
Profit after tax from continuing operations		**3,535**	3,229	2,951	9%	20%
Profit/(Loss) after tax from discontinued operations		**(5)**	(9)	(8)	-44%	-38%
Profit for the period		**3,530**	3,220	2,943	10%	20%
Comprising:						
Profit attributable to shareholders of the Company		**3,530**	3,219	2,943	10%	20%
Profit attributable to non-controlling interests		**-**	1	-	-100%	n/a
Earnings per ordinary share (cents) including discontinued operations						
Basic	6	**125.7**	113.4	103.7	11%	21%
Diluted	6	**117.7**	106.7	98.4	10%	20%
Earnings per ordinary share (cents) from continuing operations						
Basic	6	**125.9**	113.7	104.0	11%	21%
Diluted	6	**117.9**	107.0	98.7	10%	19%
Dividend per ordinary share (cents)	5	**72**	72	70	n/a	n/a

The notes appearing on pages 82 to 116 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Profit for the period from continuing operations	**3,535**	3,229	2,951	9%	20%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI	**11**	(44)	124	large	-91%
Other reserve movements	**99**	(21)	(20)	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve	**(775)**	1,114	(658)	large	18%
Other reserve movements	**(2,631)**	(733)	(319)	large	large
Income tax attributable to the above items	**743**	219	82	large	large
Share of associates' other comprehensive income[1]	**10**	(89)	41	large	-76%
Other comprehensive income after tax from continuing operations	**(2,543)**	446	(750)	large	large
Profit/(Loss) after tax from discontinued operations	**(5)**	(9)	(8)	-44%	-38%
Other comprehensive income after tax from discontinued operations	**-**	-	-	n/a	n/a
Total comprehensive income for the period	**987**	3,666	2,193	-73%	-55%
Comprising total comprehensive income attributable to:					
Shareholders of the Company	**987**	3,665	2,193	-73%	-55%
Non-controlling interests	**-**	1	-	-100%	n/a

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

	Mar 22 half $M	*Sep 21 half $M*	*Mar 21 half $M*
FVOCI reserve gain/(loss)	*(5)*	*(89)*	*47*
Defined benefits gain/(loss)	*15*	*-*	*(5)*
Cash flow hedge reserve gain/(loss)	*-*	*-*	*1*
Foreign currency translation reserve gain/(loss)	*-*	*-*	*(2)*
Total	***10***	***(89)***	***41***

The notes appearing on pages 82 to 116 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As At			Movement	
Assets	**Note**	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Cash and cash equivalents[1]		**168,054**	151,260	124,460	11%	35%
Settlement balances owed to ANZ		**7,141**	7,530	9,778	-5%	-27%
Collateral paid		**10,764**	9,166	12,059	17%	-11%
Trading securities		**39,433**	44,688	46,331	-12%	-15%
Derivative financial instruments	8	**45,238**	38,736	104,666	17%	-57%
Investment securities		**79,757**	83,126	91,990	-4%	-13%
Net loans and advances	9	**651,436**	629,719	614,359	3%	6%
Regulatory deposits		**661**	671	859	-1%	-23%
Investments in associates		**2,018**	1,972	1,854	2%	9%
Current tax assets		**227**	57	170	large	34%
Deferred tax assets		**2,903**	2,339	2,105	24%	38%
Goodwill and other intangible assets		**4,068**	4,124	4,024	-1%	1%
Premises and equipment		**2,702**	2,734	2,792	-1%	-3%
Other assets		**2,959**	2,735	2,892	8%	2%
Total assets		**1,017,361**	978,857	1,018,339	4%	0%
Liabilities						
Settlement balances owed by ANZ		**19,752**	17,427	19,188	13%	3%
Collateral received		**6,716**	5,657	7,552	19%	-11%
Deposits and other borrowings	11	**780,288**	743,056	706,623	5%	10%
Derivative financial instruments	8	**47,795**	36,035	102,926	33%	-54%
Current tax liabilities		**320**	419	203	-24%	58%
Deferred tax liabilities		**82**	70	73	17%	12%
Payables and other liabilities		**10,579**	8,647	8,558	22%	24%
Employee entitlements		**585**	602	600	-3%	-3%
Other provisions	12	**2,262**	2,214	2,417	2%	-6%
Debt issuances	13	**87,226**	101,054	107,623	-14%	-19%
Total liabilities		**955,605**	915,181	955,763	4%	0%
Net assets		**61,756**	63,676	62,576	-3%	-1%
Shareholders' equity						
Ordinary share capital	16	**25,091**	25,984	26,615	-3%	-6%
Reserves	16	**(1,422)**	1,228	741	large	large
Retained earnings	16	**38,078**	36,453	35,210	4%	8%
Share capital and reserves attributable to shareholders of the Company		**61,747**	63,665	62,566	-3%	-1%
Non-controlling interests	16	**9**	11	10	-18%	-10%
Total shareholders' equity		**61,756**	63,676	62,576	-3%	-1%

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

The notes appearing on pages 82 to 116 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Profit after income tax	**3,530**	3,220	2,943
Adjustments to reconcile to net cash flow from operating activities:			
Credit impairment charge/(release)	**(284)**	(76)	(491)
Depreciation and amortisation	**509**	524	563
(Profit)/loss on sale of premises and equipment	**-**	-	(11)
Net derivatives/foreign exchange adjustment[1]	**(379)**	625	(6,975)
(Gain)/loss on sale from divestments	**(259)**	-	238
Other non-cash movements	**(175)**	(311)	74
Net (increase)/decrease in operating assets:			
Collateral paid	**(1,934)**	3,265	1,730
Trading securities	**3,463**	3,670	(3,660)
Loans and advances	**(28,305)**	(6,887)	(1,372)
Other assets	**111**	96	47
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**48,911**	14,532	34,364
Settlement balances owed by ANZ	**2,525**	(1,999)	(2,929)
Collateral received	**1,263**	(2,153)	(1,313)
Other liabilities[1]	**3,665**	725	5,383
Total adjustments	**29,111**	12,011	25,648
Net cash (used in)/provided by operating activities[2]	**32,641**	15,231	28,591
Cash flows from investing activities			
Investment securities:			
Purchases	**(17,209)**	(39,776)	(12,863)
Proceeds from sale or maturity	**18,492**	51,122	12,323
Controlled entities and associates			
Purchased, net of cash acquired	**(65)**	-	-
Proceeds from divestments, net of cash disposed	**394**	-	13
Net investments in other assets	**(519)**	(195)	(366)
Net cash (used in)/provided by investing activities	**1,093**	11,151	(893)
Cash flows from financing activities			
Deposits and other borrowings drawn down	**432**	8,080	1,230
Debt issuances:[3]			
Issue proceeds	**7,467**	7,976	4,648
Redemptions	**(16,876)**	(16,343)	(11,366)
Dividends paid[4]	**(1,994)**	(1,955)	(879)
On market purchase of treasury shares	**(117)**	-	(79)
Repayment of lease liabilities	**(158)**	(172)	(158)
Share buy-back	**(846)**	(654)	-
Net cash (used in)/provided by financing activities	**(12,092)**	(3,068)	(6,604)
Net increase/(decrease) in cash and cash equivalents	**21,642**	23,314	21,094
Cash and cash equivalents at beginning of period	**151,260**	124,460	107,923
Effects of exchange rate changes on cash and cash equivalents	**(4,848)**	3,486	(4,557)
Cash and cash equivalents at end of period	**168,054**	151,260	124,460

1. *Certain non-cash adjustments were reclassified from Other liabilities to Net derivatives/foreign exchange adjustments within Net cash (used in)/provided by operating activities to better reflect the nature of the item. Comparatives have been restated (Sep 21 half: $88 million; Mar 21 half: $419 million).*
2. *Net cash (used in)/provided by operating activities includes interest received of $9,619 million (Sep 21 half: $9,742 million; Mar 21 half: $9,907 million), interest paid of $2,634 million (Sep 21 half: $2,567 million; Mar 21 half: $3,226 million) and income taxes paid of $1,422 million (Sep 21 half: $1,003 million; Mar 21 half: $1,424 million).*
3. *Non-cash changes in debt issuances includes fair value hedging gain of $2,140 million (Sep 21 half: $2,799 million gain; Mar 21 half: $1,311 million loss) and foreign exchange gains of $1,754 million (Sep 21 half: $2,552 million loss; Mar 21 half: $4,077 million gain).*
4. *Cash outflow for shares purchased to satisfy the Dividend Reinvestment Plan are classified in dividends paid.*

The notes appearing on pages 82 to 116 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital $M	Reserves $M	Retained earnings $M	Share capital and reserves attributable to shareholders of the Company $M	Non-controlling interests $M	Total shareholders' equity $M
As at 1 October 2020	26,531	1,501	33,255	**61,287**	10	**61,297**
Profit or loss from continuing operations	-	-	2,951	**2,951**	-	**2,951**
Profit or loss from discontinued operations	-	-	(8)	**(8)**	-	**(8)**
Other comprehensive income for the period from continuing operations	-	(731)	(19)	**(750)**	-	**(750)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(731)	2,924	**2,193**	-	**2,193**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(973)	**(973)**	-	**(973)**
Dividend Reinvestment Plan[1]	94	-	-	**94**	-	**94**
Other equity movements:						
Group employee share acquisition scheme	(10)	-	-	**(10)**	-	**(10)**
Other items	-	(29)	4	**(25)**	-	**(25)**
As at 31 March 2021	26,615	741	35,210	**62,566**	10	**62,576**
Profit or loss from continuing operations	-	-	3,228	**3,228**	1	**3,229**
Profit or loss from discontinued operations	-	-	(9)	**(9)**	-	**(9)**
Other comprehensive income for the period from continuing operations	-	467	(21)	**446**	-	**446**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	467	3,198	**3,665**	1	**3,666**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,955)	**(1,955)**	-	**(1,955)**
Group share buy-back[2]	(654)	-	-	**(654)**	-	**(654)**
Other equity movements:						
Group employee share acquisition scheme	23	-	-	**23**	-	**23**
Other items	-	20	-	**20**	-	**20**
As at 30 September 2021	25,984	1,228	36,453	**63,665**	11	**63,676**
Profit or loss from continuing operations	-	-	3,535	**3,535**	-	**3,535**
Profit or loss from discontinued operations	-	-	(5)	**(5)**	-	**(5)**
Other comprehensive income for the period from continuing operations	-	(2,628)	85	**(2,543)**	-	**(2,543)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(2,628)	3,615	**987**	-	**987**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,992)	**(1,992)**	(2)	**(1,994)**
Group share buy-back[2]	(846)	-	-	**(846)**	-	**(846)**
Other equity movements:						
Group employee share acquisition scheme	(47)	-	-	**(47)**	-	**(47)**
Other items	-	(22)	2	**(20)**	-	**(20)**
As at 31 March 2022	25,091	(1,422)	38,078	**61,747**	9	**61,756**

1. *4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend.*
2. *The Company completed its $1.5 billion on-market share buy-back of ANZ ordinary shares purchasing $846 million worth of shares in the March 2022 half (Sep 21 half: $654 million; Mar 21 half: nil) resulting in 31 million shares being cancelled in the March 2022 half (Sep 21 half: 23 million; Mar 21 half: nil).*

The notes appearing on pages 82 to 116 form an integral part of the Condensed Consolidated Financial Statements.

1. Basis of preparation

These Condensed Consolidated Financial Statements:

- have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (AASs);
- should be read in conjunction with ANZ's Annual Financial Report for the year ended 30 September 2021 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2022 in accordance with the continuous disclosure obligations under the *Corporations Act 2001* and the *ASX Listing Rules*;
- do not include all notes of the type normally included in ANZ's Annual Financial Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 3 May 2022.

i) Statement of Compliance

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

ii) Rounding of amounts

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

iii) Basis of measurement

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

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

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

iv) Accounting policies

These Condensed Consolidated Financial Statements have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2021 ANZ Annual Report.

Discontinued operations are separately presented from the results of the continuing operations as a single line item 'Profit/(Loss) after tax from discontinued operations' in the Condensed Consolidated Income Statement. Notes to the Condensed Consolidated Income Statement have been presented on a continuing basis.

v) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in the 2021 ANZ Annual Financial Report. Such estimates and judgements are reviewed on an ongoing basis.

Whilst the course of the COVID-19 pandemic is moderating and its impact on economic activity and our customers is better understood, the responses of consumers, business and governments remain uncertain. New external risks are also emerging, including mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, and commodity price pressures. Thus there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Group has made various accounting estimates in these Condensed Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions at 31 March 2022 about future events considered reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed further below and/or in the relevant notes in the 2021 ANZ Annual Report. Readers should consider these disclosures in light of the inherent uncertainties described above.

1. Basis of preparation, cont'd

Allowance for expected credit losses

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

COVID-19 risks are moderating however the economy continues to transition to a setting with less government stimulus and some uncertainty as to how customers will respond to expected interest rate rises and inflationary pressure, heightened geopolitical tensions across the globe, the conflict in Ukraine and global supply chain issues, commodity price pressures, and how governments, businesses and consumers respond also remains uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses, which are subject to a number of management judgements and estimates.

The Group's allowance for expected credit losses is included in the table below (refer to Note 10 for further information).

	As at		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Collectively assessed	**3,757**	4,195	4,285
Individually assessed	**636**	687	809
Total[1]	**4,393**	4,882	5,094

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

Individually assessed allowance for expected credit losses

During the March 2022 half, the individually assessed allowance for expected credit losses decreased by $51 million.

In estimating individually assessed ECL, the Group makes judgements and assumptions in relation to expected repayments, the realisable value of collateral, business prospects for the customer, competing claims and the likely cost and duration of the work-out process. Judgements and assumptions in respect of these matters have been updated to reflect amongst other things, the continuing uncertainties described above.

Collectively assessed allowance for expected credit losses

During the March 2022 half, the collectively assessed allowance for expected credit losses decreased by $438 million attributable to: reductions of $172 million from improvements in credit risk, $98 million from changes in portfolio composition, $138 million in lower management adjustments, and $67 million from foreign currency translation and other impacts; offset by an increase of $37 million for downside risks associated with the economic outlook.

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 in the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2022
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 Group released a portion of ECL originally provided for expected delinquencies that may have not flowed through due to COVID-19 support measures. Although these measures have ceased, uncertainty remains on their ongoing impact on portfolio delinquency.

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2022
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, LGD and EAD models are subject to the Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality. The modelled outcome includes an amount to recognise 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 half year ended 31 March 2022.
Base case economic forecast	The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current period. As at 31 March 2022, the base case assumptions have been updated to reflect the economic impacts of the Omicron variant, supply chain pressures, and increasing inflation and expected interest rate rises globally. In determining the expected path of the economy, assessments of the impact of central bank policies, government actions, and the response of businesses and consumers were considered. The expected outcomes of key economic drivers for the base case scenario at 31 March 2022 are described below under the heading 'Base case economic forecast assumptions'.
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	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 considerations for probability weightings in the current period include the ongoing but increasingly known impacts of COVID-19, uncertainty as to how customers will respond to expected interest rate rises and inflationary pressures, the conflict in Ukraine, commodity price pressures and global supply chain issues. Weightings for current and prior periods are as detailed in the section on 'Probability weightings' below. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

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.*

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2022
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the ongoing but moderating COVID-19 pandemic, and the recent floods in NSW and Queensland, and the extent to which the actions of governments, businesses and consumers influence 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 continued to apply a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing but moderating COVID-19 impacts. Additional adjustments have been made in the March 2022 half year to accommodate the potential impact of recent floods in NSW and Queensland. 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

Continuing uncertainties described above increase the risk of the economic forecast resulting in an understatement or overstatement of the ECL balance.

The economic drivers of the base case economic forecasts, reflective of ANZ Economics' view of future macro-economic conditions, used at 31 March 2022 are set out below. For years beyond the near-term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

	Actual calendar year	Forecast calendar year	
	2021	**2022**	**2023**
Australia			
GDP (annual % change)	4.5%	4.6%	2.7%
Unemployment rate	5.1%	3.6%	3.3%
Residential property prices (annual % change)	21.0%	8.0%	-5.8%
Consumer price index (annual % change)	2.9%	4.0%	3.1%
New Zealand			
GDP (annual % change)	5.5%	2.4%	2.8%
Unemployment rate	3.8%	3.0%	3.0%
Residential property prices (annual % change)	26.5%	-6.0%	3.3%
Consumer price index (annual % change)	3.9%	5.3%	3.2%
Rest of world			
GDP (annual % change)	5.7%	4.5%	2.5%
Consumer price index (annual % change)	4.7%	5.9%	2.8%

The base case economic forecasts above indicate an improvement in current economic conditions in Australia and rest of world as the COVID-19 pandemic passes its peak. Economic conditions are forecast to moderate slightly over the forecast period. The base case economic forecast for New Zealand on the other hand reflects a weakening in current economic conditions adding to inflation pressure for a time and weighing on economic activity.

Probability weightings

Probability weightings for each scenario are determined by management considering the risks and uncertainties surrounding the base case economic scenario including the uncertainties described above.

The base case scenario represents an improvement in the forecasts since September 2021 for Australia and Rest of World, but a deterioration is forecast for New Zealand. Given the uncertainties associated with a potential ongoing recovery in the economy and external factors, the average base case weighting across geographies has been reduced to 40.0% (Sep 21: 41.3%) and the severe downside scenario increased to 10.0% (Sep 21: 5.8%).

1. Basis of preparation, cont'd

The assigned probability weightings in Australia, New Zealand and rest of the world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings in each geography to provide estimates of the possible loss outcomes and taking into account short and long term inter-relationships within the Group's credit portfolios. The average weightings applied across the Group are set out below:

	Mar 22	Sep 21	Mar 21
Group			
Base	**40.0%**	41.3%	41.4%
Upside	**5.0%**	5.2%	5.5%
Downside	**45.0%**	47.7%	46.7%
Severe downside	**10.0%**	5.8%	6.4%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates. The table below illustrates the sensitivity of the Group's allowance for collectively assessed ECL to key factors used in determining it at 31 March 2022:

	Balance $M	Profit and Loss Impact $M
If 1% of stage 1 facilities were included in stage 2	3,819	62
If 1% of stage 2 facilities were included in stage 1	3,752	(5)
100% upside scenario	1,643	(2,114)
100% base scenario	2,046	(1,711)
100% downside scenario	3,896	139
100% severe downside scenario	4,859	1,102

Fair value measurement of financial instruments

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

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

At 31 March 2022, the Group had $1,580 million of assets and $23 million of liabilities where the valuation was primarily derived using unobservable inputs (Sep 21: $1,497 million assets and $30 million liabilities; Mar 21: $1,224 million assets and $25 million liabilities). The financial instruments which are valued using unobservable inputs are predominantly equity securities where quoted prices in active markets are not available.

The Group has an investment in the Bank of Tianjin (BoT), which at 31 March 2022 has a carrying value of $956 million (Sep 21: $991 million; Mar 21: $1,019 million). The listed shares are illiquid, consequently the Group determines the fair value based on a valuation model using comparable bank pricing multiples as determined by management. Judgement is required in both the selection of the model and inputs used. Although the comparator group entities operate in the same industry, the nature of their business and local economic conditions may be different from the Group's investment. Thus where local conditions change, which impact the price-to-book ratio of the comparator group, the fair value of the asset will change proportionately. That is, if the price-to-book ratio changed by 10%, the fair value would change by 10%. Since the asset is classified as fair value through other comprehensive income, changes in the fair value are recorded directly in equity.

Investments in associates

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

At 31 March 2022, the impairment assessment of non-lending assets identified that one of the Group's associate investments, PT Bank Pan Indonesia (PT Panin) had indicators of impairment. No impairment was recognised as its carrying value was supported by a value-in-use (VIU) calculation.

Significant management judgement is required in determining the key assumptions underpinning the VIU calculation for PT Panin. Factors may change in subsequent periods and lead to potential future impairment or a reversal of prior period impairment. These include forecast earnings levels in the near term and/or changes in the long term growth forecasts, required levels of regulatory capital and the post-tax discount rate. The key assumptions used in the VIU calculation are outlined below:

		PT Panin	
	Mar 22	Sep 21	Mar 21
Carrying Value ($m)	**1,203**	1,210	1,140
Post-tax discount rate	**14.8%**	14.4%	14.1%
Terminal growth rate	**5.2%**	5.1%	5.1%
Expected earnings growth (compound annual growth rate - 5 years)	**19.8%**	6.4%	6.9%
Common Equity Tier 1 ratio (5 year average)	**12.8%**	12.8%	12.8%

1. Basis of preparation, cont'd

The VIU calculation is sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the March 2022 post-tax discount rate by +/- 50 bps would impact the VIU outcome for PT Panin by ($51 million)/$57 million;
- A change in the March 2022 terminal growth rate by +/- 25 bps would impact the VIU outcome for PT Panin by $15 million/($14 million).

The investment in PT Panin would not be impaired if the terminal growth rate reduced by the reasonably possible changes above. Holding all other inputs constant, the post-tax discount rate will need to increase by more than 20 bps before an impairment would be recognised.

Goodwill

The Group's goodwill balance as at 31 March 2022 is $3,062 million. During the March 2022 half, the following changes to goodwill attributable to the Australian Retail and Commercial division occurred:

- A reduction of $40 million goodwill in relation to the exit of the financial planning and advice business servicing the affluent customer segment;
- An increase of $91 million goodwill in relation to the acquisition of the Cashrewards business. This goodwill is provisionally recognised under AASB 3 *Business Combinations* until a final purchase price allocation is completed.

The Group conducted an assessment as to whether the carrying value of goodwill was impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are the Group's reportable segments. CGUs with goodwill as at 31 March 2022 were the Australia Retail and Commercial division ($191 million), the New Zealand division ($1,800 million) and the Institutional division ($1,072 million).

Goodwill is considered 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 VIU assessment performed where the FVLCOD approach indicates an impairment.

Management's approach used to determine the FVLCOD of each CGU was consistent with the prior periods. The assessment of the recoverable amount of each CGU has been made considering the impacts of COVID-19 and subsequent economic recovery and reflects expectations of future events that are believed to be reasonable under the circumstances. The key inputs used to determine FVLCOD of each CGU containing goodwill are noted below:

- Future maintainable earnings for each CGU has been estimated based on the Group's financial year 2022 forecast for each CGU plus an allocation of the central costs recorded outside of the CGUs to which goodwill is allocated;
- Price/Earnings (P/E) multiples applied (including 30% control premium) for each CGU are derived from the valuations of comparator entities:

	Price/Earnings Multiples	
Division	**Mar 22 Half Year**	**Sep 21 Full Year**
Australia Retail and Commercial	**20.5**	18.9
New Zealand	**17.8**	16.4
Institutional	**16.6**	15.5

Based on the FVLCOD assessment, no impairment was identified.

Customer remediation provisions

At 31 March 2022, the Group has recognised customer remediation provisions of $853 million (Sep 21: $886 million; Mar 21: $1,003 million) which includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation costs and outcomes.

Determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances.

Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, including expert legal advice, and adjustments are made to the provisions where appropriate.

Other provisions

The Group holds provisions for various obligations including restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, including expert legal advice, and adjustments are made to the provisions where appropriate.

1. Basis of preparation, cont'd

vi) Interest rate benchmark reform

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), have played a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and in the valuation of financial instruments. The IBOR reforms have a wide-ranging impact for the Group and our customers given the fundamental differences between IBORs and risk-free rates (RFRs). RFRs are available both as backward-looking in arrears rates and, for some currencies, as forward-looking term rates. The key difference between IBORs and RFRs is that IBOR rates include a term and bank credit risk premium, whereas RFRs do not. As a result of these differences, adjustments are required to an RFR to ensure contracts referencing an IBOR rate transition on an economically comparable basis.

Update on the Group's approach to interest rate benchmark reform

In line with the regulatory announcements made in 2021, the majority of IBOR rates, including Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY), and the US Dollar (USD) 1-week and 2-month LIBOR rate settings ceased on 31 December 2021 and have been replaced by alternative RFRs.

With the exception of a limited number of contracts currently being published under an amended methodology, commonly known as 'synthetic' GBP and JPY LIBOR rates, the Group transitioned all its loan and derivative contracts with customers referencing IBOR rates subject to 31 December 2021 cessation to contracts referencing RFRs on or before the cessation date. This transition had an immaterial impact to the Group's profit and loss. Through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities the Group continues to have exposure to the remaining USD LIBOR settings and other IBOR-related benchmarks that are due to cease by 30 June 2023 and limited exposure to synthetic GBP and JPY LIBOR benchmarks that are due to cease by 31 December 2022.

The Group continues to manage the transition from the remaining USD LIBOR tenors and other remaining IBOR settings to RFR's through its enterprise-wide Benchmark Transition Program (the Program). The program is responsible for managing the risks associated with the transition including operational, market, legal, conduct and financial reporting risks that may arise.

Exposures subject to benchmark reform as at 31 March 2022

The table below shows the Group's exposure to interest rate benchmarks subject to IBOR reform. These are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date.

As at 31 March 2022	USD Libor $M	Others[1] $M
Loan and advances[2]	13,125	330
Non-derivative financial assets[2]	1,004	-
Non-derivative financial liabilities[3]	587	47
Derivative asset (notional value)[1]	497,933	13,948
Derivative liability (notional value)[4]	508,361	13,435
Loan commitments[2,5]	20,270	971

1. *Comprises financial instruments referencing other significant benchmark rates yet to transition to alternative benchmarks, including instruments subject to 31 December 2021 cessation currently referencing synthetic GBP and JPY LIBOR rates.*
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 pricing currency of the facility. In the event there are multiple pricing currencies that are impacted by cessation, the allocation is based on most likely currency of drawdown.*

Hedge accounting exposures subject to IBOR reform

The Group has hedge-accounted relationships referencing USD LIBOR, primarily due to fixed rate investment securities and the Group's fixed rate debt issuances denominated in USD that are designated in fair value hedge accounting relationships. The table below details the carrying values of the Group's USD exposures designated in hedge accounting relationships referencing LIBOR that will be impacted by reform. The nominal value of the associated hedging instruments is also included:

Hedged items	As at 31 March 2022 $M
Investment securities at FVOCI	8,916
Net loans and advances	236
Deposits and other borrowings	208
Debt issuances	19,428

Hedging instruments	Notional designated up to 30 June 2023 $M	Notional designated beyond 30 June 2023 $M	Total notional amount $M
Fair value hedges	9,452	18,910	28,362
Cash flow hedges	107	248	355

2. Income

	Half Year			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Interest income	**9,707**	9,650	9,879	1%	-2%
Interest expense	**(2,442)**	(2,318)	(2,704)	5%	-10%
Major bank levy	**(165)**	(157)	(189)	5%	-13%
Net interest income	**7,100**	7,175	6,986	-1%	2%
Other operating income					
i) Fee and commission income					
Lending fees[1]	**188**	230	244	-18%	-23%
Non-lending fees	**1,274**	1,286	1,266	-1%	1%
Commissions	**50**	51	46	-2%	9%
Funds management income	**137**	147	140	-7%	-2%
Fee and commission income	**1,649**	1,714	1,696	-4%	-3%
Fee and commission expense	**(666)**	(621)	(646)	7%	3%
Net fee and commission income	**983**	1,093	1,050	-10%	-6%
ii) Other income					
Net foreign exchange earnings and other financial instruments income[2]	**1,123**	642	729	75%	54%
Gain on completion of ANZ Worldline partnership	**307**	-	-	n/a	n/a
Sale of New Zealand legacy insurance portfolio	**-**	-	13	n/a	-100%
Reclassification of ANZ Share Investing to held for sale[3]	**-**	-	(251)	n/a	-100%
Dissolution of Minerva and ANZ Asia	**(65)**	-	-	n/a	n/a
Sale of financial planning and advice business	**(62)**	-	-	n/a	n/a
Dividend income on equity securities	**-**	1	-	-100%	n/a
Other[4]	**27**	18	30	50%	-10%
Other income	**1,330**	661	521	large	large
Other operating income	**2,313**	1,754	1,571	32%	47%
Net income from insurance business	**55**	58	52	-5%	6%
Share of associates' profit/(loss)	**74**	66	(242)	12%	large
Operating income[5]	**9,542**	9,053	8,367	5%	14%

1. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
2. *Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.*
3. *The loss on reclassification of ANZ Share Investing to held for sale is included within Other operating income to align with the classification of loss on sale that would have applied if the disposal had completed in the March 2021 half.*
4. *The March 2022 half includes the release of $13 million excess provision originally raised as part of the gain on sale estimate for the UDC Finance and Paymark Limited divestments completed in prior years.*
5. *Includes charges associated with customer remediation of -$25 million for the March 2022 half (Sep 21 half: -$68 million; Mar 21 half: -$74 million).*

3. Operating expenses

	Half Year			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
i) Personnel					
Salaries and related costs	**2,378**	2,229	2,196	7%	8%
Superannuation costs	**188**	173	164	9%	15%
Other	**88**	95	89	-7%	-1%
Personnel[1]	**2,654**	2,497	2,449	6%	8%
ii) Premises					
Rent	**40**	43	42	-7%	-5%
Depreciation	**212**	221	225	-4%	-6%
Other	**89**	91	83	-2%	7%
Premises	**341**	355	350	-4%	-3%
iii) Technology					
Depreciation and amortisation	**293**	304	334	-4%	-12%
Subscription licences and outsourced services	**444**	414	372	7%	19%
Other	**78**	85	79	-8%	-1%
Technology[1]	**815**	803	785	1%	4%
iv) Restructuring	**49**	22	105	large	-53%
v) Other					
Advertising and public relations	**77**	107	71	-28%	8%
Professional fees	**464**	440	329	5%	41%
Freight, stationery, postage and communication	**87**	90	95	-3%	-8%
Other[2]	**304**	255	298	19%	2%
Other[1,2]	**932**	892	793	4%	18%
Operating expenses[1,2]	**4,791**	4,569	4,482	5%	7%

1. *Includes customer remediation expenses of $148 million for the March 2022 half (Sep 21 half: $93 million; Mar 21 half: $92 million) allocated across Personnel, Technology and Other expenses.*
2. *Includes litigation settlement expenses of $10 million for the March 2022 half (Sep 21 half: nil; Mar 21 half: $69 million).*

4. Income tax expense

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

	Half Year			Movement	
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Profit before income tax from continuing operations	**5,035**	4,560	4,376	10%	15%
Prima facie income tax expense at 30%	**1,511**	1,368	1,313	10%	15%
Tax effect of permanent differences:					
Net gain from divestments/closures	**(87)**	-	(4)	n/a	large
Share of associates' (profit)/loss	**(22)**	(19)	72	16%	large
Reclassification of ANZ Share Investing to held for sale	**-**	-	75	n/a	-100%
Interest on convertible instruments	**21**	22	22	-5%	-5%
Overseas tax rate differential	**(61)**	(38)	(50)	61%	22%
Provision for foreign tax on dividend repatriation[1]	**139**	11	26	large	large
Other	**11**	(6)	(20)	large	large
Subtotal	**1,512**	1,338	1,434	13%	5%
Income tax (over)/under provided in previous years	**(12)**	(7)	(9)	71%	33%
Income tax expense	**1,500**	1,331	1,425	13%	5%
Australia	**960**	884	1,013	9%	-5%
Overseas	**540**	447	412	21%	31%
Income tax expense	**1,500**	1,331	1,425	13%	5%
Effective tax rate	**29.8%**	29.2%	32.6%		

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

5. Dividends

Dividend per ordinary share (cents)[1]	Half Year			Movement	
	Mar 22	Sep 21	Mar 21	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Interim	**72**	-	70		
Final	**-**	72	-		
Total	**72**	72	70	0%	3%
Ordinary share dividend ($M)[2]					
Interim dividend	**-**	1,992	-		
Final dividend	**2,030**	-	994		
Bonus option plan adjustment	**(38)**	(37)	(21)	3%	81%
Total	**1,992**	1,955	973	2%	large
Ordinary share dividend payout ratio (%)[3]	**57.0%**	63.1%	67.7%		

1. *Fully franked for Australian tax purposes (30% tax rate) and carry New Zealand imputation credits of NZD 9 cents for the proposed 2022 interim dividend (2021 final dividend: NZD 8 cents; 2021 interim dividend: NZD 8 cents).*
2. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders of $2 million (Sep 21 half: nil; Mar 21 half: nil).*
3. *The dividend payout ratio for the March 2022 half is calculated using the proposed 2022 interim dividend of $2,012 million, based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2021 half and March 2021 half were calculated using actual dividends of $2,030 million and $1,992 million respectively.*

Ordinary Shares

The Directors propose an interim dividend of 72 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2022. The proposed 2022 interim dividend will be fully franked for Australian tax purposes. New Zealand imputation credits of NZD 9 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2022 interim dividend.

6. Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group referred to as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

	Half Year			Movement	
	Mar 22	**Sep 21**	**Mar 21**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Earnings Per Share (EPS) - Basic					
Earnings Per Share (cents)	**125.7**	113.4	103.7	11%	21%
Earnings Per Share (cents) from continuing operations	**125.9**	113.7	104.0	11%	21%
Earnings Per Share (cents) from discontinued operations	**(0.2)**	(0.3)	(0.3)	-33%	-33%
Earnings Per Share (EPS) - Diluted					
Earnings Per Share (cents)	**117.7**	106.7	98.4	10%	20%
Earnings Per Share (cents) from continuing operations	**117.9**	107.0	98.7	10%	19%
Earnings Per Share (cents) from discontinued operations	**(0.2)**	(0.3)	(0.3)	-33%	-33%

	Half Year			Movement	
	Mar 22	**Sep 21**	**Mar 21**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Reconciliation of earnings used in earnings per share calculations					
Basic:					
Profit for the period ($M)	**3,530**	3,220	2,943	10%	20%
Less: Profit attributable to non-controlling interests ($M)	**-**	1	-	-100%	n/a
Earnings used in calculating basic earnings per share ($M)	**3,530**	3,219	2,943	10%	20%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(5)**	(9)	(8)	-44%	-38%
Earnings used in calculating basic earnings per share from continuing operations ($M)	**3,535**	3,228	2,951	10%	20%
Diluted:					
Earnings used in calculating basic earnings per share ($M)	**3,530**	3,219	2,943	10%	20%
Add: Interest on convertible subordinated debt ($M)	**92**	95	92	-3%	0%
Earnings used in calculating diluted earnings per share ($M)	**3,622**	3,314	3,035	9%	19%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(5)**	(9)	(8)	-44%	-38%
Earnings used in calculating diluted earnings per share from continuing operations ($M)	**3,627**	3,323	3,043	9%	19%
Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1]					
WANOS used in calculating basic earnings per share (M)	**2,808.7**	2,838.4	2,838.7	-1%	-1%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**261.7**	255.8	238.7	2%	10%
Share based payments (options, rights and deferred shares) (M)	**6.8**	11.3	7.0	-40%	-3%
WANOS used in calculating diluted earnings per share (M)	**3,077.2**	3,105.5	3,084.4	-1%	0%

1. *Weighted average number of ordinary shares for the March 2022 half excludes 4.5 million weighted average number of treasury shares held in ANZEST Pty Ltd (Sep 21 half: 4.4 million; Mar 21 half: 4.7 million).*

7. Segment analysis

i) Description of segments

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations (TSO) and Group Centre division). This involves the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division. The new reporting segments will be reflected in the September 2022 half to align with the implementation of the changes from 1 April 2022. The segment disclosures below remain unchanged from those reported at 30 September 2021 and are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer, during the March 2022 half.

During the March 2022 half, the Group operated on a divisional structure with five continuing divisions: Australia Retail and Commercial, Institutional, New Zealand, Pacific, and Group Centre. For further information on the composition of divisions refer to the Definitions on page 133.

ii) Operating segments

ANZ measures the performance of continuing segments on a cash profit basis. To calculate cash profit, certain non-core items are removed from statutory profit. Details of these items are included in the 'Other items' section of this note.

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

March 2022 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	3,864	1,621	1,505	46	64	-	**7,100**
Net fee and commission income							
- Lending fees	50	131	4	3	-	-	**188**
- Non-lending fees	652	311	301	11	(1)	-	**1,274**
- Commissions	35	1	14	-	-	-	**50**
- Funds management income	13	1	123	-	-	-	**137**
- Fee and commission expense	(303)	(132)	(229)	(2)	-	-	**(666)**
Net income from insurance business	55	-	-	-	-	-	**55**
Other income	244	470	32	22	(32)	594	**1,330**
Share of associates' profit/(loss)	-	-	-	-	74	-	**74**
Operating income	4,610	2,403	1,750	80	105	594	**9,542**
Profit/(Loss) after tax from continuing operations	1,986	730	787	(6)	(384)	422	**3,535**
Profit/(Loss) after tax from discontinued operations							**(5)**
Profit after tax attributable to shareholders							**3,530**

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.*

7. Segment analysis, cont'd

September 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	4,015	1,586	1,477	47	50	-	**7,175**
Net fee and commission income							
- Lending fees	105	118	4	3	-	-	**230**
- Non-lending fees	650	335	292	10	(1)	-	**1,286**
- Commissions	35	-	16	-	-	-	**51**
- Funds management income	15	-	132	-	-	-	**147**
- Fee and commission expense	(274)	(130)	(215)	(1)	(1)	-	**(621)**
Net income from insurance business	58	-	-	-	-	-	**58**
Other income	(2)	542	2	20	70	29	**661**
Share of associates' profit/(loss)	-	(1)	-	-	67	-	**66**
Operating income	4,602	2,450	1,708	79	185	29	**9,053**
Profit/(Loss) after tax from continuing operations	1,835	939	737	(10)	(293)	20	**3,228**
Profit/(Loss) after tax from discontinued operations							**(9)**
Profit after tax attributable to shareholders							**3,219**
March 2021 Half Year							
Net interest income	3,974	1,519	1,393	49	51	-	**6,986**
Net fee and commission income							
- Lending fees	111	123	6	4	-	-	**244**
- Non-lending fees	618	348	293	10	(3)	-	**1,266**
- Commissions	29	1	16	-	-	-	**46**
- Funds management income	17	1	122	-	-	-	**140**
- Fee and commission expense	(286)	(144)	(215)	(1)	-	-	**(646)**
Net income from insurance business	52	-	-	-	-	-	**52**
Other income	(240)	685	16	20	96	(56)	**521**
Share of associates' profit/(loss)	1	-	-	-	(243)	-	**(242)**
Operating income	4,276	2,533	1,631	82	(99)	(56)	**8,367**
Profit/(Loss) after tax from continuing operations	1,782	948	771	7	(518)	(39)	**2,951**
Profit/(Loss) after tax from discontinued operations							**(8)**
Profit after tax attributable to shareholders							**2,943**

[1] *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.*

iii) Other items

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Economic hedges	Institutional, New Zealand, Group Centre	**373**	128	(51)	large	large
Revenue and expense hedges	Group Centre	**49**	(108)	12	large	large
Total from continuing operations		**422**	20	(39)	large	large

8. Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying variables or indices defined in the contract, require little or no initial net investment and are settled at a future date. Derivatives include contracts traded on registered exchanges and contracts agreed between counterparties. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading and sales activities. Derivatives are also used to manage the Group's own exposure to fluctuations in foreign exchange and interest rates as part of its asset and liability management activities (balance sheet risk management).

The following table includes all trading and balance sheet risk management contracts. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to the terms of the derivative.

Fair Values	Assets Mar 22 $M	Liabilities Mar 22 $M	Assets[1] Sep 21 $M	Liabilities[1] Sep 21 $M	Assets Mar 21 $M	Liabilities Mar 21 $M
Interest rate contracts						
Forward rate agreements	**-**	**(1)**	2	(23)	10	(12)
Futures contracts	**760**	**(142)**	296	(26)	45	(74)
Swap agreements	**8,741**	**(10,511)**	10,664	(8,206)	73,125	(71,523)
Options purchased	**1,355**	**-**	971	-	1,192	-
Options sold	**-**	**(1,558)**	-	(1,207)	-	(1,162)
Total	**10,856**	**(12,212)**	11,933	(9,462)	74,372	(72,771)
Foreign exchange contracts						
Spot and forward contracts	**17,443**	**(16,805)**	13,915	(11,521)	15,858	(14,389)
Swap agreements	**14,417**	**(16,123)**	11,131	(12,425)	12,683	(13,833)
Options purchased	**340**	**-**	277	-	311	-
Options sold	**-**	**(586)**	-	(577)	-	(587)
Total	**32,200**	**(33,514)**	25,323	(24,523)	28,852	(28,809)
Commodity contracts	**2,181**	**(2,068)**	1,445	(2,017)	1,439	(1,345)
Credit default swaps						
Credit derivatives purchased	**1**	**(1)**	-	(33)	1	(1)
Credit derivatives sold	**-**	**-**	35	-	2	-
Total	**1**	**(1)**	35	(33)	3	(1)
Derivative financial instruments	**45,238**	**(47,795)**	38,736	(36,035)	104,666	(102,926)

1. *During the September 2021 half, 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 at the date of the change.*

9. Net loans and advances

	As at			Movement	
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Australia					
Overdrafts	**3,491**	4,190	4,070	-17%	-14%
Credit cards outstanding	**5,707**	5,488	6,119	4%	-7%
Commercial bills outstanding	**5,632**	6,000	6,152	-6%	-8%
Term loans - housing	**277,894**	277,720	280,545	0%	-1%
Term loans - non-housing	**151,718**	139,885	138,771	8%	9%
Other	**1,113**	1,319	1,297	-16%	-14%
Total Australia	**445,555**	434,602	436,954	3%	2%
Asia, Pacific, Europe & America					
Overdrafts	**668**	407	516	64%	29%
Credit cards outstanding	**6**	5	5	20%	20%
Term loans - housing	**464**	482	472	-4%	-2%
Term loans - non-housing	**69,731**	60,693	51,867	15%	34%
Other	**1,332**	1,666	1,123	-20%	19%
Total Asia, Pacific, Europe & America	**72,201**	63,253	53,983	14%	34%
New Zealand					
Overdrafts	**824**	763	599	8%	38%
Credit cards outstanding	**1,087**	1,077	1,181	1%	-8%
Term loans - housing	**95,794**	94,370	87,561	2%	9%
Term loans - non-housing	**38,512**	38,699	37,390	0%	3%
Total New Zealand	**136,217**	134,909	126,731	1%	7%
Subtotal	**653,973**	632,764	617,668	3%	6%
Unearned income[1]	**(460)**	(434)	(437)	6%	5%
Capitalised brokerage and other origination costs[1]	**1,482**	1,434	1,378	3%	8%
Gross loans and advances	**654,995**	633,764	618,609	3%	6%
Allowance for expected credit losses (refer to Note 10)	**(3,559)**	(4,045)	(4,250)	-12%	-16%
Net loans and advances	**651,436**	629,719	614,359	3%	6%

1. *Amortised over the expected life of the loan.*

10. Allowance for expected credit losses

	As at								
	Mar 22			Sep 21			Mar 21		
	Collectively assessed $M	Individually assessed $M	Total $M	Collectively assessed $M	Individually assessed $M	Total $M	Collectively assessed $M	Individually assessed $M	Total $M
Net loans and advances at amortised cost	**2,940**	**619**	**3,559**	3,379	666	4,045	3,472	778	4,250
Off-balance sheet commitments	**788**	**17**	**805**	785	21	806	795	31	826
Investment securities - debt securities at amortised cost	**29**	**-**	**29**	31	-	31	18	-	18
Total	**3,757**	**636**	**4,393**	4,195	687	4,882	4,285	809	5,094
Other Comprehensive Income									
Investment securities - debt securities at FVOCI[1]	**10**	**-**	**10**	11	-	11	11	-	11

1. For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.

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

Net loans and advances at amortised cost

Allowance for ECL is included in Net loans and advances.

			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
As at 1 October 2020	**1,204**	**2,465**	**461**	**851**	**4,981**
Transfer between stages	345	(369)	(98)	122	-
New and increased provisions (net of releases)	(563)	3	52	333	(175)
Write-backs	-	-	-	(171)	(171)
Bad debts written off (excluding recoveries)	-	-	-	(340)	(340)
Foreign currency translation and other movements[1]	(11)	(14)	(3)	(17)	(45)
As at 31 March 2021	**975**	**2,085**	**412**	**778**	**4,250**
Transfer between stages	200	(233)	(50)	83	-
New and increased provisions (net of releases)	(222)	124	50	284	236
Write-backs	-	-	-	(194)	(194)
Bad debts written off (excluding recoveries)	-	-	-	(286)	(286)
Foreign currency translation and other movements[1]	15	18	5	1	39
As at 30 September 2021	**968**	**1,994**	**417**	**666**	**4,045**
Transfer between stages	130	(152)	(58)	80	-
New and increased provisions (net of releases)	(73)	(301)	46	221	(107)
Write-backs	-	-	-	(111)	(111)
Bad debts written off (excluding recoveries)	-	-	-	(222)	(222)
Foreign currency translation and other movements[1]	(14)	(14)	(3)	(15)	(46)
As at 31 March 2022	**1,011**	**1,527**	**402**	**619**	**3,559**

1. Other movements include the impact of discount unwind on individually assessed allowances for ECL during the period.

10. Allowance for expected credit losses, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2020	**596**	**239**	**23**	**40**	**898**
Transfer between stages	36	(34)	(3)	1	-
New and increased provisions (net of releases)	(52)	4	-	(1)	(49)
Write-backs	-	-	-	(9)	(9)
Foreign currency translation	(12)	(2)	-	-	(14)
As at 31 March 2021	**568**	**207**	**20**	**31**	**826**
Transfer between stages	32	(30)	(2)	-	-
New and increased provisions (net of releases)	(57)	31	1	2	(23)
Write-backs	-	-	-	(12)	(12)
Foreign currency translation and other movements[1]	12	3	-	-	15
As at 30 September 2021	**555**	**211**	**19**	**21**	**806**
Transfer between stages	28	(27)	(2)	1	-
New and increased provisions (net of releases)	24	(5)	21	(1)	39
Write-backs	-	-	-	(4)	(4)
Foreign currency translation and other movements[1]	(30)	(6)	-	-	(36)
As at 31 March 2022	**577**	**173**	**38**	**17**	**805**

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

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2021	18	-	-	-	18
As at 30 September 2021	31	-	-	-	31
As at 31 March 2022	**29**	**-**	**-**	**-**	**29**

Investment securities - debt securities at FVOCI

For FVOCI assets, the allowance for ECL does not alter the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2021	11	-	-	-	11
As at 30 September 2021	11	-	-	-	11
As at 31 March 2022	**10**	**-**	**-**	**-**	**10**

10. Allowance for expected credit losses, cont'd

Credit impairment charge/(release) analysis

	Half Year			Movement	
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
New and increased provisions (net of releases)[1,2]					
- Collectively assessed	**(371)**	(145)	(678)	large	-45%
- Individually assessed	**301**	369	455	-18%	-34%
Write-backs[3]	**(115)**	(206)	(180)	-44%	-36%
Recoveries of amounts previously written off	**(99)**	(94)	(88)	5%	13%
Total credit impairment charge/(release)	**(284)**	(76)	(491)	large	-42%

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

	Mar 22 half		*Sep 21 half*		*Mar 21 half*	
	Collectively assessed $M	***Individually assessed $M***	***Collectively assessed $M***	***Individually assessed $M***	***Collectively assessed $M***	***Individually assessed $M***
Net loans and advances at amortised cost	*(408)*	*301*	*(131)*	*367*	*(630)*	*455*
Off-balance sheet commitments	*39*	*-*	*(25)*	*2*	*(49)*	*-*
Investment securities - debt securities at amortised cost	*(1)*	*-*	*11*	*-*	*-*	*-*
Investment securities - debt securities at FVOCI	*(1)*	*-*	*-*	*-*	*1*	*-*
Total	***(371)***	***301***	***(145)***	***369***	***(678)***	***455***

3. *Consists of write-backs in Net loans and advances at amortised cost of $111 million (Sep 21 half: $194 million; Mar 21 half: $171 million), and Off-balance sheet commitment of $4 million (Sep 21 half: $12 million; Mar 21 half: $9 million).*

11. Deposits and other borrowings

	As at			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Australia					
Certificates of deposit	**29,914**	31,915	34,176	-6%	-12%
Term deposits	**44,165**	49,767	61,503	-11%	-28%
On demand and short term deposits	**286,191**	270,839	247,730	6%	16%
Deposits not bearing interest	**24,785**	23,209	20,850	7%	19%
Deposits from banks and securities sold under repurchase agreements[1]	**50,398**	49,340	42,651	2%	18%
Commercial paper	**27,309**	21,451	22,829	27%	20%
Total Australia	**462,762**	446,521	429,739	4%	8%
Asia, Pacific, Europe & America					
Certificates of deposit	**5,013**	4,003	4,532	25%	11%
Term deposits	**97,525**	88,481	84,950	10%	15%
On demand and short term deposits	**30,841**	36,094	27,332	-15%	13%
Deposits not bearing interest	**7,314**	5,709	6,448	28%	13%
Deposits from banks and securities sold under repurchase agreements	**47,967**	35,225	35,456	36%	35%
Total Asia, Pacific, Europe & America	**188,660**	169,512	158,718	11%	19%
New Zealand					
Certificates of deposit	**2,018**	1,790	1,292	13%	56%
Term deposits	**38,931**	38,833	39,715	0%	-2%
On demand and short term deposits	**59,590**	59,822	54,379	0%	10%
Deposits not bearing interest	**21,712**	20,828	18,618	4%	17%
Deposits from banks and securities sold under repurchase agreements[2]	**2,069**	1,517	910	36%	large
Commercial paper and other borrowings	**4,546**	4,233	3,252	7%	40%
Total New Zealand	**128,866**	127,023	118,166	1%	9%
Total deposits and other borrowings	**780,288**	743,056	706,623	5%	10%

1. *Includes $20.1 billion (Sep 21: $20.1 billion; Mar 21: $12.0 billion) of funds drawn under the RBA TFF.*
2. *Includes $1.7 billion (Sep 21: $1.2 billion; Mar 21: nil) of funds drawn under the RBNZ FLP and TLF.*

12. Other provisions

	As at			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Allowance for ECL on undrawn and contingent facilities (refer to Note 10)	**805**	806	826	0%	-3%
Customer remediation	**853**	886	1,003	-4%	-15%
Restructuring costs	**88**	99	122	-11%	-28%
Non-lending losses, frauds and forgeries[1]	**118**	133	144	-11%	-18%
Other[1]	**398**	290	322	37%	24%
Total other provisions	**2,262**	2,214	2,417	2%	-6%

1. *Certain provisions have been reclassified from Other to Non-lending losses, frauds and forgeries during the March 2022 half to better reflect their nature. Comparatives have been restated accordingly (Sep 21: $72 million; Mar 21: $67 million).*

Customer remediation

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

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

13. Debt issuances

	As at			Movement	
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Total unsubordinated debt	**64,645**	75,775	83,963	-15%	-23%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN1	**-**	-	1,120	n/a	-100%
ANZ CN2	**-**	1,609	1,609	-100%	-100%
ANZ CN3	**969**	968	968	0%	0%
ANZ CN4	**1,618**	1,617	1,615	0%	0%
ANZ CN5	**928**	927	927	0%	0%
ANZ CN6	**1,487**	1,486	-	0%	n/a
ANZ CN7	**1,298**	-	-	n/a	n/a
ANZ Capital Securities[3]	**1,282**	1,422	1,347	-10%	-5%
ANZ New Zealand Capital Notes[4]	**-**	477	459	-100%	-100%
Tier 2 Capital					
Perpetual subordinated notes[5]	**-**	417	395	-100%	-100%
Term subordinated notes[6]	**14,047**	15,790	15,220	-11%	-8%
Other subordinated debt securities[7]	**952**	566	-	68%	n/a
Total subordinated debt	**22,581**	25,279	23,660	-11%	-5%
Total debt issuances	**87,226**	101,054	107,623	-14%	-19%

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

	Issuer	*Issue date*	*Issue amount $M*	*Early redemption or conversion date*	*Mandatory conversion date*
CN1	*ANZ*	*7 Aug 2013*	*1,120*	*n/a*	*n/a*
CN2	*ANZ*	*31 Mar 2014*	*1,610*	*n/a*	*n/a*
CN3	*ANZ, acting through its New Zealand branch*	*5 Mar 2015*	*970*	*24 Mar 2023*	*24 Mar 2025*
CN4	*ANZ*	*27 Sep 2016*	*1,622*	*20 Mar 2024*	*20 Mar 2026*
CN5	*ANZ*	*28 Sep 2017*	*931*	*20 Mar 2025*	*20 Mar 2027*
CN6	*ANZ*	*8 Jul 2021*	*1,500*	*20 Mar 2028*	*20 Sep 2030*
CN7	*ANZ*	*24 Mar 2022*	*1,310*	*20 Mar 2029*	*20 Sep 2031*

Approximately $750 million of ANZ Capital Notes 1 were reinvested into ANZ Capital Notes 6 on 8 July 2021 with the remaining $370 million being redeemed on 1 September 2021. All the ANZ Capital Notes 2 were redeemed on 24 March 2022 with approximately $860 million of the proceeds from redemption reinvested into ANZ Capital Notes 7 on the same date.

3. *On 15 June 2016, ANZ acting through its London branch issued US$1 billion fully-paid perpetual subordinated contingent convertible securities (ANZ Capital Securities). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the securities will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on the First Reset Date (15 June 2026) and on each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.*
4. *On 31 March 2015, ANZ Bank New Zealand Limited (ANZ New Zealand) issued NZ$500 million convertible notes (ANZ New Zealand Capital Notes). The ANZ New Zealand Capital Notes were redeemed on 31 December 2021.*
5. *The USD 300 million perpetual subordinated notes ceased to be treated as Basel 3 transitional Tier 2 capital under APRA's capital framework from 1 January 2022.*
6. *All the term subordinated notes are convertible and are Basel 3 compliant instruments. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*
7. *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. Other subordinated debt securities also includes ANZ's USD 300 million perpetual subordinated notes from 1 January 2022 (refer to footnote 5).*

14. Credit risk

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the group would have to pay if the instrument is called upon.

The table below shows the maximum exposure to credit risk of on-balance sheet, and off-balance sheet positions before taking account of any collateral held or other credit enhancements:

	Reported As at			Excluded[1] As at			Maximum Exposure to Credit Risk As at		
On-balance sheet positions	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**
Net loans and advances	**651,436**	629,719	614,359	**-**	-	-	**651,436**	629,719	614,359
Investment securities									
- debt securities at amortised cost	**8,505**	7,031	7,028	**-**	-	-	**8,505**	7,031	7,028
- debt securities at FVOCI	**69,824**	74,743	83,715	**-**	-	-	**69,824**	74,743	83,715
- equity securities at FVOCI	**1,390**	1,310	1,184	**1,390**	1,310	1,184	**-**	-	-
- debt securities at FVTPL	**38**	42	63	**-**	-	-	**38**	42	63
Other financial assets	**273,507**	254,105	300,339	**13,117**	13,653	15,829	**260,390**	240,452	284,510
Total on-balance sheet positions	**1,004,700**	966,950	1,006,688	**14,507**	14,963	17,013	**990,193**	951,987	989,675
Off-balance sheet commitments									
Undrawn and contingent facilities[2]	**264,137**	259,789	252,392	**-**	-	-	**264,137**	259,789	252,392
Total	**1,268,837**	1,226,739	1,259,080	**14,507**	14,963	17,013	**1,254,330**	1,211,776	1,242,067

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

Credit Quality

The Group's internal Customer Credit Rating (CCR) is used to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirement	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa - Baa3	AAA - BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 - B1	BB+ - B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

14. Credit risk, cont'd

Net loans and advances

As at March 2022	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	431,582	13,744	-	-	445,326
Satisfactory	145,404	30,144	-	-	175,548
Weak	11,709	10,721	-	-	22,430
Defaulted	-	-	3,628	1,286	4,914
Gross loans and advances at amortised cost	**588,695**	**54,609**	**3,628**	**1,286**	**648,218**
Allowance for ECL	(1,011)	(1,527)	(402)	(619)	(3,559)
Net loans and advances at amortised cost	**587,684**	**53,082**	**3,226**	**667**	**644,659**
Coverage ratio	**0.17%**	**2.80%**	**11.08%**	**48.13%**	**0.55%**
Loans and advances at fair value through profit or loss					5,755
Unearned income					(460)
Capitalised brokerage and other origination costs					1,482
Net carrying amount					**651,436**

As at September 2021					
Strong	412,821	12,596	-	-	425,417
Satisfactory	146,368	31,228	-	-	177,596
Weak	7,921	12,907	-	-	20,828
Defaulted	-	-	3,754	1,549	5,303
Gross loans and advances at amortised cost	**567,110**	**56,731**	**3,754**	**1,549**	**629,144**
Allowance for ECL	(968)	(1,994)	(417)	(666)	(4,045)
Net loans and advances at amortised cost	**566,142**	**54,737**	**3,337**	**883**	**625,099**
Coverage ratio	**0.17%**	**3.51%**	**11.11%**	**43.00%**	**0.64%**
Loans and advances at fair value through profit or loss					3,620
Unearned income					(434)
Capitalised brokerage and other origination costs					1,434
Net carrying amount					**629,719**

As at March 2021					
Strong	390,928	12,204	-	-	403,132
Satisfactory	149,462	33,317	-	-	182,779
Weak	8,493	14,150	-	-	22,643
Defaulted	-	-	4,160	1,941	6,101
Gross loans and advances at amortised cost	**548,883**	**59,671**	**4,160**	**1,941**	**614,655**
Allowance for ECL	(975)	(2,085)	(412)	(778)	(4,250)
Net loans and advances at amortised cost	**547,908**	**57,586**	**3,748**	**1,163**	**610,405**
Coverage ratio	**0.18%**	**3.49%**	**9.90%**	**40.08%**	**0.69%**
Loans and advances at fair value through profit or loss					3,013
Unearned income					(437)
Capitalised brokerage and other origination costs					1,378
Net carrying amount					**614,359**

14. Credit risk, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

			Stage 3		
As at March 2022	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	175,462	1,244	-	-	176,706
Satisfactory	23,219	3,637	-	-	26,856
Weak	1,728	782	-	-	2,510
Defaulted	-	-	112	37	149
Gross undrawn and contingent facilities subject to ECL	**200,409**	**5,663**	**112**	**37**	**206,221**
Allowance for ECL included in Other provisions	(577)	(173)	(38)	(17)	(805)
Net undrawn and contingent facilities subject to ECL	**199,832**	**5,490**	**74**	**20**	**205,416**
Coverage ratio	**0.29%**	**3.05%**	**33.93%**	**45.95%**	**0.39%**
Undrawn and contingent facilities not subject to ECL[1]					58,721
Net undrawn and contingent facilities					**264,137**
As at 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	(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 March 2021					
Strong	168,628	1,829	-	-	170,457
Satisfactory	23,398	4,148	-	-	27,546
Weak	950	938	-	-	1,888
Defaulted	-	-	135	232	367
Gross undrawn and contingent facilities subject to ECL	**192,976**	**6,915**	**135**	**232**	**200,258**
Allowance for ECL included in Other provisions	(568)	(207)	(20)	(31)	(826)
Net undrawn and contingent facilities subject to ECL	**192,408**	**6,708**	**115**	**201**	**199,432**
Coverage ratio	**0.29%**	**2.99%**	**14.81%**	**13.36%**	**0.41%**
Undrawn and contingent facilities not subject to ECL[1]					52,960
Net undrawn and contingent facilities					**252,392**

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

14. Credit risk, cont'd

Investment securities - debt securities at amortised cost

As at March 2022	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	6,978	-	-	-	6,978
Satisfactory	120	-	-	-	120
Weak	1,436	-	-	-	1,436
Gross investment securities - debt securities at amortised cost	**8,534**	**-**	**-**	**-**	**8,534**
Allowance for ECL	(29)	-	-	-	(29)
Net investment securities - debt securities at amortised cost	**8,505**	**-**	**-**	**-**	**8,505**
Coverage ratio	**0.34%**	**-**	**-**	**-**	**0.34%**
As at 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 March 2021					
Strong	5,657	-	-	-	5,657
Satisfactory	1,389	-	-	-	1,389
Gross investment securities - debt securities at amortised cost	**7,046**	**-**	-	-	**7,046**
Allowance for ECL	(18)	-	-	-	(18)
Net investment securities - debt securities at amortised cost	**7,028**	**-**	-	-	**7,028**
Coverage ratio	**0.26%**	-	-	-	**0.26%**

Investment securities - debt securities at FVOCI

As at March 2022	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
Strong	69,656	-	-	-	69,656
Satisfactory	168	-	-	-	168
Investment securities - debt securities at FVOCI	**69,824**	**-**	**-**	**-**	**69,824**
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**
As at 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 March 2021					
Strong	83,494	-	-	-	83,494
Satisfactory	221	-	-	-	221
Investment securities - debt securities at FVOCI	**83,715**	-	-	-	**83,715**
Allowance for ECL recognised in Other comprehensive income	(11)	-	-	-	(11)
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**

14. Credit risk, cont'd

Other financial assets

	As at		
	Mar 22 $M	**Sep 21 $M**	**Mar 21 $M**
Strong	**257,543**	235,847	280,105
Satisfactory[1]	**2,483**	3,513	3,909
Weak	**391**	1,122	556
Defaulted	**11**	12	3
Other financial assets[1]	**260,428**	240,494	284,573

1. *Includes Investment securities - debt securities at FVTPL of $38 million (Sep 21: $42 million; Mar 21: $63 million).*

15. Fair value measurement

The Group carries a significant number of financial instruments on the balance sheet at fair value. Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

i) Assets and liabilities measured at fair value on the balance sheet

a) Valuation

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- when using quoted prices to value an instrument, these are independently verified from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

b) Fair value approach and valuation techniques

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market for that asset or liability exists. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - trading securities - securities sold short - derivative financial assets and liabilities - investment securities - other assets	Valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - net loans and advances - deposits and other borrowings - debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.

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

c) Fair value hierarchy

The Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

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

15. Fair value measurement, cont'd

d) Fair value hierarchy disclosure

The following table presents assets and liabilities carried at fair value:

	Fair value measurements			
As at March 2022	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Trading securities[1]	**31,901**	**7,532**	**-**	**39,433**
Derivative financial instruments	**1,302**	**43,889**	**47**	**45,238**
Investment securities[1]	**59,312**	**10,520**	**1,420**	**71,252**
Net loans and advances (measured at fair value)	**-**	**5,642**	**113**	**5,755**
Total	**92,515**	**67,583**	**1,580**	**161,678**
Liabilities				
Deposits and other borrowings (designated at fair value)	**-**	**4,589**	**-**	**4,589**
Derivative financial instruments	**655**	**47,117**	**23**	**47,795**
Payables and other liabilities[2]	**4,226**	**408**	**-**	**4,634**
Debt issuances (designated at fair value)	**-**	**1,864**	**-**	**1,864**
Total	**4,881**	**53,978**	**23**	**58,882**
As at September 2021				
Assets				
Trading securities	36,025	8,663	-	44,688
Derivative financial instruments	494	38,187	55	38,736
Investment securities	68,007	6,756	1,332	76,095
Net loans and advances (measured at fair value)	-	3,510	110	3,620
Total	104,526	57,116	1,497	163,139
Liabilities				
Deposits and other borrowings (designated at fair value)	-	4,284	-	4,284
Derivative financial instruments	1,131	34,874	30	36,035
Payables and other liabilities[2]	3,690	223	-	3,913
Debt issuances (designated at fair value)	-	1,962	-	1,962
Total	4,821	41,343	30	46,194
As at March 2021				
Assets				
Trading securities	41,424	4,907	-	46,331
Derivative financial instruments	648	103,984	34	104,666
Available-for-sale assets	83,573	209	1,180	84,962
Net loans and advances (measured at fair value)	-	3,003	10	3,013
Total	125,645	112,103	1,224	238,972
Liabilities				
Deposits and other borrowings (designated at fair value)	-	3,598	-	3,598
Derivative financial instruments	947	101,954	25	102,926
Payables and other liabilities[2]	3,925	12	-	3,937
Debt issuances (designated at fair value)	-	1,926	-	1,926
Total	4,872	107,490	25	112,387

1. *During the half year, $3,949 million of assets were transferred from Level 1 to Level 2, and $1,181 million of assets were transferred from Level 2 to Level 1 due to a change of the observability of bond valuation inputs. There were no other material transfers during the period. 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 are classified as held for trading and measured at fair value through profit or loss.*

15. Fair value measurement, cont'd

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

a) Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,557 million (Sep 21: $1,467 million; Mar 21: $1,199 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;
- 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 material Level 3 financial instruments as at March 2022 are summarised below:

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. As at March 2022, the BoT equity holding balance was $956 million. Movements in the BoT balance of -$35 million in the March 2022 half was mainly due to the decrease of the P/B multiple for valuation.

1835i Ventures Trust - Equity Holding

The Group holds a number of unlisted equities in its 1835i Ventures Trust business units managed by 1835i, for which there are no active markets or traded prices available resulting in Level 3 classification. As at March 2022, the total FVOCI unlisted equities holding in 1835i business unit was $280 million. Movements in the 1835i equity holding balances of $39 million in the March 2022 half was mainly due to new purchase.

Institutional division - Equity Holding

The Group also holds a number of unlisted equities in the Institutional division, for which there are no active markets or traded prices available resulting in Level 3 classification. As at March 2022, the total FVOCI unlisted equities holding in this business unit was $126 million. Movements in the Institutional division equity holding balances of $83 million in the March 2022 half was mainly due to new purchase.

Syndication Loan Held for Sale

The Group holds a number of syndication loans for sale which are measured at FVTPL. These loans are classified as Level 3 when there is no observable market data available for valuation. As at March 2022, the syndication loan Level 3 balance was $112 million. During the March 2022 half, the Group transferred $28 million of syndication loans measured at fair value from Level 2 to Level 3, when valuation parameters for these financial instruments became unobservable.

b) Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used in deriving the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $96 million increase or decrease to the fair value of the investment (Sep 21: $99 million; Mar 21: $102 million), which would be recognised in Other comprehensive income.

Other

The remaining Level 3 balance is immaterial and changes in the Level 3 inputs would have a minimal impact on net profit and net assets of the Group.

c) Deferred fair value gains and losses

When fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (referred to as the day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss over the life of the transaction on a straight line basis or when all inputs become observable.

The day one gains and losses deferred are immaterial.

15. Fair value measurement, cont'd

iii) Financial assets and liabilities not measured at fair value

The classes of financial assets and liabilities listed in the table below are predominately carried at amortised cost on the Group's balance sheet. Whilst this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of these financial assets and liabilities at balance date in the table below for the entire class of financial assets and financial liabilities.

	Carrying amount in the balance sheet			Fair value
As at March 2022	At amortised cost $M	At fair value $M	Total $M	$M
Financial assets				
Net loans and advances	**645,681**	**5,755**	**651,436**	**649,142**
Investment securities	**8,505**	**71,252**	**79,757**	**79,678**
Total	**654,186**	**77,007**	**731,193**	**728,820**
Financial liabilities				
Deposits and other borrowings	**775,699**	**4,589**	**780,288**	**780,104**
Debt issuances	**85,362**	**1,864**	**87,226**	**87,727**
Total	**861,061**	**6,453**	**867,514**	**867,831**
As at September 2021				
Financial assets				
Net loans and advances	626,099	3,620	629,719	630,067
Investment securities	7,031	76,095	83,126	83,138
Total	633,130	79,715	712,845	713,205
Financial liabilities				
Deposits and other borrowings	738,772	4,284	743,056	743,124
Debt issuances	99,092	1,962	101,054	103,079
Total	837,864	6,246	844,110	846,203
As at March 2021				
Financial assets				
Net loans and advances	611,346	3,013	614,359	615,139
Investment securities	7,028	84,962	91,990	91,945
Total	618,374	87,975	706,349	707,084
Financial liabilities				
Deposits and other borrowings	703,025	3,598	706,623	706,813
Debt issuances	105,697	1,926	107,623	109,580
Total	808,722	5,524	814,246	816,393

16. Shareholders' equity

Issued and quoted securities	As at		
Ordinary shares	**Mar 22 No.**	**Sep 21 No.**	**Mar 21 No.**
Opening balance	**2,823,563,652**	2,845,541,800	2,840,370,225
Share buy-back[1]	**(30,831,227)**	(23,308,448)	-
Bonus Option Plan[2]	**1,371,749**	1,330,300	929,207
Dividend Reinvestment Plan issues[3]	**-**	-	4,242,368
Closing balance	**2,794,104,174**	2,823,563,652	2,845,541,800
Less: Treasury Shares	**(4,391,572)**	(4,401,593)	(4,484,712)
Closing balance	**2,789,712,602**	2,819,162,059	2,841,057,088
Issued/(Repurchased) during the period	**(29,459,478)**	(21,978,148)	5,171,575

1. *The Company completed its $1.5 billion on-market share buy-back of ANZ ordinary shares purchasing $846 million worth of shares in the March 2022 half (Sep 21 half: $654 million; Mar 21 half: nil) resulting in 31 million shares being cancelled in the March 2022 half (Sep 21 half: 23 million; Mar 21 half: nil).*
2. *The Company issued 1.4 million shares under the Bonus Option Plan (BOP) for the 2021 final dividend (1.3 million shares for the 2021 interim dividend).*
3. *The DRP in respect to the 2021 final dividend was satisfied in full through the on-market purchase and transfer of 7,364,132 shares at $27.68 to participating shareholders. The DRP in respect to the 2021 interim dividend was satisfied in full through the on-market purchase and transfer of 7,103,024 shares at $27.91 to participating shareholders.*

	As at			Movement	
Shareholders' equity	**Mar 22 $M**	**Sep 21 $M**	**Mar 21 $M**	**Mar 22 v. Sep 21**	**Mar 22 v. Mar 21**
Ordinary share capital	**25,091**	25,984	26,615	-3%	-6%
Reserves					
Foreign currency translation reserve	**(164)**	611	(503)	large	-67%
Share option reserve	**54**	76	56	-29%	-4%
FVOCI reserve	**(43)**	170	567	large	large
Cash flow hedge reserve	**(1,247)**	393	643	large	large
Transactions with non-controlling interests reserve	**(22)**	(22)	(22)	0%	0%
Total reserves	**(1,422)**	1,228	741	large	large
Retained earnings	**38,078**	36,453	35,210	4%	8%
Share capital and reserves attributable to shareholders of the Company	**61,747**	63,665	62,566	-3%	-1%
Non-controlling interests	**9**	11	10	-18%	-10%
Total shareholders' equity	**61,756**	63,676	62,576	-3%	-1%

17. Changes in composition of the Group

The Group held 19% of Cashrewards Limited (Cashrewards) prior to obtaining control on 24 December 2021, and completing the acquisition of 100% of its ordinary shares on 23 February 2022. The Group's initial 19% holding had a fair value of $17 million when control was obtained, with consideration of $80 million paid or payable in acquiring the remaining 81% of the company. On completion, the Group provisionally accounted for $6 million of net tangible asset and $91 million of goodwill while the Group completes its purchase price allocation.

On 15 December 2020, the Group announced the sale of its merchant acquiring business and entered into an alliance with the acquirer Worldline. On completion on 31 March 2022, the Group recognised a gain on sale after tax of $335 million and recognised its 49% interest in the new Worldline partnership at a fair value of $57 million.

The contribution of these entities to the Group's profit from ordinary activities during the half year ended 31 March 2022 was not material to the Group.

18. Investments in Associates

	Half Year			Movement	
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 v. Sep 21	Mar 22 v. Mar 21
Share of associates' profit/(loss)	**74**	66	(242)	12%	large

Contributions to profit	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 22 $M	Sep 21 $M	Mar 21 $M	Mar 22 %	Sep 21 %	Mar 21 %
P.T. Bank Pan Indonesia (PT Panin)	**24**	49	65	**39**	39	39
AMMB Holdings Berhad (AmBank)[1,2]	**51**	18	(307)	**22**	22	24
Worldline SA[3]	**-**	-	-	**49**	-	-
Other associates	**(1)**	(1)	-	**n/a**	n/a	n/a
Share of associates' profit/(loss)	**74**	66	(242)			

1. *Following AmBank's agreement with the Malaysian Ministry of Finance to resolve potential claims relating to its involvement with 1Malaysia Development Berhad, the Group recognised a $212 million reduction in equity accounted earnings reflecting its share of the settlement provision during the March 2021 half, with a corresponding decrease in the carrying value of the investment.*
2. *During the March 2021 half, AmBank partially impaired goodwill carried on its balance sheet and the Group recognised a $135 million reduction in equity accounted earnings reflecting its share of the impairment recognised by AmBank, with a corresponding decrease in the carrying value of the investment.*
3. *The Group entered into a partnership with the European-based payments company Worldline in March 2022. The partnership arrangement involves ANZ and Worldline forming a newly created merchant acquiring group, with ANZ and Worldline holding a 49% and 51% interest respectively.*

19. Related party disclosure

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 September 2021.

20. Contingent liabilities and contingent assets

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 12) and/or disclosures as deemed appropriate have been made. In some instances, we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

Refer to Note 33 of the 2021 ANZ Annual Financial Report for a description of contingent liabilities and contingent assets as at 30 September 2021. A summary of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Regulatory and customer exposures**

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

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company. The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on certain benchmark rates. The claimants sought damages or compensation in amounts not specified, and alleged that the defendant banks, including the Company, violated US anti-trust laws, antiracketeering laws, and (in one case only), the Commodity Exchange Act and unjust enrichment principles. As at 31 March 2022, ANZ has reached an agreement to settle one of these matters, and an in-principle agreement to settle the other. The financial impact is not material. The settlements are without admission of liability and remain subject to finalisation and court approval.

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

20. Contingent liabilities and contingent assets, cont'd

- **Capital raising action**

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

- **Consumer credit insurance litigation**

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

- **Esanda dealer car loan litigation**

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

- **OnePath superannuation litigation**

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

- **New Zealand loan information litigation**

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

- **Credit cards litigation**

  In November 2021, a class action was brought against the Company alleging that certain interest terms in credit card contracts were unfair contract terms and that it was unconscionable for the Company to rely on them. The Company is defending the allegations.

- **Unlicensed third parties action**

  In November 2021, ASIC commenced civil penalty proceedings against the Company alleging that three unlicensed third parties provided home loan application documents to the Company's lenders, including in connection with the Company's home loan introducer program. ASIC alleges that the Company contravened its obligations under credit legislation. The Company is defending the allegations.

- **Breakfree/offset action**

  In December 2021, ASIC commenced civil penalty proceedings against the Company in relation to benefits including fee waivers and discounts not being applied under the ANZ Breakfree package, as well as system errors impacting offset account calculations. ASIC seeks civil penalties in respect of alleged false or misleading representations and unconscionable conduct. ASIC also alleges that the Company engaged in misleading or deceptive conduct and breached certain statutory obligations as a financial services licensee. The Company is not contesting the claim and will join ASIC to submit a proposed penalty of $25 million to the Court.

- **Royal Commission**

  The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. Following the Royal Commission there have been, and continue to be, additional costs and further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

- **Security recovery actions**

  Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

- **Warranties, indemnities and performance management fees**

  The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments, some of which are currently active. The outcomes and total costs associated with these exposures remain uncertain.

  The Group has entered an arrangement to pay performance management fees to external fund managers in the event predetermined performance criteria are satisfied in relation to certain Group investments. The satisfaction of the performance criteria and associated management fee remains uncertain.

20. Contingent liabilities and contingent assets, cont'd

- **Clearing and settlement obligations**

  Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

  Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

- **Parent entity guarantees**

  The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

- **Sale of Grindlays business**

  On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses. The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973. Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

21. Significant events since balance date

The Group intends to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct banking and non-banking groups within the organisation. Following preliminary discussions, APRA has advised they have no in-principle objection to the proposed restructure. The Group has also consulted other key Australian and New Zealand regulators and to date has not received any objections. Consultation and engagement remains ongoing. Further information about the proposal can be found at http://shareholder.anz.com.

There have been no other significant events from 31 March 2022 to the date of signing this report.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the *Corporations Act 2001*, including:
   - section 304, that they comply with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
   - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2022 and of its performance for the half year ended on that date; and
2. in the Directors' opinion as at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

3 May 2022

KPMG

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

Report on the Condensed Consolidated Financial Statements

Conclusion

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

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

i) giving a true and fair view of the Group's financial position as at 31 March 2022 and of its performance for the half year ended on that date; and

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

The Condensed Consolidated Financial Statements comprise:

- The condensed consolidated balance sheet as at 31 March 2022;
- The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

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

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements do not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2022 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Martin McGrath
Partner

Sydney
3 May 2022

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

To the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australia and New Zealand Banking Group Limited for the half year ended 31 March 2022, there have been:

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

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

KPMG

KPMG

Martin McGrath
Partner

Sydney
3 May 2022