AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

ABN 11 005 357 522

FINANCIAL STATEMENTS FOR ANZ BANKING GROUP LIMITED
and its controlled entities for the year ended 30 September, 2020

BALANCE SHEET
as at 30 September

	2020 $-m	2019 $-m
Assets		
Cash and cash equivalents	**107,923**	81,621
Settlement balances owed to ANZ	**7,541**	3,739
Collateral paid	**14,308**	15,006
Trading securities	**50,913**	43,169
Derivative financial instruments	**135,331**	120,667
Investment securities	**93,391**	83,709
Net loans and advances	**617,093**	615,258
Regulatory deposits	**801**	879
Assets held for sale	**-**	1,831
Investments in associates	**2,164**	2,957
Current tax assets	**161**	265
Deferred tax assets[1]	**2,124**	1,356
Goodwill and other intangible assets	**4,379**	4,861
Premises and equipment[1]	**3,013**	1,924
Other assets	**3,144**	3,895
Total assets	**1,042,286**	981,137
Liabilities		
Settlement balances owed by ANZ	**22,241**	10,867
Collateral received	**9,304**	7,929
Deposits and other borrowings	**682,333**	637,677
Derivative financial instruments	**134,711**	120,951
Current tax liabilities	**349**	260
Deferred tax liabilities	**80**	67
Liabilities held for sale	**-**	2,121
Payables and other liabilities[1]	**9,128**	7,968
Employee entitlements	**596**	589
Other provisions	**2,579**	2,223
Debt issuances	**119,668**	129,691
Total liabilities	**980,989**	920,343
Net assets	**61,297**	60,794
Shareholders' equity		
Ordinary share capital	**26,531**	26,490
Reserves	**1,501**	1,629
Retained earnings[1]	**33,255**	32,664
Share capital and reserves attributable to shareholders of the Company	**61,287**	60,783
Non-controlling interests	**10**	11
Total shareholders' equity	**61,297**	60,794

1. On adoption of AASB 16 on 1 October 2019, the Group recognised right-of-use assets of $1.6 billion presented within Premises and equipment and lease liabilities of $1.7 billion presented within Payables and other liabilities. This resulted in a reduction to operating retained earnings of $88 million and an increase in deferred tax assets of $37 million. Comparative information has not been restated. Refer to Note 1 for further details.

Capital adequacy ratios	**2020**	2019
Common Equity Tier 1	**11.3%**	11.4%
Tier 1	**13.2%**	13.2%
Tier 2	**3.3%**	2.1%
Total	**16.4%**	15.3%
Risk weighted assets	**429,384**	416,961

BOARD OF DIRECTORS

Mr Paul O'Sullivan
Chairman
Mr Shayne Elliott
Chief Executive Officer

Mr Graeme Liebelt
Mr John Macfarlane
Mr RT Hon Sir John Key, GNZM AC
Ms Paula Dwyer

Ms Ilana Atlas
Ms Jane Halton, AO, PSM

INCOME STATEMENT
for the year ended 30 September

	2020 $-m	2019 $-m
Interest income[1]	**24,426**	31,077
Interest expense	**(10,377)**	(16,738)
Net interest income	**14,049**	14,339
Other operating income	**3,355**	4,058
Net income from insurance business	**78**	126
Share of associates' profit	**155**	262
Operating income	**17,637**	18,785
Operating expenses	**(9,383)**	(9,071)
Profit before credit impairment and income tax	**8,254**	9,714
Credit impairment charge	**(2,738)**	(794)
Profit before income tax	**5,516**	8,920
Income tax expense	**(1,840)**	(2,609)
Profit after tax from continuing operations	**3,676**	6,311
Profit/(Loss) after tax from discontinued operations	**(98)**	(343)
Profit for the year	**3,578**	5,968
Comprising:		
Profit attributable to shareholders of the Company	**3,577**	5,953
Profit attributable to non-controlling interests	**1**	15
Earnings per ordinary share (cents) including discontinued operations		
Basic	**126.4**	210.0
Diluted	**118.0**	201.9
Earnings per ordinary share (cents) from continuing operations		
Basic	**129.8**	222.1
Diluted	**121.1**	213.0
Dividend per ordinary share (cents)	**60.0**	160.0

1. Includes interest income calculated using the effective interest method of $23,837 million on financial assets measured at amortised cost or fair value through other comprehensive income (2019: $30,224 million).

CONTROLLED ENTITIES

All controlled entities are 100% owned, unless otherwise noted.	**Incorporated in**
The material controlled entities of the Group are:	
ANZ Bank (Vietnam) Limited	**Vietnam**
ANZ Capel Court Limited	**Australia**
ANZ Funds Pty. Ltd.	**Australia**
ANZ Lenders Mortgage Insurance Pty. Limited	**Australia**
ANZ Residential Covered Bond Trust	**Australia**
Australia and New Zealand Bank (China) Company Limited	China
Australia and New Zealand Banking Group (PNG) Limited	Papua New Guinea
Chongqing Liangping ANZ Rural Bank Company Limited	China
Citizens Bancorp	Guam
PT Bank ANZ Indonesia (99% ownership)	Indonesia

In accordance with the banking regulations of the country of incorporation of the Head Office, if the Bank becomes unable to meet its obligations or suspends payment, the assets of the Bank in Australia are to made available to meet the Bank's deposit liabilities in Australia in priority to all other liabilities of the Bank.

The notes on the accounts form an integral part of the audited financial statements and a full understanding of the statements and the state of affairs of the Group cannot be achieved without reference to the notes and other information contained within the full report and accounts, copies of which are obtainable on request by contacting ANZ Bank, Singapore Branch at +65 6681 8033, 8:30am - 5:30pm, Mondays to Fridays (excluding public holidays).

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The Financial Report comprises the:

- consolidated balance sheet as at 30 September 2020;
- consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes 1 to 35 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of Financial Instruments held at Fair Value;
- Carrying value of goodwill;
- Carrying value of investment in Asian associates;
- Provisions for Customer Remediation; and
- IT Systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($5,899m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 13 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Group's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 Financial Instruments requires the Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments are made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental post model adjustments the Group applies to the ECL results.

The Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Group. We exercise significant judgment in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures covered:

Testing key controls of the Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Group's lending policies, monitoring of counterparty credit quality against the Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of counterparty risk assessments and risk grading against the requirements of the Group's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) over the key IT applications used by the Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change).
  For each loan sampled, we challenged the Group's CCR and Security Indicator (SI), taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Group's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against established market practices and criteria in the accounting standards;
- Working with KPMG risk consulting specialists, we assessed the accuracy of the Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Group;
- Working with KPMG economic specialists, we challenged the Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Group's ECL models. We compared the Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Group's ECL model and data deficiencies identified by the Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the portion of customers on loan deferral packages that are not aged. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Group's assessment.

We assessed the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:
- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,183m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $145,559m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $55m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $138,786m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 17 to the Financial Report.

The Key Audit Matter

The fair value of the Group's Level 2 and 3 financial instruments is determined by the Group through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and level 2 financial instruments held at fair value is considered a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable; and
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 53% of the Group's financial assets carried at fair value and 97% of the Group's financial liabilities carried at fair value.

Level 3 financial instruments represented 0.4% of the Group's financial assets carried at fair value and 0.04% of the Group's financial liabilities carried at fair value. This population is made up of:

- Investment securities at fair value through other comprehensive income;
- Derivative assets and liabilities; and
- Net loans and advances.

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

- We performed an assessment of the population of Financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - Controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - Controls in relation to the review and challenge of daily profit and loss (P&L) by a control function;
  - Controls over the collateral management process, including review of margin reconciliations with clearing houses; and
  - Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- With the assistance of KPMG valuation experts, we independently re-valued a selection of financial instruments and FVAs. This involved sourcing independent inputs from markets data providers or external sources and using our own valuation models. We challenged the Group where our revaluations significantly differed from the Group's.
- In relation to the subjective valuation of Level 3 Investment Securities, with our valuation specialists, we:
  - Assessed the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - Compared the Group's valuation methodology to industry practice and the criteria in the accounting standards.
- We assessed the Group's financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

CARRYING VALUE OF GOODWILL ($3,264m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 20 to the Financial Report.

The Key Audit Matter

Carrying value of goodwill is a key audit matter as:

- The Group's net assets exceeded its market capitalisation at year-end. This increased the potential for impairment and our audit effort in this area.
- We focussed on the significant forward-looking assumptions the Group applied in their value in use (VIU) and fair value less costs of disposal (FVLCOD) models, including:
- Growth rates, and terminal growth rates in the VIU model, and future maintainable earnings and price earnings multiples applied in the FVLCOD model. The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
- Discount rates in the VIU model and the control premium in the FVLCOD. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time.
- Significant judgement was required by the Group as a result of the current COVID-19 environment. COVID-19 has caused significant estimation uncertainty and as a result there is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and future maintainable earnings and market multiples used in its fair value calculations. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider.
- The Group recorded an impairment charge of $50m against goodwill in the Pacific CGU further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the valuation method (value in use or fair value less costs of disposal) applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the value in use and fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas;
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
- We assessed the Group's key assumptions used in the fair value less costs of disposal model, such as, future maintainable earnings, the control premium and compared the implied multiples from comparable market transactions to the implied multiple used in the model;
- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Group and industry it operates in;
- We compared the forecast cash flows contained in the models to revised Strategic Plan reflecting the Group's COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as market multiples, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN ASIAN ASSOCIATES ($2,140M)

Refer to the critical accounting estimates, judgements and disclosures in Notes 26 to the Financial Report.

The Key Audit Matter

Carrying value of investment in Asian associates (PT Panin and AmBank) is a key audit matter as:

- The Group's impairment assessment of non-lending assets identified that two of the Group's associate investments (PT Panin and AmBank) had indicators of impairment.
- Significant judgement was required by the Group as a result of the business disruption and economic impacts of COVID-19 pandemic, raising estimation uncertainty. These conditions and the uncertainty of their continuation increase the possibility of the associates being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes in the cash flow models.
- Our evaluation of potential impairment involves critically evaluating the Group's judgement in relation to the Group's Asian associates key forward-looking assumptions. Instances where the Group's judgement is evaluated include:
- Forecast earnings and terminal growth rates – The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
- Discount rates – These are complicated in nature and vary according to the conditions and environment the specific associate investments operate in.
- The Group recorded impairment charges in relation to the investment in Ambank of $595m and PT Panin of $220m further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value in use valuation method applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the models used, including the accuracy of the underlying calculation formulas;
- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Asian associates and the market and industry they operate in;
- We compared the forecast cash flows contained in the models to recent broker consensus reports, reflecting the COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as, forecast growth rates, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

PROVISIONS FOR CUSTOMER REMEDIATION ($1,109m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 21 and 33 to the Financial Report.

The Key Audit Matter

The Group has assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a Key Audit Matter due to the number of investigations, the quantum of amounts involved, and the judgements required by us in assessing the Group's determination of:

- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- The number of investigations and the quantum of amounts being paid arising from the present obligation;
- Reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Group's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- Enquiring with the Group regarding ongoing legal, regulatory and other investigation into remediation activities;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Group's Board of Directors, Board Committees, various management committees, and attending the Group's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual customer remediation matters, assessing the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions;
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;
- Assessing the appropriateness of the Group's conclusions against the requirements of Australian Accounting Standards where estimates were unable to be reliably made for a provision to be recognised; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of Australian Accounting Standards

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Group's IT controls. We work with our KPMG IT specialists as a core part of our audit team.

How the matter was addressed in our audit

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment, including those regarding Group policy design, review and awareness, and IT Risk Management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Group;
- Design and operating effectiveness testing of controls used by the Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. We tested:
  - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2020, complies with *Section 300A of the Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

Alison Kitchen
Partner
Melbourne
4 November 2020