



21 November 2023

DISCLOSURE AND TRANSPARENCY RULES – ANNUAL FINANCIAL REPORT SUBMISSION

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (“ANZBGL”) together with its subsidiaries (“ANZBGL Group” or the “Group”) – Annual Financial Report submission under the Disclosure and Transparency Rules (“DTR”) of the United Kingdom Financial Conduct Authority

The following attached documents constitute ANZBGL’s 2023 Annual Financial Report for the purposes of the disclosure requirements of DTR 4.1:

- ANZBGL’s 2023 Annual Report for the year ended 30 September 2023;
- A description of the principal risks and uncertainties for the Group provided in accordance with DTR 4.1.8 (2); and
- A responsibility statement of the Directors of ANZBGL provided in accordance with DTR 4.1.12 (3)(b).

AUSTRALIA AND
NEW ZEALAND
BANKING
GROUP LIMITED

2023 / ANNUAL REPORT



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OUR 2023 REPORTING SUITE



AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

- [2023 ANZBGL Annual Report
anz.com/annualreport](https://anz.com/annualreport)
- [2023 September Quarter APS 330 Pillar III Disclosure
anz.com/results](https://anz.com/results)
- [2023 Principal Risks and Uncertainties Disclosure
anz.com/results](https://anz.com/results)
- [2023 United Kingdom Disclosure and Transparency Rules Submission
anz.com/results](https://anz.com/results)

ANZ GROUP HOLDINGS LIMITED

- [2023 Full Year Results Announcement
anz.com/results](https://anz.com/results)
- [2023 ANZGHL Annual Report
anz.com/annualreport](https://anz.com/annualreport)
- [2023 Corporate Governance Statement
anz.com/corporategovernance](https://anz.com/corporategovernance)
- [2023 Climate-Related Financial Disclosures
anz.com/annualreport](https://anz.com/annualreport)
- [2023 Environment, Social and Governance \(ESG\) Supplement
anz.com/annualreport](https://anz.com/annualreport)

Annual Report structure

The various elements of the Directors' Report, including the Operating and Financial Review, are covered on pages 1 to 32. Commentary on our performance overview contained on pages 20 to 32 references information reported in the Financial Report pages 75 to 213.

The Remuneration Report on pages 34 to 71 and the Financial Report on pages 75 to 213 have been audited by KPMG.

This report covers all of Australia and New Zealand Banking Group Limited's operations worldwide over which, unless otherwise stated, we had control for the financial year 1 October 2022 to 30 September 2023. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

DISCLAIMER & IMPORTANT NOTICES

The material in this report contains general background information about the Group's activities current as at 10th November 2023. It is information given in summary form and does not purport to be complete. It is not intended to be and should not be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to the Group's business operations, market conditions, results of operations and financial condition, capital adequacy, sustainability objectives or targets, specific provisions and risk management practices. When used in the report, the words 'forecast', 'estimate', 'goal', 'target', 'indicator', 'plan', 'pathway', 'ambition', 'modelling', 'project', 'intend', 'anticipate', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, as they relate to the Group and its management, are intended to identify forward-looking statements or opinions. Those statements are usually 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, these statements should not be relied upon when making investment decisions. These statements only speak as at the date of publication and no representation is made as to their correctness on or after this date. Forward-looking statements constitute 'forward-looking statements' for the purposes of the *United States Private Securities Litigation Reform Act of 1995*. The Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

OUR OPERATING ENVIRONMENT

Our operating environment

The environment in which we operate is characterised by a range of conflicting forces.

Economic activity and inflationary pressure have broadly moderated, resulting in an evolving peak in the most aggressive interest rate tightening cycle in more than a decade. This has reduced the risk of a deep recession, but a range of economic outcomes are still possible.

China has tracked a different path, with weak activity and a flirtation with deflation promoting policy easing. Economic activity in China continues to grow, albeit at a slower rate than has been the case in recent decades. The world's second largest economy remains an important source of

demand and business activity, even as its slowdown is contributing to businesses and investors examining other opportunities.

Unemployment remains low and immigration has returned to Australia and New Zealand at record rates. These are supporting house price levels and demand for mortgages, even as consumer spending has moderated. Workforce shortages are not as acute, but input costs remain a challenge for many businesses.

On average, household balance sheets are strong and corporates hold high levels of liquidity. In some part this reflects the regulatory efforts of the past 15 years. This has reduced the level of delinquencies in the current interest rate tightening cycle, but also contributed to sustaining demand.

Public sector demand is strong across a range of sectors including infrastructure, defence, and housing. Housing affordability, in particular, has been subject to more vigorous policy action. Many governments are also active in addressing perceived supply chain vulnerabilities and prioritising domestic resilience.

The climate transition has gathered momentum. Over the past year Australia has introduced the safeguard mechanism, New Zealand has agreed methane should be taxed differently from carbon dioxide, the USA introduced the *Inflation Reduction Act* and in Europe the Carbon Border Adjustment Mechanism began administrative operation. This is altering patterns of economic activity, investment, and trade, and creating opportunities and challenges for banks.

Economic outlook

The year ahead is likely to be one of economic consolidation across ANZ's geographies. In Australia and New Zealand we expect somewhat slower growth and only modest movements in interest rates around the peak in the cycle. Consumer spending is likely to remain weak as the full impact of interest rate increases is felt. Demand is also likely to be supported by strong household balance sheets, resilient housing markets, government activity, solid business investment intentions in Australia and strong migration in New Zealand. Modest increases in unemployment and underemployment, while disruptive for the individuals involved, should be sufficient to encourage inflation back towards target without undue delinquency stress. Both ANZ and the Reserve Bank of Australia expect to see inflation back at the top of the band by the end of 2025.

In China, weak demand has been the main challenge. Policy has responded, activity has begun to stabilise and inflation, though there are still deflationary pressures normalise. China's stabilisation will support the region as it copes with the effects of its own tightening cycle and weaker global demand.

Challenges

Our response

Inflationary pressures and higher interest rates

- Assessing borrowers' resilience to rising interest rates
- Offering appropriate products and services to customers
- Dealing appropriately with customers experiencing financial hardship or in need of extra care
- Adjusting our staff salaries appropriately

Public and regulatory scrutiny

- Building trust by 'doing what we say'
- Working cooperatively with regulators, government and non-governmental organisations (NGOs)
- Continuing to evolve our ESG policies and processes and seek to implement them effectively and transparently disclose our progress

Competitive banking industry

- Deploying new and improved digital services, products and processes to help meet customer needs for efficient and accessible banking
- Investing in underlying technology and systems to establish more flexible and responsive platforms (including ANZ Plus and Institutional Payments and Cash Management Platforms)

Cyber-security threats

- Ongoing investment in cyber-security, fraud and scams detection capabilities and raising customer awareness as to the relevant risks

Geopolitical tension

- Contingency plans for our medium-to-higher risk jurisdictions with trigger events identified and monitored

Climate change and nature including biodiversity loss

- Providing sustainable banking and finance products and services, such as green and sustainability-linked loans and bonds, that drive the transition to a low carbon economy
- Continuing to evolve our strategy, policies, processes, products and services to seek to manage the risks and opportunities associated with climate change and nature, including biodiversity loss

HOW WE CREATE VALUE

VALUE DRIVERS

Products and services

Loans, transaction banking services, deposits and other financial products developed for our customers.

Finance

Access to capital through customer deposits, debt and equity investors, to support our operations and strategy.

People

Engaged workforce with the skills required to reinvent banking, in line with our purpose and culture.

Technology, data and risk management

Flexible, digital-ready infrastructure to provide a great customer experience, with systems and processes that are less complex, less prone to error and more secure.

Social

Trusted relationships with our customers, business partners and the community to strengthen our brand and reputation.

Environment

Minimising the impact of our operations by:

- The customers we choose to bank
- How we design and distribute our products
- Collaboration with partners.

OUR STRATEGY AND BUSINESS MODEL

To embrace the opportunities, address the risks presented by the external environment and realise our vision, we are pursuing a strategy to create value for all our stakeholders.



CREATING VALUE FOR OUR STAKEHOLDERS

Shareholder value

We generate stronger long-term financial results (in terms of sustainable economic profits) enabling shareholders to meet their goals.

Customer value

Our customers are financially better off over their lifetime and implement more sustainable business practices than others.

Employee value

Our diverse teams are engaged and optimised for success.

Community value

Our practices and services provide more opportunity for the community and we have supported and improved positive economic development and transition.

OUR PURPOSE AND STRATEGY

Our purpose is to shape a world where people and communities thrive. It explains ‘why’ we exist and drives everything we do at ANZ, including the choices we make each day about those we serve and how we operate.

We bring our purpose to life through our strategy: to improve the financial wellbeing and sustainability of customers through excellent services, tools and insights that engage and retain them, and help positively change their behaviour.

IN PARTICULAR, WE WANT TO HELP CUSTOMERS:



Save for, buy and own a liveable home



Start or buy and sustainably grow their business



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

Through our purpose we have elevated three areas facing significant societal challenges aligned with our strategy and our reach which include commitments to:

- Improving the financial wellbeing of our people, customers and communities by helping them make the most of their money throughout their lives;
- Supporting household, business and financial practices that improve environmental sustainability; and
- Improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

We will achieve our strategy through:

- **Propositions** our customers love ... with easy-to-use services that evolve to meet their changing needs
- Flexible and resilient digital banking **platforms** ... powering our customers and made available for others to power the industry
- **Partnerships** that unlock new value ... with ecosystems that help customers further improve their financial wellbeing and sustainability
- Purpose and values-led **people** ... who drive value by caring about our customers and the outcomes we create.

Our people listen, learn, adapt and do the right thing the first time - delivering the outcomes that address financial and sustainability challenges.

Our values

Our values shape how we deliver our purpose-led strategy. They are the foundation of ‘how’ we work – living our values every day enables us to deliver on our strategy and purpose, strengthen stakeholder relationships and earn the community’s trust. All employees and contractors must comply with our Code of Conduct, which sets down the expected standards of professional behaviour and guides us in applying our values.

OUR VALUES ARE: I.C.A.R.E



Integrity: We are honest and fair by speaking openly and transparently, making thoughtful and balanced decisions, doing what’s right and acting with courage.



Collaboration: We work together for the customer, by getting the right people together to get the job done and helping each other.



Accountability: We take ownership and get things done – we do what we say we will do – find the solutions by testing and learning and act with determination.



Respect: We care for all those we serve. We value difference and encourage everyone to have a voice, think and act with consideration for our customers, community and the environment.



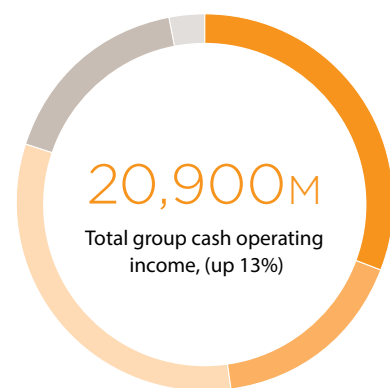
Excellence: We challenge ourselves to be better. This is done by making things simple, finding ways to work differently, using data to improve and asking as well as acting on feedback.

ABOUT OUR BUSINESS

We operate across a diverse business structure:

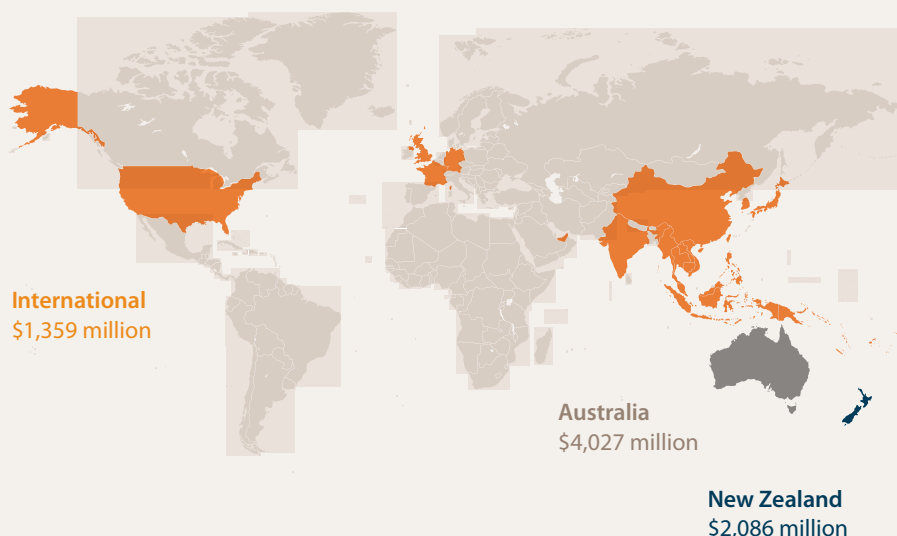
| | |
|-----------------------------|--|
| Australia Retail | Provides a range of banking products and services to Australian consumers. |
| Australia Commercial | Provides a range of banking products and financial services to small business owners, medium commercial customers, large commercial customers, and high net worth individuals and family groups. |
| Institutional | Services global institutional and corporate customers, and governments across Australia, New Zealand and International (including Papua New Guinea (PNG)) via Transaction Banking, Corporate Finance and Markets business units. |
| New Zealand | Provides a range of banking and wealth management products and services to consumer and private banking customers and a range of banking services to business customers. |
| Pacific | Provides banking products and services to retail and commercial customers (including multi-nationals) and to governments located in the Pacific region (excluding PNG which forms part of the Institutional division). |
| Group Centre | Provides support to the operating divisions, including technology, property, risk management, financial management, treasury, strategy, marketing, human resources, corporate affairs, and shareholder functions. It also includes minority investments in Asia. |

Operating income



- Australia Retail: 31%
- Australia Commercial: 17%
- Institutional: 32%
- New Zealand: 17%
- Pacific & Group Centre: 3%

Our international presence and earning composition by geography¹



International

Asia

- | | |
|-----------|-----------------|
| China | The Philippines |
| Hong Kong | Singapore |
| India | South Korea |
| Indonesia | Taiwan |
| Japan | Thailand |
| Laos | Vietnam |
| Malaysia | |

Pacific

- | | |
|------------------|-----------------|
| Cook Islands | Solomon Islands |
| Fiji | Timor-Leste |
| Kiribati | Tonga |
| Papua New Guinea | Vanuatu |
| Samoa | |

Europe

- France
- Germany
- United Kingdom

Middle East

- United Arab Emirates (Dubai)

United States of America

¹ On a cash profit basis. Excludes non-core items included in statutory profit. It is provided to assist readers in understanding the result of the ongoing business activities of the Group. For further information on adjustments between statutory and cash profit refer to page 21.

DIRECTORS

As at the date of this report, there are ten members on the Board of Directors of ANZBGL. Their names, positions within ANZBGL and relevant other directorships are described below. Graeme Liebelt ceased as a Non-Executive Director on 15 December 2022, having served on the Board since 2013.



Paul O'Sullivan

Position

Chairman, Independent Non-Executive Director since November 2019

Relevant other directorships

Chairman: ANZGHL (from 2022), Singtel Optus Pty Limited (from 2014, Director from 2004) and Western Sydney Airport Corporation (from 2017).

Director: St Vincent's Health Australia (from 2019).

Relevant former directorships held in last three years include

Former Director: Telkomsel Indonesia (2010-2020), National Disability Insurance Agency (2017-2020), Coca-Cola Amatil (2017-2021) and Indara Digital Infrastructure (formerly Australian Tower Network Pty Ltd) (2021-2023).



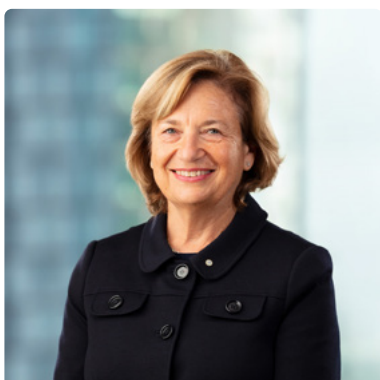
Shayne Elliott

Position

Chief Executive Officer Executive Director since January 2016

Relevant other directorships

Director: ANZGHL (from 2022), ANZ Bank New Zealand Limited (from 2009) and the Financial Markets Foundation for Children (from 2016). **Member:** Business Council of Australia (from 2016), the Australian Banking Association (from 2016, Chairman 2017-2019) and the Australian Customs Advisory Board (from 2020).



Ilana Atlas, AO

Position

Independent Non-Executive Director since September 2014

Relevant other directorships

Chairman: Jawun (from 2017, Director from 2014). **Director:** ANZGHL (from 2022), Scentre Group (from 2021), Origin Energy Limited (from 2021) and Paul Ramsay

Foundation (from 2017). **Member:** Council of the National Gallery of Australia (from 2021) and Panel of Adara Partners (from 2015).

Relevant former directorships held in last three years include

Former Chairman: Coca-Cola Amatil Limited (2017-2021, Director from 2011).



Jane Halton, AO PSM

Position

Independent Non- Executive Director since October 2016

Relevant other directorships

Chairman: Coalition for Epidemic Preparedness Innovations (Norway) (from 2018, Member from 2016) and Council on the Ageing Australia (from 2017).

Director: ANZGHL (from 2022) and Clayton Utz (from 2017). **Member:** Executive Board of the Institute of Health Metrics and Evaluation at the University of Washington (from 2007). **Adjunct Professor:** University

of Sydney and University of Canberra.

Honorary Professor: Australian National University Research School of Psychology.

Council Member: Australian Strategic Policy Institute (from 2016).

Relevant former directorships held in last three years include

Former Chairman: Vault Systems (2017-2022). **Former Director:** Crown Resorts Limited (2018-2022) and Naval Group Australia Pty Ltd (2021-2022).

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



Graham Hodges

Position

Non-Executive Director since February 2023

Relevant other directorships

Chairman: Regis Healthcare Limited (Director from 2017, Chairman from 2018).

Director: Assemble Communities (from 2020).

Relevant former directorships held in last three years include

Director: AmBank Holdings Berhad (2016-2021).



Rt Hon Sir John Key, GNZM AC

Position

Independent Non-Executive Director since February 2018

Relevant other directorships

Chairman: ANZ Bank New Zealand Limited (from 2018, Director from 2017) and Oritain Global Limited (from 2023).

Director: ANZGHL (from 2022) and Palo Alto Networks (from 2019). **Strategic Advisor:** BHP Group Limited (Australia) (from 2023).

Relevant former directorships held in last three years include

Former Director: Air New Zealand Limited (2017-2020).



Holly Kramer

Position

Independent Non-Executive Director since August 2023

Relevant other directorships

Director: ANZGHL (from 2023), Woolworths Group Limited (from 2016) and Fonterra Co-operative Group Limited (from 2020).

Member: Board Advisory Group, Bain & Company (from 2021). **Senior Advisor:**

Pollination (from 2023). **Pro Chancellor:** Western Sydney University (from 2018).

Relevant former directorships held in last three years include

Former Chairman: Lendi Group (2020-2021).

Former Deputy Chair: Australia Post (2015-2020). **Former Director:** Abacus Group Holdings (2018-2022) and Endeavour Group Limited (2021-2023).



John Macfarlane

Position

Independent Non-Executive Director since May 2014

Relevant other directorships

Director: ANZGHL (from 2022), Colmac Group Pty Ltd (from 2014), AGInvest Holdings Ltd (MyFarm Ltd) (from 2014, Chairman 2014-2016), Balmoral Pastoral Investments (from 2017), L1 Long Short

Fund Ltd (from 2018) and Aikenhead Centre of Medical Discovery Limited (from 2016).

Relevant former directorships held in last three year include

Former Director: Craigs Investment Partners Limited (2013-2020).



Christine O'Reilly

Position

Independent Non-Executive Director since November 2021

Relevant other directorships

Director: Stockland (from 2018) and BHP Group Limited (from 2020).

Relevant former directorships held in last three years include

Former Director: Medibank Private Limited (2014–2021), CSL Limited (2011–2020), Transurban Group (2012–2020) and The Baker Heart & Diabetes Institute (2013-2023).



Jeff Smith

Position

Independent Non-Executive Director since August 2022

Relevant other directorships

Director: ANZGHL (from 2022), ANZ Group Services Pty Ltd (from 2022), Sonrai Security

Inc. (from 2021) and Pexa Australia Limited (from 2023). **Advisor:** Zoom Video Communications, Inc (from 2018), Box, Inc (from 2018), and World Fuel Services (from 2023)).

RISK MANAGEMENT

2023 has seen an elevation of geopolitical tensions and continuing uncertainty in the macroeconomic environment. These continue to pose challenges to operating conditions. We recognise that our customers are similarly affected by these, as well as by additional challenges such as adverse weather events. Our risk management framework and practices have continued to evolve to meet such challenges.

External environment

The heightened geopolitical landscape with the ongoing conflicts in Europe and the Middle East, accompanied by the economic challenges relating to higher interest rates, inflation and real cost of living pressures continue to be the main drivers to create uncertainty for many of our customers. While households and businesses have been largely resilient to date, the Board and management continually monitor these developing conditions to set appropriate risk criteria for a range of potential scenarios. We have focused on the following to help support our customers and their financial resilience:

- **Global banking instability** – Global financial stability risks increased during the year following the failure of some regional banks in the US and the regulator facilitated takeover of Credit Suisse by UBS. In the face of these events the broader global banking system has remained resilient. ANZ has navigated this challenging period from a position of strength as a profitable, well provisioned, strongly capitalised and highly liquid bank and is well placed to support our customers.
- **Home Loans and Consumer Lending** – We continue to engage with our customers to help them better manage their home loans and personal finances. 70 per cent of our customers have paid additional funds to reduce their principal debt with almost half of those more than two years ahead on their repayments. Our portfolio customer credit scores have improved and we have consistently



written new businesses at a higher average customer credit score. We have also proactively communicated with our customers to provide reassurance that, where required, we have options available to continue to support them. This includes additional support provided to customers facing natural disasters (for instance, the 2023 cyclones and floods in New Zealand).

- **Data Analytics** – Data and analytics continue to play an important role in early identification of customers heading towards financial difficulty. Our analytics have focused on customer transaction data and the identification of customers that may need additional support. We are using data analytics to look at savings, credit, and offset accounts to better understand customers' financial behaviour and potential future outcomes. The analysis considers interest rate changes, increases in living expenses and cashflow. We continue to analyse our downturn indicators to understand, quantify, and address impacts to portfolio delinquency through tailored treatments to reduce customer financial difficulties/delinquencies.
- **Financial health and Wellbeing** – Financial health and wellbeing is the guiding principle for our ANZ Plus App which provides tools and insights to help customers to have better visibility and control over their money. In addition, our targeted communication is designed to encourage at-risk customers to take steps to avoid falling behind on loan repayments and to contact ANZ as early as possible if they are experiencing financial difficulty. We have also identified common reasons customers provide for experiencing financial hardship, such as reduced income, medical illness, separation or over-commitment to assist with repayment management. We have also delivered proactive customer support including communications and webinars to help customers as they head into challenging economic times.

Risk culture

Risk culture is an important component of our organisational culture and underpins the shared values, behaviours and practices that influence how risk is considered in decision making.

Significant progress has been made in strengthening risk culture, with the Group achieving our target state. The Board and executive leadership teams have emphasised the importance of risk culture, providing strong leadership and oversight. This has resulted in outcomes that have further embedded our target risk behaviours and uplifted risk management in a number of key focus areas – particularly the group wide non-financial risk framework. The risk culture framework, with our Risk Principles at the core, outlines the approach to measure, assess, embed and govern risk culture. The approach assesses risk management behaviours and practice through consideration of an annual risk culture survey as well as frequent monitoring of business and risk metrics that provide insights about our risk culture. Risk culture maturity is assessed at the divisional and functional¹ level to assist the Board to form a view of our overall risk culture. Our Board Risk Committee receives half-yearly updates on plans and actions being taken to further improve our risk culture.

Maintaining a sound risk culture is supported by alignment between our Risk Principles and organisational behaviours, training, and tools and resources to raise awareness of and embed the behaviours and practices that support our target risk culture.

Risk culture is included as a performance objective for all Group Executives, and risk is a key element of the Group Performance Framework and Divisional/individual performance scorecards for our people's performance and remuneration. Behaviours supporting the target risk culture are reinforced through the Enterprise Accountability Group (EAG) (see section 8 of the Remuneration Report with the Annual Report). We acknowledge individuals who role model outstanding risk behaviours through their efforts to identify, manage

and mitigate the organisation's risks and contribute to our strong risk culture.

Financial crime

We continue to maintain an effective financial crime risk management program that anticipates and navigates criminal threats supported by the right people with the right tools. The Financial Crime portfolio continues to be responsible for ensuring that ANZ meets its regulatory obligations through its Anti-Money Laundering/Counter Terrorism Finance and Sanction Programs, and for delivering enhanced detection, investigative and/or intelligence capability focusing on identifying, mitigating, and managing financial crime risk and protecting the community. We also maintain our partnership with the Australian Transaction Report and Analysis Centre (AUSTRAC)-led Fintel Alliance to strengthen the finance industry's capability to tackle serious crimes and to better support police investigations.

Refer to our ESG Supplement available at anz.com/annualreport for further information.

Scams

We are continually reviewing and adjusting our capabilities to keep customers safe as new scams emerge and cyber criminals change how they operate. In the last twelve months, our staff and our systems have stopped more than \$100 million going to criminals and from April to September this year. We have seen a 59% reduction in customer losses and a 38% increase in detected and prevented amounts. Investment in new technologies is critical as we continue to work to protect our customers and the community from fraud and scams. Our newest measures include:

- The deployment of more than 170 new sophisticated algorithms that have helped to prevent \$20m of customer scam losses across multiple payment channels.
- A significant investment in a new capability using Artificial Intelligence (AI) and Machine Learning technology designed to detect accounts being used to receive funds from scam victims.

- Preventing payments being made to particular high risk cryptocurrency platforms and introducing new holds and delays to some payment types and destinations.
- Working with the major telcos to activate the Do Not Originate (DNO) service and to put in place measures that stop scammers from adopting the "ANZ" label in text messages.

Non-financial risk

We have made progress against our non-financial risk transformation agenda. Our improved Non-financial Risk Framework is uplifting both the effectiveness and efficiency of how we manage our non-financial risks ensuring we can operate our business well, support the right risk culture, save time and make things simpler. It is achieving this by being a holistic, standardised, integrated and automated framework with greater data-informed insights, enhanced operating model and capability uplift. This enables us to better anticipate and navigate a changing environment as we seek to protect our customers, shareholders and the community from harm.

Other risks

We manage and monitor risks in accordance with our Risk Management Framework (RMF). In addition to our key material risks - see below - three risks that we are paying particular attention to are:

Climate-related risk: the Group's most material climate-related risks arise from lending to business and retail customers, which contributes to credit risk. These include the effect of extreme weather events on a customer's business or property including impacts to the cost and availability of insurance and insurance exclusions, changes to the regulatory and policy environment in which the customer operates, disruption from new technology and changes in demand towards low carbon products and services. Climate-related risks may also indirectly affect a customer through impacts to its supply chains and customer base.



Our key material risk category of credit risk considers the risks associated with lending to customers that may be impacted by climate change, including physical and transition risks. Climate-related risks may also affect the ability of customers to repay debt, result in an increased probability of default, result in 'stranded assets', and impact the amount that the Group is able to recover due to the value or liquidity of collateral held as security being impaired. The Group may also face legal proceedings and suffer reputational damage if it acts inconsistently with public commitments in relation to climate change.

We continue to improve our management of climate-related risks and recently elevated climate-related risk as a key material risk within our RMF - refer below.

We are transitioning our lending with the goals of the Paris Agreement and supporting customers to reduce emissions and enhance their resilience to a changing climate. In this respect, we factor climate change risk into lending decisions for large business customers¹, assessing their capacity to respond to climate change and the evolving regulatory landscape. We expect our existing large business customers in higher-emitting sectors such as energy, building products and transport to integrate climate change risk into their company strategies.

For details on the how we are improving our management of climate-related risks, how we govern climate-related risks and opportunities, performance against our climate targets and our new sectoral decarbonisation pathways set in accordance with our commitment to the Net-Zero Banking Alliance, refer to our 2023 Climate-related Financial Disclosures available at anz.com/annualreport. Our Climate Change Commitment is available at anz.com/esgreport.

Cybersecurity risk: As a bank, we handle a considerable amount of personal and confidential information about our customers across multiple geographies in which we operate. We continue to take the

security of our bank, our customers and our customers' information very seriously. Our security strategy has helped build a mature security risk posture and operational cyber security capability commensurate with the size and extent of threats to us.

Cyber security threats continue to evolve, becoming more sophisticated and increasing in volume and our approach draws on multiple layers of security testing and intelligence, seeking to ensure sustainable security practices to protect information and assets. We have layers of defence within the Group complemented by robust governance. We use industry benchmarking as well as a series of exercises to map and simulate potential threats. This helps us identify and better understand emerging threats, and adapt processes, technology and education to address the increase in customer fraud and scams. We maintain strong relationships and strategic partnerships with government, industry, community groups and law enforcement agencies locally and internationally to promote cyber security resilience across jurisdictions.

We are fostering a security-centric culture by providing staff education to help us to respond to the rapidly changing threat environment, as well as our customer education service to engage with and support our customers. We focus on raising customer awareness to cyber-threat risk. Our Cyber security centre also publishes a range of latest security alerts and protection approaches to assist our customers to avoid scams.

Biodiversity risk: Biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss ("Biodiversity Loss") is an emerging risk which the Group is seeking to understand further. Biodiversity risks are closely linked to climate-related risks. Risks are likely to arise primarily from lending to customers that have material dependencies and/or whose actions may have negative impacts on nature, including biodiversity. These risks can also arise from legal, and regulatory or policy, changes including potential

reforms to halt and reverse forest loss, species extinction and land degradation. These changes may impact the Group directly, or indirectly through our customers.

Biodiversity risk is recognised in our Climate Change Commitment and across our 'sensitive sector' lending policies. In line with our Social and Environmental Risk Policy, we expect our large business customers¹ to use, or mitigate towards internationally accepted industry practices to manage social, environmental and economic impacts, including potential impacts on nature. This year have continued to engage with 100 of our large emitting business customers to support them to implement and strengthen their lower carbon transition plans and enhance their efforts to protect biodiversity. We have also utilised the Exploring Natural Capital Opportunities Risks and Exposure (ENCORE) tool² to take initial steps to identify priority sectors and assess potential sector level biodiversity impacts and dependencies.

For details on our customer engagement, the ENCORE tool, including how we are upskilling our staff and the Taskforce on Nature-related Financial Disclosures (TNFD) pilot studies we have participated in this year, refer to our 2023 Climate-related Financial Disclosures available at anz.com/annualreport. This year we have also sought to draw on the TNFD's recommendations to help inform our disclosures in this document.

¹ Institutional customers. ² The ENCORE tool consolidates international and national data from public databases. It is widely used by other banking institutions and recognised as a robust tool. The ENCORE tool was developed by the Natural Capital Finance Alliance (the NCFa) and the World Conservation Monitoring Centre (the UNEP-WCMC).

Our Risk Management Framework (RMF)

The Board is ultimately responsible for establishing and overseeing the Group's RMF, which is supported by the Group's underlying systems, structures, policies, procedures, processes and people. The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of our Group RMF include:

- The Risk Management Strategy (RMS), which describes the approach for managing risk arising from the Group's purpose and strategy. The RMS includes: how the Risk function is structured to support the Group's purpose and strategy, and the execution of the Group Chief Risk Officer's prescribed responsibilities as an Accountable Person for ANZBGL under the Banking Executive Accountability Regime; the values, attitudes and behaviours required of employees in delivering on strategic priorities; a description of each material risk; and an overview of how the RMF addresses each material risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Group identifies, measures, evaluates, monitors, reports and then either controls or mitigates the material risks and the oversight mechanism and/or committees in place.
- The Risk Appetite Statement (RAS), which sets out the Board's expectations regarding – for each material risk – the maximum level of risk the Group is willing to accept in pursuing its strategic objectives and its operating plans considering its shareholders', depositors' and customers' interests.

- Risk Culture is an intrinsic part of the Group's RMF and underpins the values, attitudes and behaviours of our staff which drive the risk decisions we make.

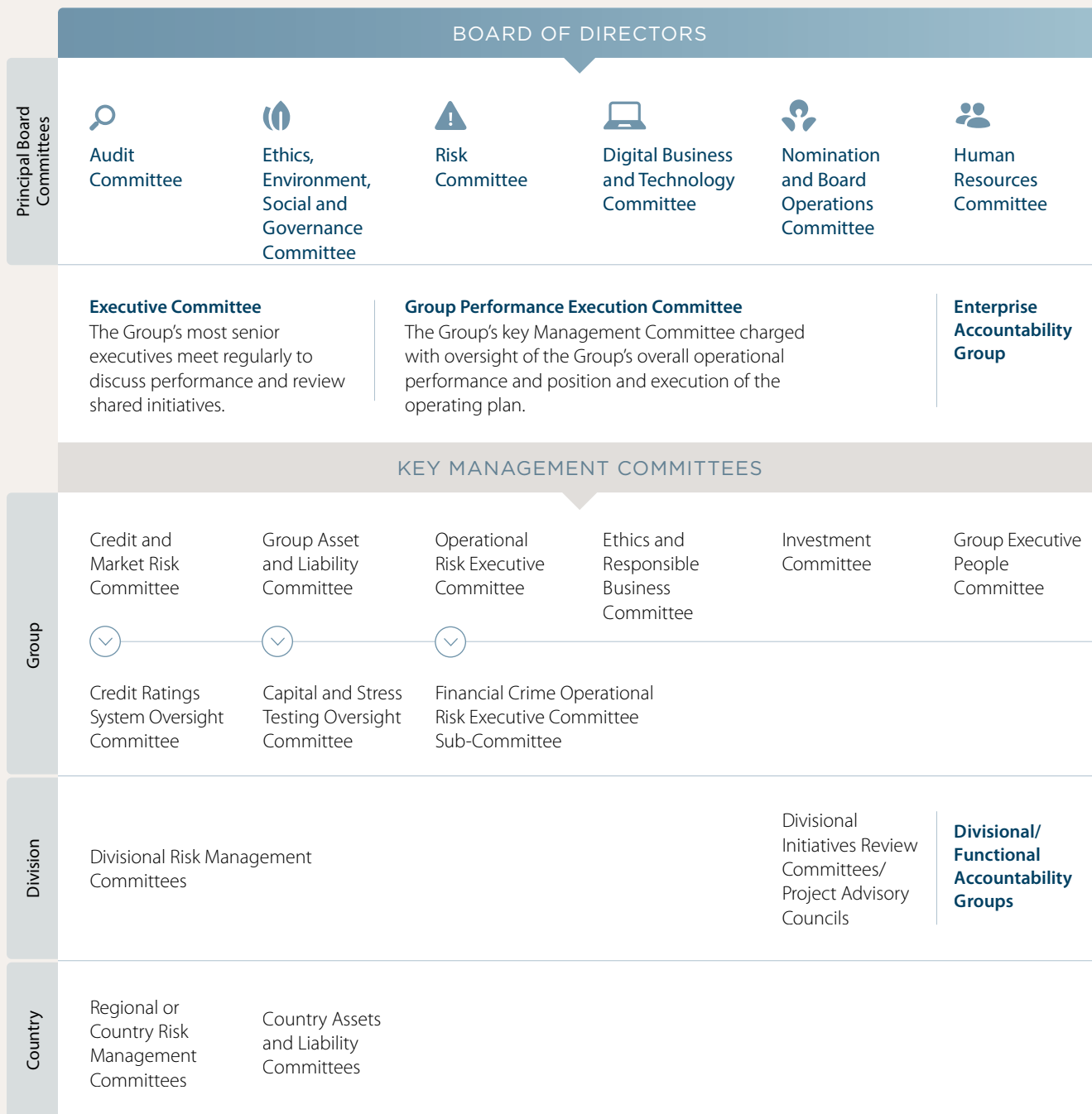
The Group operates a Three Lines-of-Defence Model. Each line of defence has clearly defined roles, responsibilities and escalation paths to support effective risk management at ANZ. The three lines of defence model embeds a culture where risk is everyone's responsibility.

The business occupies the first line of defence responsibility for implementation and ongoing maintenance of the RMF including day-to-day ownership of risks and controls.

The Risk function (including Divisional/functional and Group) form the second line of defence, providing independent oversight of the Group's risk profile and RMF, including effective challenge to activities and decisions that materially affect the Group's risk profile and assistance in developing and maintaining the RMF.

Internal Audit is the third line of defence, providing independent evaluation and objective assurance on the appropriateness, effectiveness and adequacy of the Group's RMF.

The governance and oversight of risk management, whilst embedded in day-to-day activities, is also the focus of committees and regular forums across the Group (see diagram next page). The committees and forums discuss and monitor known and emerging risks, review management plans and monitor progress to address known issues.






KEY MATERIAL RISKS

The key material risks facing the Group per the Group’s RMS, and how these are managed are summarised below.




Climate change risk is managed and monitored as part of ANZ’s business, strategic and capital management processes. While climate change risk primarily manifests as financial risks, especially credit risk, it may also result in additional market, operational or other risks.

Our understanding of climate-related risks continues to evolve and mature. On 9 November 2023 our Board Risk Committee approved that “climate risk” will be elevated as a key material risk. This means going forward that we are further strengthening our enterprise-wide approach to managing climate risk. We are working to embed this change and expect to disclose our progress in our 2024 reporting. The table below discusses how climate-related risk has been managed and monitored during our 2023 financial year.

 For further information about the principal risks and uncertainties that the Group faces, see our “Principal Risks and Uncertainties” disclosure available at anz.com/shareholder/centre.

|  RISK TYPE |  DESCRIPTION |  MANAGING THE RISK |
|---|--|---|
| Capital adequacy risk | The risk of loss arising from the Group failing to maintain the level of capital required by prudential regulators and other key stakeholders (shareholders, debt investors, depositors, rating agencies, etc.) to support the Group’s consolidated operations and risk appetite. | We pursue an active approach to Capital Management, which is designed to protect the interests of depositors, creditors and shareholders through ongoing review, and Board approval, of the level and composition of our capital base against key policy objectives. |
| Compliance risk | The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to the Group’s businesses. | Key features of how we manage Compliance Risk as part of our I.A.M (Identify, Act and Monitor) Framework include: <ul style="list-style-type: none"> • Management of key obligations via a Global Obligations Library, enabling our change management capability in relation to new and revised obligations. • An emphasis on the identification of changing regulations and the business environment, to enable proactive assessment of emerging compliance risks. • Recognition of incident management as a separate element to enhance our ability to identify, manage and report on incidents/breaches in a timely manner. |
| Credit risk | The risk of financial loss resulting from: <ul style="list-style-type: none"> • A counterparty failing to fulfil its obligations; or • A decrease in credit quality of a counterparty resulting in a loss. Credit Risk incorporates the risks associated with our lending to business and retail customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies. As noted above, we recently elevated climate-related risk to be a key material risk in its own right and will work to embed this within our RMF. | Our Credit Risk framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle from initial approval and risk grading, through to ongoing management and problem debt management. |

| RISK TYPE | DESCRIPTION | MANAGING THE RISK |
|--|---|---|
| <p>Liquidity and funding risk</p> | <p>The risk that the Group is unable to meet its payment obligations as they fall due, including:</p> <ul style="list-style-type: none"> • Repaying depositors or maturing wholesale debt; or • The Group having insufficient capacity to fund increases in assets. | <p>Key principles in managing our Liquidity and Funding Risk include:</p> <ul style="list-style-type: none"> • ANZ's short term liquidity scenario modelling stresses cash flow projections against multiple survival horizons' over which the Group is required to remain cash flow positive; • Longer-term scenarios are in place that measure the structural liquidity position of the balance sheet. |
| <p>Market risk</p> | <p>The risk stems from our trading and balance sheet activities and is the risk to the Group's earnings arising from:</p> <ul style="list-style-type: none"> • Changes in interest rates, foreign exchange rates, credit spreads, volatility, correlations; or • Fluctuations in bond, commodity or equity prices. | <p>We have a detailed market risk management and control framework to support our trading and balance sheet activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and balance sheet portfolios. This approach, along with related analysis, identifies the range of possible outcomes, that can be expected over a given period of time, and establishes the likelihood of those outcome and allocates an appropriate amount of capital to support these activities.</p> |
| <p>Operational risk</p> | <p>The risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and/or systems, or from external events. This definition includes legal risk, and the risk of reputation loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.</p> | <p>We manage Compliance and Operational Risk in the best interests of our customers and the community and to meet expectations of the regulators. The Compliance and Operational Risk (C&OR) Policy establishes the fundamental requirements at ANZ which inform policies, processes, and procedure development of ANZ's management of Compliance and Operational Risk, through timely and appropriate identification, action and monitoring. We take a risk-based approach to the management of operational risk and obligations. This enables the Group to be consistent in proactively identifying, assessing, managing, reporting and escalating operational risk-related risk exposures, while respecting the specific obligations of each jurisdiction in which the Group operates.</p> <p>Day-to-day management of operational risk is the responsibility of business unit line management and staff. Risk management is supported by a strong Risk Culture, which seeks to ensure all staff manage risk on a daily basis – "Risk is Everyone's Responsibility".</p> |
| <p>Strategic risk</p> | <p>Risks that affect or are created by an organisation's business strategy and strategic objectives. A possible source of loss might arise from the pursuit of an unsuccessful business plan. For example, Strategic risk might arise from making poor strategic business decisions, from the sub-standard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.</p> | <p>Strategic risks are discussed and managed through our annual strategic planning process, managed by the Executive Committee and approved by the Board. Where the strategy leads to an increase in other Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk) the risk management strategies associated with these risks form the primary controls.</p> |

|  RISK TYPE |  DESCRIPTION |  MANAGING THE RISK |
|---|--|---|
| Technology risk | <p>The risk of loss and/or non-compliance with laws from inadequate or failed internal processes, people or systems that deliver Technology assets and services to customers and staff. This risk includes Technology assets and services delivered or managed by third parties, and external events.</p> <p>The risk specifically includes information security and cyber security and how information held by the Group needs to be protected from inappropriate modification, loss, disclosure and unavailability.</p> | <p>Our approach to manage Technology Risk is to manage our operational risks caused by the use of technology, including risks associated with cyber security and third-party providers, in a manner that seeks to ensure customer information is secure and service disruption is within acceptable levels.</p> |
| Conduct risk | <p>The risk of loss or damage arising from the failure of the Group, its employees or agents to appropriately consider the interests of customers, the integrity of the financial markets and the expectations of the community in conducting its business activities.</p> | <p>Our approach to manage Conduct Risk is to seek to ensure that risks to customers, community and market integrity are identified, assessed, measured, evaluated, treated, monitored and reported with appropriate governance and oversight.</p> <p>The articulation of Conduct Risk as a Level 1 Risk Theme under the new NFR model will help manage Conduct Risk as a key material risk for the Group. To support the NFR model (and our obligations under Prudential Standard CPS 220 Risk Management), ANZ has developed a global Conduct Risk Framework and Conduct Risk taxonomy which facilitates a clear and consistent way of managing and monitoring the risk, and the risk is managed in conjunction with the Compliance and Operational Risk Policy.</p> |
| Financial crime risk | <p>Financial Crime Risk covers the following risks at ANZ:</p> <ul style="list-style-type: none"> • Money Laundering (ML) Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate the processing of the proceeds of crime to conceal their illegal origins and make them appear legitimate. • Terrorism Financing (TF) Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate the provision or collection of funds with the intention or knowledge that they may be used to carry out acts associated in support of terrorists or terrorist organisations. • Sanctions Risk – the risk of failing to comply with laws and regulations relating to sanctions imposed by governments and multinational bodies as a result of our products and services being misused to facilitate prohibited sanctions activities. • Fraud Risk – the risk that we may reasonably face from our products and/or services being misused to facilitate intentional acts by one or more individuals, involving the use of deception to obtain an unjust or illegal advantage arising from internal or external sources. | <p>Financial Crime Risk at ANZ is managed using a risk-based approach in accordance with the Conduct Risk Framework, and in conjunction with the Compliance and Operational Risk Framework (I.AM) and three lines of defence model. However, for Sanctions, in addition to a risk-based approach to risk management, there is a rules-based lens to ensure compliance with Sanctions legislation. For the Business to identify and manage Financial Crime Risk, it must identify its regulatory obligations and impacted business activities and maintain and monitor key controls.</p> |



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PERFORMANCE OVERVIEW

GROUP PERFORMANCE

The results of the Group's operations and financial position are set out on pages 20-32. Pages 4-7 outline the Group's strategy and prospects. Discussion of our approach to risk management, including a summary of our key material risks, is outlined on pages 11-18.

Discussion or disclosure of further business strategies and prospects for future financial years has not been included in this report because, in the opinion of the directors, it would be likely to result in unreasonable prejudice to the Group.

GROUP PROFIT RESULTS

| Income Statement | 2023 | | 2022 | |
|--|------------------|--------------|------------------|--------------|
| | Statutory \$m | Cash \$m | Statutory \$m | Cash \$m |
| Net interest income | 16,575 | 16,575 | 14,874 | 14,874 |
| Other operating income | 3,891 | 4,325 | 4,552 | 3,673 |
| Operating income | 20,466 | 20,900 | 19,426 | 18,547 |
| Operating expenses | (10,087) | (10,087) | (9,579) | (9,579) |
| Profit before credit impairment and income tax | 10,379 | 10,813 | 9,847 | 8,968 |
| Credit impairment (charge)/release | (245) | (245) | 232 | 232 |
| Profit before income tax | 10,134 | 10,568 | 10,079 | 9,200 |
| Income tax expense | (2,941) | (3,068) | (2,940) | (2,684) |
| Non-controlling interests | (28) | (28) | (1) | (1) |
| Profit attributable to shareholders of the Company from continuing operations | 7,165 | 7,472 | 7,138 | 6,515 |
| Profit/(Loss) after tax from discontinued operations | - | - | (19) | (19) |
| Profit for the year | 7,165 | 7,472 | 7,119 | 6,496 |

Statutory profit for the year increased \$46 million on the prior year to \$7,165 million.

The Group uses cash profit, a non-IFRS measure, to assess the performance of its business activities. It is an industry-wide measure which enables comparison with our peer group. We calculate cash profit by adjusting statutory profit for non-core items. In general, it represents the financial performance of our core business activities. We use cash profit internally to set targets and incentivise our Senior Executives and leaders through our remuneration plans. Refer to page 21 for adjustments between statutory and cash profit. The adjustments made in arriving at cash profit are included in statutory profit which is subject to audit within the context of the external auditor's audit of the 2023 Financial Report. Cash profit is not subject to audit by the external auditor. Our external auditor has informed the Audit Committee that adjustments between statutory and cash profit have been determined on a consistent basis across each of the periods presented.

DISCONTINUED OPERATIONS

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

ESTABLISHMENT OF A NEW GROUP ORGANISATIONAL STRUCTURE

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

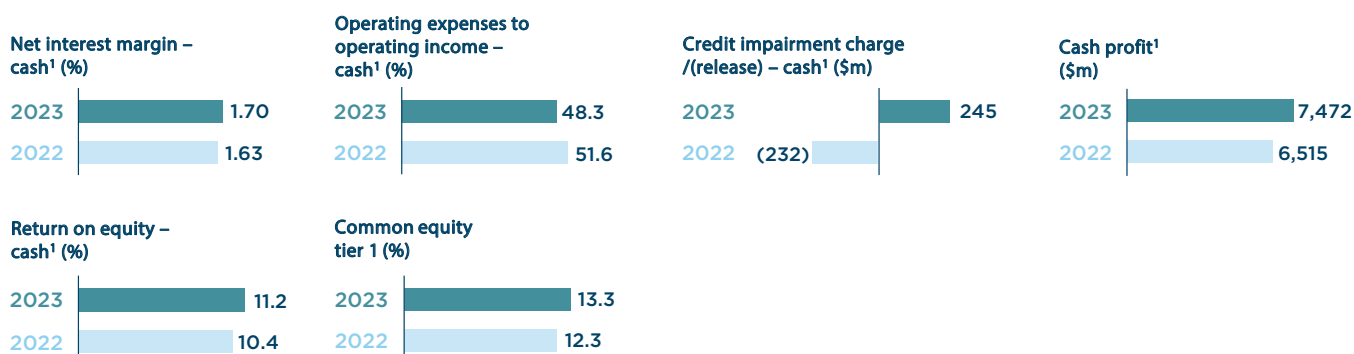
ANZGHL Financial Information

As a result of the Restructure, the ultimate holding company of ANZBGL is ANZGHL. A copy of the 2023 ANZGHL Annual Report can be accessed via the ANZ Shareholder Centre on website <https://www.anz.com/shareholder/centre/reporting/>.



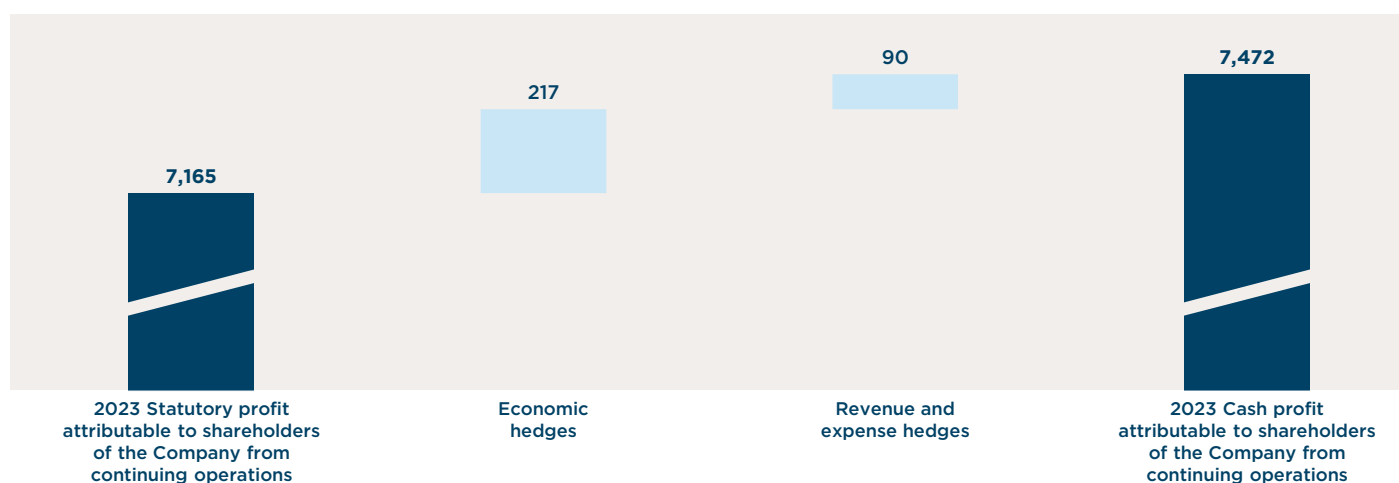
CONTINUING OPERATIONS

Key measures of our financial performance are set out below.



¹: Information has been presented on a cash profit from continuing operations basis.

ADJUSTMENTS BETWEEN STATUTORY PROFIT AND CASH PROFIT (\$m)



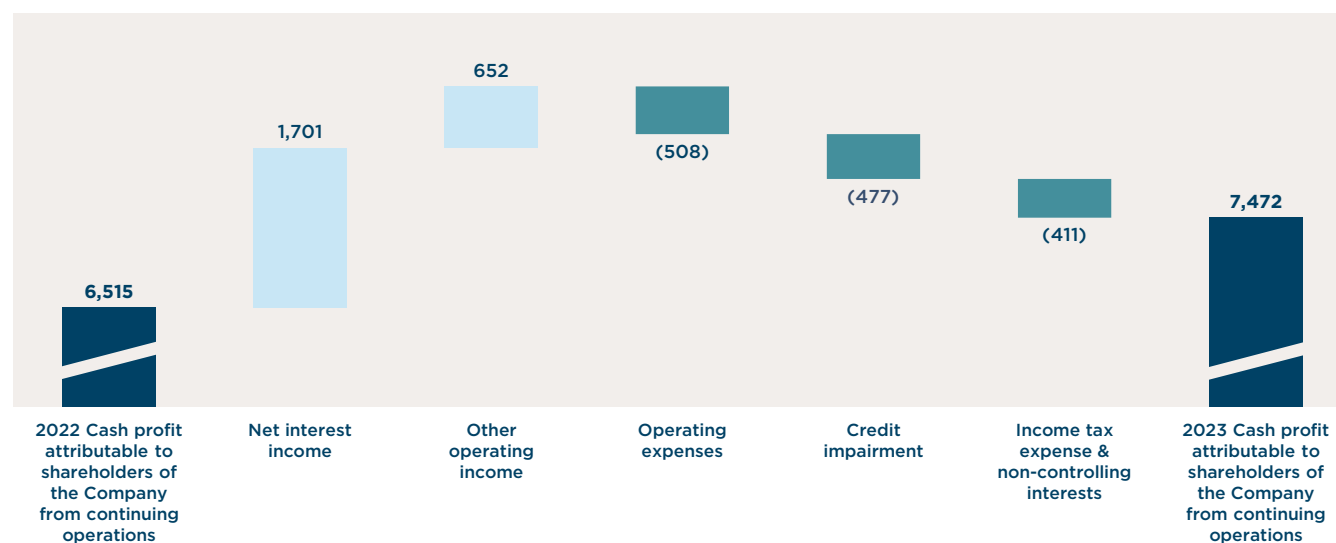
Adjustments between continuing operations statutory profit and cash profit are summarised below:

| Adjustment | Comment for the adjustment |
|---|---|
| Economic hedges 2023: \$217 million loss 2022: \$569 million gain | The Group enters into economic hedges to manage its interest rate and foreign exchange risk which, in accordance with accounting standards, result in fair value gains and losses being recognised within the Income Statement. We remove the fair value adjustments from cash profit since the profit or loss resulting from the hedge transactions will reverse over time to match with the profit or loss from the economically hedged item as part of cash profit. This includes gains and losses arising from derivatives not designated in accounting hedge relationships but which are considered to be economic hedges, including hedges of foreign currency debt issuances and foreign exchange denominated revenue and expense streams, primarily NZD and USD (and USD correlated), as well as ineffectiveness from designated accounting hedges. |
| Revenue and expense hedges 2023: \$90 million loss 2022: \$54 million gain | In the 2023 financial year, losses on economic hedges relate to funding-related swaps, principally from narrowing USD/EUR and USD/JPY currency basis spreads. Further losses were driven by the yield curve movement impact on net pay fixed economic hedge positions, largely during the first half of 2023. Losses on revenue and expense hedges were mainly due to the depreciation of AUD against the NZD. |

GROUP CASH PROFIT PERFORMANCE FROM CONTINUING OPERATIONS

Financial performance and the analysis thereof has been presented on a cash profit from continuing operations basis.

CASH PROFIT FROM CONTINUING OPERATIONS (\$m)



| | 2023 \$m | 2022 \$m | Movt |
|---|--------------|--------------|------------|
| Net interest income | 16,575 | 14,874 | 11% |
| Other operating income | 4,325 | 3,673 | 18% |
| Operating income | 20,900 | 18,547 | 13% |
| Operating expenses | (10,087) | (9,579) | 5% |
| Profit before credit impairment and income tax | 10,813 | 8,968 | 21% |
| Credit impairment (charge)/release | (245) | 232 | large |
| Profit before income tax | 10,568 | 9,200 | 15% |
| Income tax expense | (3,068) | (2,684) | 14% |
| Non-controlling interests | (28) | (1) | large |
| Cash profit attributable to shareholders of the Company from continuing operations | 7,472 | 6,515 | 15% |

Cash profit attributable to shareholders of the Company from continuing operations increased \$957 million (15%) compared with the 2022 financial year.

Net interest income increased \$1,701 million (11%) driven by a \$65.5 billion (7%) increase in average interest earning assets and a 7 bps increase in net interest margin. The increase in average interest earning assets was driven by lending growth across all divisions, higher liquid assets and the impact of foreign currency translation. The increase of 7 bps was driven by favourable deposit margins, higher earnings on capital and replicating deposits, and favourable lending mix. This was partially offset by home loan pricing competition, unfavourable deposit mix, and Markets activities impacted by higher funding costs, primarily on commodity assets, where the related revenues are recognised as Other operating income.

Other operating income increased \$652 million (18%) primarily driven by an increase of \$1,063 million in Markets other operating income from increased customer activity and more favourable trading conditions. This was partially offset by a \$232 million decrease from business divestments/closures, \$98 million of lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group, and a \$43 million decrease from the loss on disposal of data centres in Australia.

Operating expenses increased \$508 million (5%) driven by inflationary impacts, incremental costs associated with strategic initiatives, higher SunCorp Bank acquisition related costs, costs previously attributed to discontinued operations, and the initial levy under the Financial Services Compensation Scheme of Last Resort Levy Act 2023 (CSLR Levy). This was partially offset by productivity initiatives and investment re-prioritisation.

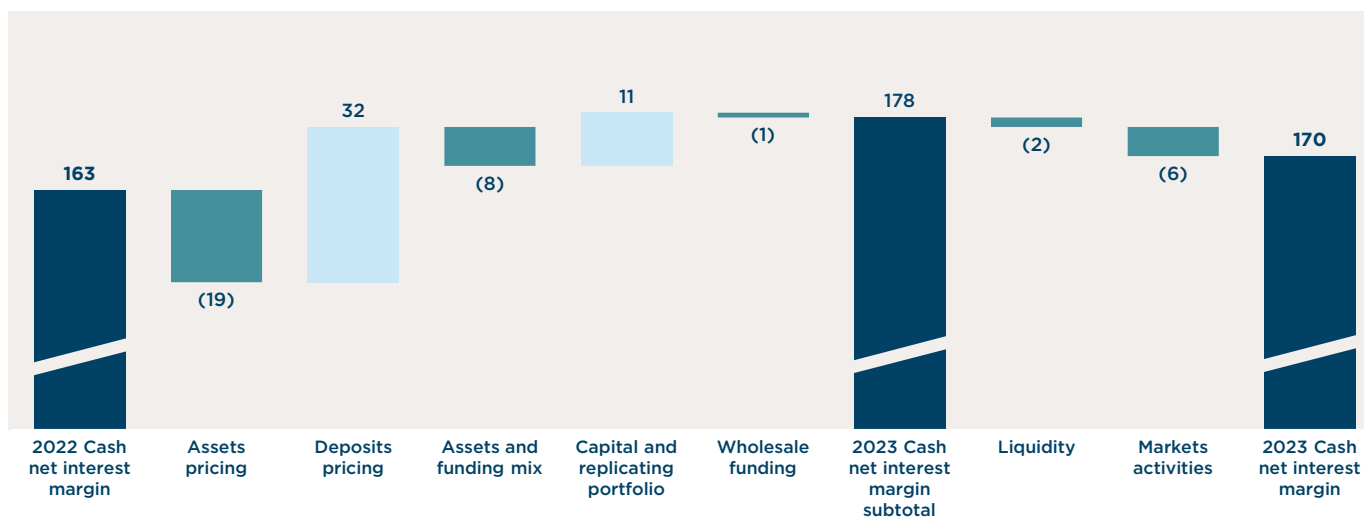
Credit impairment increased \$477 million driven by increases in both collectively assessed and individually assessed credit impairment.



ANALYSIS OF CASH PROFIT PERFORMANCE

Net interest income

GROUP NET INTEREST MARGIN (bps)



| | 2023 \$m | 2022 \$m | Movt |
|---|-------------|-------------|-------|
| Net interest income ¹ | 16,575 | 14,874 | 11% |
| Net interest margin (%) - cash ¹ | 1.70 | 1.63 | 7 bps |
| Average interest earning assets | 975,540 | 910,037 | 7% |
| Average deposits and other borrowings | 825,113 | 780,373 | 6% |

¹ Includes the major bank levy of -\$353 million (2022: -\$340 million).

Net interest income increased \$1,701 million (11%) driven by a \$65.5 billion (7%) increase in average interest earning assets and a 7 bps increase in net interest margin.

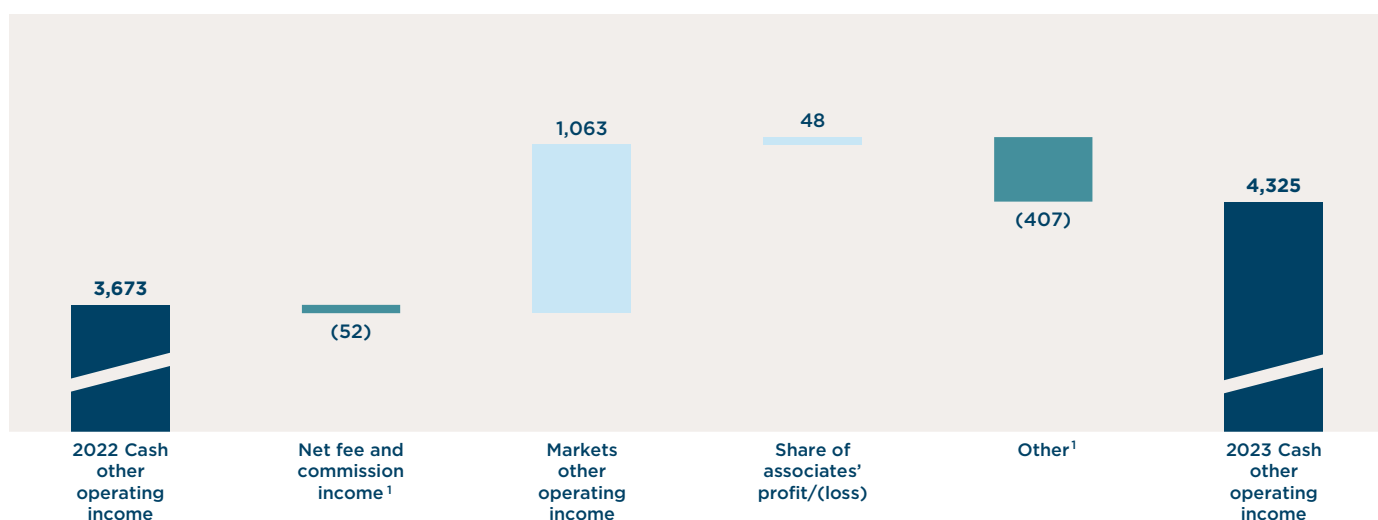
Net interest margin increased 7 bps driven by favourable deposit margin from a rising interest rate environment, higher earnings on capital and replicating deposits, and favourable lending mix with a shift towards higher margin variable rate home loans. This was partially offset by home loan pricing competition in the Australia Retail and New Zealand divisions, unfavourable deposit mix with a shift towards lower margin term deposits and increased term wholesale funding relative to customer deposits, lower average yield on Markets averages earning assets due to higher funding costs for commodity assets where the related revenues are recognised as Other operating income, growth in lower yielding liquid assets to replace Committed Liquidity Facility (CLF) which ceased in the first half of 2023 and other increases in liquid assets to meet regulatory compliance requirements, and higher wholesale funding rates.

Average interest earning assets increased \$65.5 billion (7%) driven by lending growth across all divisions, higher liquid assets and the impact of foreign currency translation.

Average deposits and other borrowings increased \$44.7 billion (6%) driven by growth in term deposits across all divisions, higher deposits and repurchase agreements from other banks, higher certificates of deposit and the impact of foreign currency translation. This was partially offset by lower at-call deposits.

Other operating income

OTHER OPERATING INCOME (\$m)



| | 2023 \$m | 2022 \$m | Movt |
|--|--------------|--------------|------------|
| Net fee and commission income ¹ | 1,855 | 1,907 | -3% |
| Markets other operating income | 1,923 | 860 | large |
| Share of associates' profit/(loss) | 225 | 177 | 27% |
| Other ¹ | 322 | 729 | -56% |
| Total cash other operating income | 4,325 | 3,673 | 18% |

¹. Excluding the Markets business unit.

Net fee and commission income decreased \$52 million (-3%) driven by lower revenue post Worldline business divestment in the prior year, and lower cards revenue in the New Zealand division due to regulatory fee changes introduced in November 2022. This was partially offset by higher cards revenue in the Australia Retail division due to recovery in spending, and higher home loan offset account and annual card fees as waivers related to the transition of Breakfree Package concluded.

Markets other operating income increased \$1,063 million driven by increases in Franchise Revenue across all business lines and geographies from increased customer activity and more favourable trading conditions, an increase in Balance Sheet driven by favourable yield curve movements and portfolio repricing, and an increase in Derivative Valuation Adjustments with gains from tightening credit spreads and lower currency and interest rate volatility.

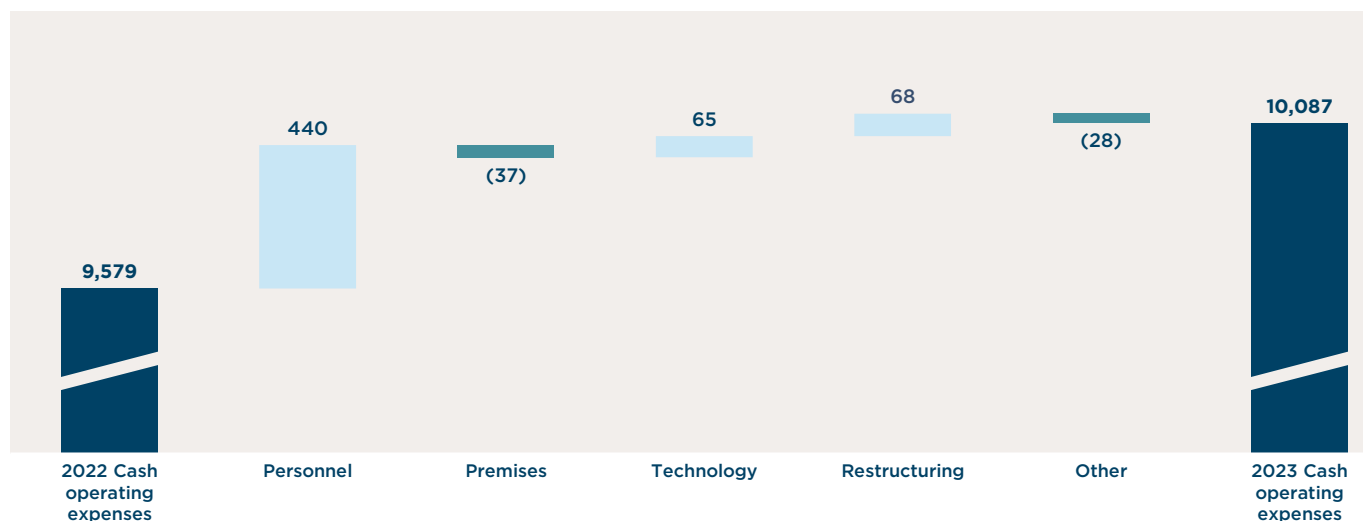
Share of associates' profit increased \$48 million (27%) driven by increase in the Group's equity accounted share of profit from P.T. Bank Pan Indonesia and AMMB Holdings Berhad.

Other decreased \$407 million (-56%) primarily driven by a gain on completion of the ANZ Worldline partnership in 2022, lower realised gains on economic hedges against foreign currency denominated revenue streams offsetting net favourable foreign currency translations elsewhere in the Group, and a loss on disposal of data centres in Australia. This was partially offset by the net impact from recycling of foreign currency translation reserves from other comprehensive income to profit or loss on dissolution of a number of international entities in the current and prior year, and a loss on sale of the financial planning and advice business in 2022.



Operating expenses

OPERATING EXPENSES (\$m)



| | 2023 \$m | 2022 \$m | Movt |
|---|---------------|--------------|-----------|
| Personnel | 5,736 | 5,296 | 8% |
| Premises | 684 | 721 | -5% |
| Technology | 1,686 | 1,621 | 4% |
| Restructuring | 169 | 101 | 67% |
| Other | 1,812 | 1,840 | -2% |
| Total cash operating expenses | 10,087 | 9,579 | 5% |
| Full time equivalent staff ¹ | 40,119 | 39,172 | 2% |
| Average full time equivalent staff ¹ | 39,674 | 39,672 | 0% |

¹ 2022 comparative information has been restated to include full time equivalent staff of the consolidated investments managed by 1835i Group Pty Ltd in the Group Centre division (FTE:185; Average FTE: 126).

Personnel expenses increased \$440 million (8%) driven by incremental costs associated with strategic initiatives, inflationary impacts on wages including an increase in leave provisions, costs previously attributed to discontinued operations, and the impact of unfavourable foreign currency translation. This was partially offset by productivity initiatives and investment re-prioritisation.

Premises expenses decreased \$37 million (-5%) driven by the lease exit on modification of a significant lease arrangement in the prior year.

Technology expenses increased \$65 million (4%) driven by incremental costs associated with strategic initiatives, higher software licence costs, inflationary impacts on vendor costs, and costs previously attributed to discontinued operations. This was partially offset by benefits from technology simplification, investment re-prioritisation, and lower amortisation.

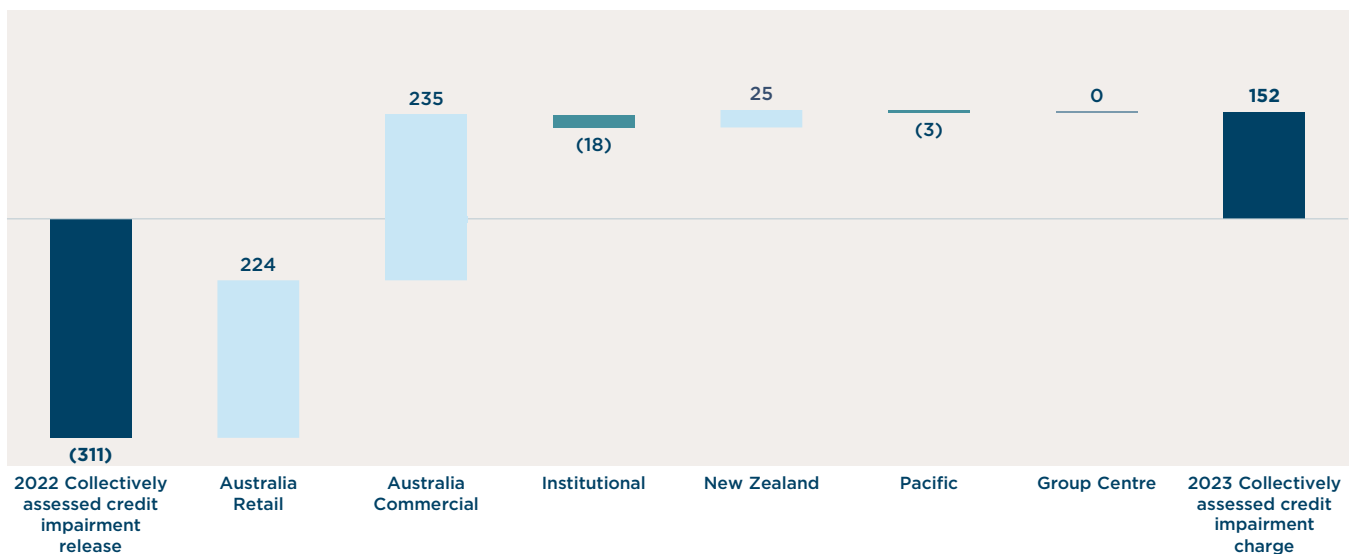
Restructuring expenses increased \$68 million (67%) driven by operational changes across all divisions.

Other expenses decreased \$28 million (-2%) driven by the disposal of non-banking businesses as part of the Restructure, and investment re-prioritisation. This was partially offset by higher Suncorp Bank acquisition related costs and the initial CSLR Levy.

Credit impairment

| | 2023 | 2022 | Movt |
|--|------------|--------------|--------------|
| Collectively assessed credit impairment charge/(release) (\$m) | 152 | (311) | large |
| Individually assessed credit impairment charge/(release) (\$m) | 93 | 79 | 18% |
| Credit impairment charge/(release) (\$m) | 245 | (232) | large |
| Gross impaired assets (\$m) | 1,521 | 1,445 | 5% |
| Credit risk weighted assets (\$b) | 349.0 | 359.4 | -3% |
| Total allowance for expected credit losses (ECL) (\$m) | 4,408 | 4,395 | 0% |
| Individually assessed as % of gross impaired assets | 24.7% | 37.5% | |
| Collectively assessed as % of credit risk weighted assets | 1.16% | 1.07% | |

COLLECTIVELY ASSESSED CREDIT IMPAIRMENT CHARGE/(RELEASE) (\$m)



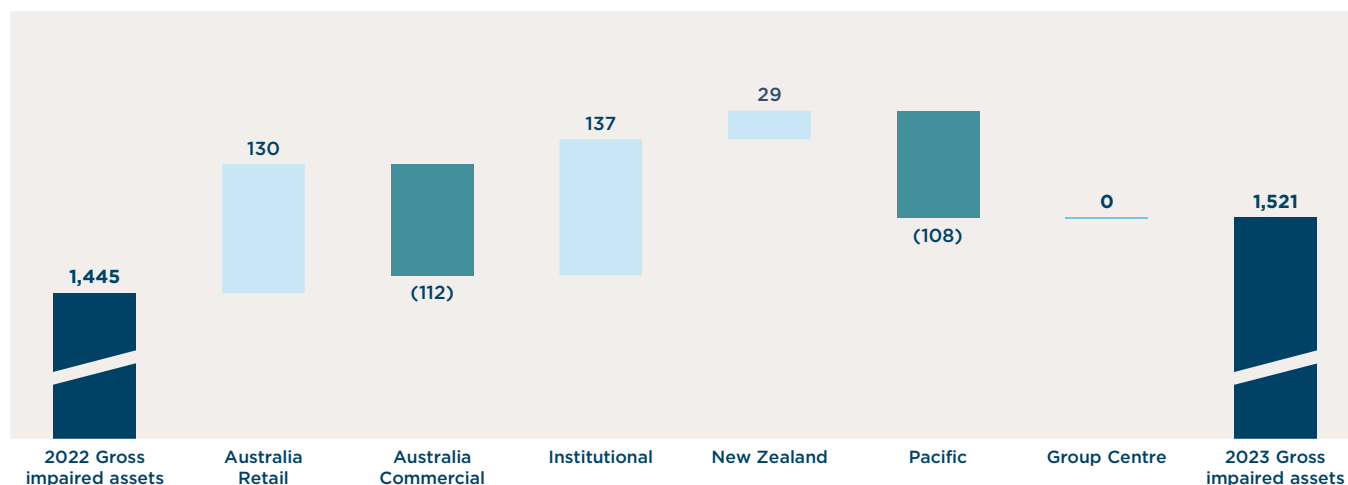
The collectively assessed impairment charge of \$152 million for 2023 was driven by deterioration in the economic outlook and credit risk. This was partially offset by favourable changes in portfolio composition, particularly in the Institutional division. The collectively assessed impairment release of \$311 million for 2022 was driven by improvements in credit risk, favourable changes in portfolio composition, and a net release of management temporary adjustments. This was partially offset by an increase of downside risks associated with the economic outlook.

INDIVIDUALLY ASSESSED CREDIT IMPAIRMENT CHARGE/(RELEASE) (\$m)



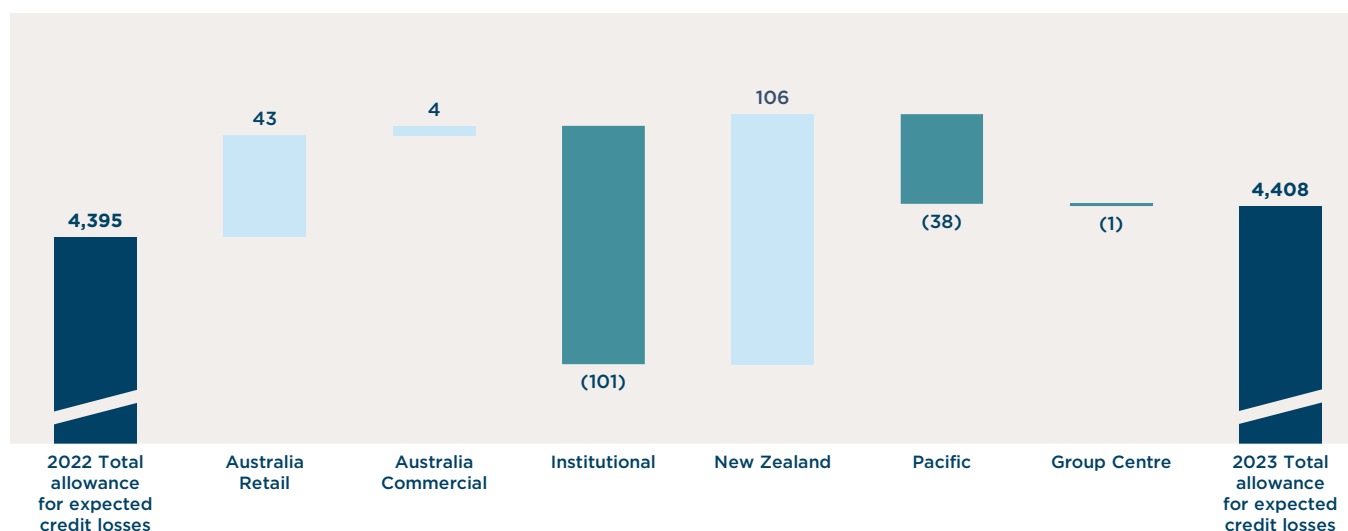
The individually assessed credit impairment charge increased \$14 million (18%) driven by increases in the New Zealand and Australia Retail divisions due to lower write-backs and recoveries. This was partially offset by decreases in the Institutional division due to write-back of a single name exposure, and the Pacific division due to higher write-backs.

GROSS IMPAIRED ASSETS BY DIVISION (\$m)



Gross impaired assets increased \$76 million (5%) driven by increases in the Australia Retail division due to increase in restructured Home Loans facilities, and the Institutional division due to the downgrade of several single name collateralised exposures. This was partially offset by decreases in the Australia Commercial division due to reduced number of downgrades, and the Pacific division due to upgrade of restructured exposures.

TOTAL ALLOWANCE FOR EXPECTED CREDIT LOSSES (\$m)



The increase in total allowance for expected credit losses was driven by a \$179 million increase in the collectively assessed allowance for expected credit loss, partially offset by a \$166 million decrease in the individually assessed allowance for expected credit losses.

The increase in collectively assessed allowance for expected credit losses was driven by \$171 million for the downside risks associated with the economic outlook, \$54 million from deterioration in credit risk and \$30 million from foreign currency translation and other impacts. This was partially offset by \$72 million from favourable changes in portfolio composition, particularly in the Institutional division and \$4 million reduction in management temporary adjustments.

The decrease in individually assessed allowance for expected credit losses was driven by decreases in the Institutional division due to the write-back of a large single name exposure and Australia Commercial division due to reductions in the level of impaired loans.

DIVISIONAL PERFORMANCE

| 2023 | Australia Retail | Australia Commercial | Institutional | New Zealand | Pacific | Group Centre | Group |
|--|---------------------|-------------------------|---------------|----------------|---------|-----------------|--------|
| Net interest margin ¹ | 2.22% | 2.70% | 0.89% | 2.64% | 3.91% | n/a | 1.70% |
| Operating expenses to operating income | 55.6% | 39.6% | 40.2% | 36.3% | 69.7% | n/a | 48.3% |
| Cash profit from continuing operations (\$m) | 1,874 | 1,440 | 2,963 | 1,552 | 71 | (428) | 7,472 |
| Net loans and advances (\$b) | 312.2 | 61.6 | 210.2 | 121.8 | 1.7 | 0.2 | 707.7 |
| Customer deposits (\$b) | 164.8 | 113.4 | 266.5 | 99.1 | 3.7 | (0.1) | 647.4 |
| Number of FTE | 11,313 | 3,514 | 6,412 | 6,766 | 1,013 | 11,101 | 40,119 |

| 2022 | Australia Retail | Australia Commercial | Institutional | New Zealand | Pacific | Group Centre | Group |
|--|---------------------|-------------------------|---------------|----------------|---------|-----------------|--------|
| Net interest margin ¹ | 2.25% | 2.10% | 0.90% | 2.47% | 2.82% | n/a | 1.63% |
| Operating expenses to operating income | 55.2% | 40.3% | 48.0% | 38.2% | 93.3% | n/a | 51.6% |
| Cash profit from continuing operations (\$m) | 2,009 | 1,551 | 1,937 | 1,449 | 9 | (440) | 6,515 |
| Net loans and advances (\$b) | 290.3 | 59.7 | 207.2 | 113.3 | 1.8 | 0.1 | 672.4 |
| Customer deposits (\$b) | 150.0 | 112.2 | 262.5 | 92.0 | 3.8 | (0.1) | 620.4 |
| Number of FTE | 11,107 | 3,551 | 6,316 | 6,793 | 1,086 | 10,319 | 39,172 |

¹ The net interest margin excluding Markets business unit was 2.39% (2022: 2.17%) for the Group and 2.31% (2022: 1.93%) for the Institutional division.

DIVISIONAL PERFORMANCE

Australia Retail

Lending volumes increased driven by home loan growth, partially offset by lower unsecured lending. **Net interest margin** decreased driven by asset margin contraction from competitive pressure, unfavourable deposit mix with a shift towards lower margin term deposits and higher net funding costs. This was partially offset by favourable deposit margins from a rising interest rate environment, favourable lending mix with a shift towards higher margin variable home loans and higher earnings on capital and replicating portfolio. **Other operating income** increased driven by higher cards revenue reflecting an increase in consumer spending, and higher home loan offset account and annual card fees as waivers related to the transition of Breakfree Package concluded. This was partially offset by lower insurance-related income. **Operating expenses** increased driven by inflationary impacts, incremental costs associated with strategic initiatives including ANZ Plus and higher restructuring expense. This was partially offset by productivity initiatives and investment re-prioritisation. **Credit impairment charge** increased driven by higher collectively assessed credit impairment, and higher individually assessed credit impairment due to lower write-backs and recoveries.

Australia Commercial

Lending volumes increased driven by SME and Specialist Business lending growth, partially offset by the sale of Investment Lending business and asset finance run-off. **Net interest margin** increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio. This was partially offset by unfavourable deposit mix with a shift towards lower margin term deposits, higher net funding costs and asset margin contraction from competitive pressure. **Other operating income** decreased driven by the gain on sale relating to the ANZ Worldline partnership in the prior year and lower impact of divested business results. This was partially offset by the loss on sale of the financial planning and advice business in the prior year, and higher cards revenue reflecting an increase in commercial spending. **Operating expenses** increased driven by inflationary pressure, incremental costs associated with strategic initiatives and higher restructuring expense, partially offset by lower costs post business divestment and productivity initiatives. **Credit impairment charge** increased driven by higher collectively assessed credit impairment, and higher individually assessed credit impairment charge.

Institutional

Lending momentum was sustained, with higher Markets balances partially offset by lower Transaction Banking volumes. **Net interest margin ex-Markets** increased driven by favourable deposit margins from a rising interest rate environment and higher earnings on capital and replicating portfolio. **Other operating income** increased primarily driven by higher Markets revenues from increased customer activity and more favourable trading conditions. **Operating expenses** increased driven by inflationary impacts and incremental costs associated with strategic initiatives, partially offset by productivity initiatives. **Credit impairment release** increased driven by release of collectively assessed credit impairment, and release of individually assessed credit impairment due to write-back of a single name exposure.

New Zealand

Lending volumes increased driven by home loan growth, partially offset by contraction in business lending. **Net interest margin** increased driven by favourable deposit margins from a rising interest rate environment. This was partially offset by asset margin contraction from competitive pressure and unfavourable deposit mix with a shift towards lower margin term deposits. **Other operating income** decreased driven by gain on sale of government securities in 2022 and lower cards revenue due to regulatory changes introduced in November 2022. **Operating expenses** increased driven by inflationary pressure and customer remediation provision release in the prior year. **Credit impairment charge** increased driven by increase in collectively assessed credit impairment and increase in individually assessed credit impairment due to lower write-backs and recoveries.

Pacific

Cash profit increased driven by higher net interest margin, loss on the planned closure of ANZ American Territories in 2022, and higher credit impairment release due to higher write-backs.

Group Centre

2023 included the recycling of foreign currency translation reserves (FCTR gain) from other comprehensive income to profit or loss on dissolution of a number of legal entities, a loss on sale of data centres in Australia, transaction related costs, and the initial CSLR Levy. 2022 included the recycling of FCTR loss from other comprehensive income to profit or loss on dissolution of a number of legal entities, and a net charge on lease modification impacts of a significant lease arrangement.

FINANCIAL POSITION OF THE GROUP

Condensed balance sheet

| | As at | | |
|--|----------------|----------------|-----------|
| | 2023 \$b | 2022 \$b | Movt |
| Assets | | | |
| Cash / Settlement balances owed to ANZ / Collateral paid | 186.1 | 185.6 | 0% |
| Trading assets and investment securities | 134.0 | 121.4 | 10% |
| Derivative financial instruments | 60.4 | 90.2 | -33% |
| Net loans and advances | 707.7 | 672.4 | 5% |
| Other | 17.8 | 16.0 | 11% |
| Total assets | 1,106.0 | 1,085.6 | 2% |
| Liabilities | | | |
| Settlement balances owed by ANZ / Collateral received | 29.7 | 30.0 | -1% |
| Deposits and other borrowings | 815.2 | 797.3 | 2% |
| Derivative financial instruments | 57.5 | 85.1 | -32% |
| Debt issuances | 116.0 | 93.7 | 24% |
| Other | 18.5 | 13.2 | 40% |
| Total liabilities | 1,036.9 | 1,019.3 | 2% |
| Total equity | 69.1 | 66.4 | 4% |

Trading assets and investment securities increased \$12.6 billion (+10%) driven by an increase in government and semi-government bonds, and treasury bills.

Derivative financial assets and liabilities decreased \$29.8 billion (-33%) and \$27.6 billion (-32%) respectively driven by market rate movements and maturing prior period foreign exchange spot and forwards positions.

Net loans and advances increased \$35.3 billion (+5%) driven by home loan growth in the Australia Retail (\$21.6 billion) and New Zealand (\$3.0 billion) divisions, higher lending volumes in the Australia Commercial (\$1.8 billion) and Institutional (\$1.8 billion) divisions and the impact of foreign currency translation.

Deposits and other borrowings increased \$17.9 billion (+2%) driven by increases in customer deposits in the Australia Retail (\$14.8 billion), Institutional (\$2.7 billion) and New Zealand (\$1.8 billion) divisions, an increase in certificates of deposit (\$7.8 billion) and the impact of foreign currency translation. This was partially offset by decreases in deposits from banks and repurchase agreements (\$11.2 billion) and commercial paper (\$6.3 billion).

Debt issuances increased \$22.3 billion (+24%) driven by the issue of new senior and subordinated debt, including ANZ Capital Notes 8.

Liquidity

| | Average | |
|---|---------|-------|
| | 2023 | 2022 |
| Total liquid assets (\$b) ¹ | 268.3 | 241.7 |
| Liquidity Coverage Ratio (LCR) ¹ | 130% | 131% |

¹ Full year average, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.

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

- Highest-quality liquid assets: 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: 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: eligible securities listed by the RBNZ and assets qualifying as collateral for the CLF.

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

The LCR remained above the regulatory minimum of 100% throughout this period.

Funding

| | 2023 \$b | 2022 \$b |
|--------------------------------|-------------|-------------|
| Customer liabilities (funding) | 659.1 | 628.4 |
| Wholesale funding | 316.8 | 300.3 |
| Shareholders' equity | 69.1 | 66.4 |
| Total funding | 1,045.0 | 995.1 |
| Net Stable Funding Ratio | 116% | 119% |

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

Net Stable Funding Ratio remained above the regulatory minimum of 100% throughout this period.

During 2023, the ANZ Bank Group issued \$39.9 billion term wholesale debt funding (of which \$3.0 billion was pre-funding for the 2024 financial year) with a remaining term greater than one year as at 30 September 2023, and \$1.5 billion of Additional Tier 1 Capital.

Capital management¹

| | 2023 | 2022 | Movt |
|-----------------------------------|-------|-------|------|
| Common Equity Tier 1 (Level 2) | | | |
| - APRA Basel III | 13.3% | 12.3% | |
| Credit risk weighted assets (\$b) | 349.0 | 359.4 | -3% |
| Total risk weighted assets (\$b) | 433.3 | 454.7 | -5% |
| APRA Leverage Ratio | 5.4% | 5.4% | |

¹ 2022 comparatives are based on APRA Basel 3 requirements, whereas 2023 is based on the Capital Reform Requirements.

ANZ's framework includes managing to Board approved risk appetite settings and maintaining all regulatory requirements. APRA requirements at Level 1 and Level 2 include ANZ operating at or above APRA's expectation for Domestic Systematically Important Banks (D-SIBs) following the implementation of APRA's Capital Reform which was effective January 2023.

APRA, under the authority of the *Banking Act 1959*, sets minimum regulatory requirements for banks including what is acceptable as regulatory capital and provides methods of measuring the risks incurred by ANZ Bank Group.

APRA Capital Reform

APRA released new bank capital adequacy requirements applying to Australian incorporated registered banks, which are set out in APRA's Banking Prudential Standard documents. ANZ implemented these new requirements from 1 January 2023. The application of APRA Capital Reform reduced RWA by \$34.5 billion, equivalent to a 100 bps CET1 ratio benefit. This was partially offset by APRA's expectations that ADIs operate a higher capital ratio to maintain an unquestionably strong level.

The ANZ Bank Group's Common Equity Tier 1 ratio was 13.3% based on APRA Basel III standards, exceeding APRA's minimum requirements. It increased 105 bps driven by cash earnings, and APRA Capital Reform impacts. This was partially offset by the impact of dividends paid during the year, underlying RWA movement, capital deductions and surplus capital transferred to ANZGHL as part of the Restructure.

At 30 September 2023, the Group's APRA leverage ratio was 5.4% which is above the 3.5% proposed minimum for internal ratings-based approach ADI (IRB ADI), which includes ANZ.

Dividends

ANZBGL paid the following dividends during the year:

- \$2,213 million final dividend to ANZ shareholders on 15 December 2022;
- \$1,000 million special dividend to its intermediate holding company, ANZ BH Pty Ltd, a wholly owned subsidiary of ANZGHL, as part of the Restructure on 3 January 2023; and
- \$2,387 million interim dividend to ANZ BH Pty Ltd on 3 July 2023.

On 10 November 2023, the Directors proposed a final dividend of \$2,825 million be paid on 22 December 2023, to ANZ BH Pty Ltd.

Further details on dividends provided for or paid during the year ended 30 September 2023 are set out in Note 6 Dividends in the Financial Report.



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REMUNERATION REPORT



Ilana Atlas, AO
Chair – Human Resources Committee

2023 Remuneration Report – audited

Dear Shareholder,

ANZ delivered strong results strategically, financially and culturally in financial year 2023. Our performance highlights are contained in the Chairman and CEO's messages within the Annual Report.

The Group achieved a total shareholder return (TSR) of 20% over the past financial year with contribution from both share price appreciation and dividends paid. ANZ's three-year TSR was 76%.

The team has produced good year-on-year outcomes while investing in a number of longer-term strategic initiatives that will position us well for the future. This includes

ongoing investment in our Retail Platform ANZ Plus which at the end of 2023 had 465K customers and \$9.4bn in deposits, growth in our industry leading high returning Institutional Payments Cash Management and Platform Services businesses and in our Commercial business which delivered close to 20% of ANZ's Group Profit.

The Group maintained a high degree of risk discipline during this volatile period with the foundational work completed over prior years positioning us well to manage financial and non-financial risk in a considered and thoughtful way. There was a material uplift in the work to embed a non-financial risk framework, and other risk related programs remain on track despite their complexity.

Our employee engagement score has remained the highest in the Australian banking sector and improved even further to now sit equal to the world's best companies in any industry. We have made substantial progress in hiring and promoting women into leadership roles, and significantly, three of our four Divisions are now led by women.

2023 variable remuneration outcomes

As a Board, we believe we have appropriately recognised the results achieved by the executive team who have delivered a strong result for the bank and shareholders, in a challenging environment.

Our Chief Executive Officer (CEO), Shayne Elliott, performed well this year and in the Board's view deserves an assessment of well above target for his personal objectives. He also has ultimate accountability for the broader Group's performance which was assessed as above target.

The Board determined the appropriate 2023 Short Term Variable Remuneration (STVR) outcome was 96% of his maximum opportunity (120% of target opportunity). This is the first above target STVR award for the CEO since commencing in the role in 2016.

2023 Long Term Variable Remuneration (LTVR) was the first LTVR award under our new executive remuneration structure. A recap of the remuneration structure (to ensure compliance with APRA *CPS 511 Remuneration*), is summarised in section 3.2. The CEO's proposed 2024 LTVR of \$3.375m will be subject to a shareholder vote at the upcoming Annual General Meeting (AGM).

For Disclosed Executives, the Board approved 2023 STVR outcomes which range from 80% to 100% of maximum opportunity (average 89%). This reflects their individual and Divisional performance and the above target assessment for Group performance. 2023 LTVR (50% performance rights and 50% restricted rights) was awarded at full opportunity at the start

of the 2023 year, following the Board's pre grant assessment for restricted rights determining that no reduction was required.

There were no performance rights due to vest in financial year 2023, as a result of a change in the performance period from three years to four years in 2019.

2023 fixed remuneration

As reported last year, effective for 2023, Disclosed Executives (excluding the CEO), received a fixed remuneration (FR) adjustment of ~4% as a result of the changes we made to the executive remuneration structure in 2022 (i.e., to balance the significant reduction in their maximum variable remuneration opportunity from 402% to 235% of FR). There were no further increases except for the Group Executive, Technology & Group Services who received a market adjustment reflecting the expansion of responsibilities effective 1 November 2022.

Changes to the way we remunerate executives

For future LTVR awards of performance rights (i.e., these changes apply from financial year 2024 and do not apply to awards currently on foot), the Board has approved that:

- for the relative TSR hurdle: DBS Bank Limited to be removed from the Select Financial Services (SFS) comparator group to better balance the weighting of international peers in our comparator group;

- for the absolute Compound Annual Growth Rate (CAGR) TSR hurdle: CAGR targets to be based on the time weighted cost of capital over the four-year performance period (rather than the cost of capital at the start of the period), to better reflect cyclical factors impacting shareholders for improved shareholder alignment.

See section 7.2.5 for detail.

Non-Executive Director (NED) fees

While there were no changes to NED fees for 2023, some uplifts for 2024 have been approved. For 2024, there is no uplift to the Board Chair fee, a 2% uplift to the NED member fee (noting that this is the first increase since 2016), and uplifts to fees for Committee chairs and members (see section 9.1).

This was a year of good performance, where we achieved good results in the year, while also making significant progress towards creating long-term value. Thank you to all our employees for their commitment and contribution this year.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders at the 2023 AGM.

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Ilana Atlas, AO Chair – Human Resources Committee

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

It should be noted that ANZ Group Holdings Limited (ANZGHL) replaced Australia and New Zealand Banking Group Limited (ANZBGL) as the listed entity on 3 January 2023 under a scheme of arrangement approved by shareholders at the Annual General Meeting (AGM) on 15 December 2022. This report includes disclosures for the full financial year 2023 (1 October 2022 to 30 September 2023). Ordinary shares and employee equity (deferred shares, deferred share rights, restricted rights and performance rights) held prior to 3 January 2023 were previously ANZBGL related equity – post the listing of ANZGHL the equity was converted to ANZGHL related equity. **References to 'the Board' throughout this report mean the Boards of ANZGHL and ANZBGL.** Section 4 Group Performance relates to ANZGHL rather than ANZBGL given this forms the basis for determining performance and remuneration outcomes for the CEO and Disclosed Executives.

1 WHO IS COVERED BY THIS REPORT

KMP are Directors of the Group (or entity) (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (or entity) (i.e., members of the Group Executive Committee (ExCo)) who have Banking Executive Accountability Regime (BEAR) accountability and who report to the Chief Executive Officer (CEO) (referred to as Disclosed Executives).

1.1 Disclosed Executive and Non-Executive Director changes¹

There were several changes to our KMP during the 2023 year:

- Graham Hodges commenced as a Non-Executive Director (NED) on 8 February 2023.
- Graeme Liebelt retired as a NED on 15 December 2022, at the conclusion of the 2022 AGM.
- Holly Kramer commenced as a NED on 1 August 2023.
- Gerard Florian was appointed to the expanded role of Group Executive, Technology & Group Services, and Antony Strong was appointed to ExCo as Group Executive, Strategy & Transformation, effective 1 November 2022.
- Clare Morgan commenced with ANZ in the Group Executive, Australia Commercial role effective 6 March 2023.
- Kathryn van der Merwe concluded as ANZ's Group Executive, Talent & Culture and Service Centres in May 2023 – the responsibilities of the role were subsequently split on an acting capacity¹, with Richard Howell appointed as Acting Group Executive, Talent & Culture from 1 June 2023.

¹ The responsibility for ANZ's Capability Centres (formally known as Service Centres) in an acting capacity was taken over by Sreeram Iyer, Chief Operating Officer Institutional, who does not meet the definition of a KMP.

1.2 Key Management Personnel (KMP)

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

2023 Non-Executive Directors (NEDs) – Current

| | |
|--------------|---|
| P O'Sullivan | Chairman |
| I Atlas | Director |
| J Halton | Director |
| G Hodges | Director from 8 February 2023 (ANZBGL NED only) |
| J Key | Director |
| H Kramer | Director from 1 August 2023 |
| J Macfarlane | Director |
| C O'Reilly | Director |
| J Smith | Director |

2023 Non-Executive Directors (NEDs) – Former

| | |
|-----------|--|
| G Liebelt | Former Director – retired 15 December 2022 |
|-----------|--|

2023 Chief Executive Officer (CEO) and Disclosed Executives – Current

| | |
|------------|---|
| S Elliott | CEO and Executive Director |
| M Carnegie | Group Executive, Australia Retail |
| K Corbally | Chief Risk Officer (CRO) |
| F Faruqui | Chief Financial Officer (CFO) |
| G Florian | Group Executive, Technology & Group Services from 1 November 2022 (previously Group Executive, Technology to 31 October 2022) |
| R Howell | Acting Group Executive, Talent & Culture (GE T&C) from 1 June 2023 |
| C Morgan | Group Executive, Australia Commercial from 6 March 2023 |
| A Strong | Group Executive, Strategy & Transformation from 1 November 2022 |
| A Watson | Group Executive and CEO, New Zealand |
| M Whelan | Group Executive, Institutional |

2023 Disclosed Executives – Former

| | |
|-----------------|--|
| K van der Merwe | Former Group Executive, Talent & Culture and Service Centres (GE T&C) – concluded in role 31 May 2023 and ceased employment 30 June 2023 |
|-----------------|--|

Changes to KMP since the end of 2023 up to the date of signing the Directors' Report, as announced:

- Richard Howell ceased as Acting Group Executive, Talent & Culture, effective 8 October 2023.
- Elisa Clements appointed to ExCo as Group Executive, Talent & Culture, effective 9 October 2023.



2 2023 OUTCOMES AT A GLANCE



Chief Executive Officer (CEO) remuneration

FOR 2023, OUR CEO:

- Had no increase to fixed remuneration (FR).
- Was awarded Short Term Variable Remuneration (STVR) of 96% of maximum opportunity, reflecting his overall performance assessment of well above target (see section 5.2.1).
- Was awarded Long Term Variable Remuneration (LTVR) of \$3.375m following shareholder approval at the 2022 AGM.
- Received total remuneration of \$4.6m in 2023 (i.e., includes the value of prior equity awards which vested in 2023 as per section 5.1).

Disclosed Executive remuneration

FOR 2023:

- Disclosed Executives received a FR adjustment on 1 October 2022 (in accordance with changes we made to the executive remuneration structure in 2022, previously disclosed in the 2022 Remuneration Report). There were no further increases to FR for Disclosed Executives for 2023 except for the Group Executive, Technology & Group Services who received a market adjustment reflecting the expansion of responsibilities effective 1 November 2022.
- Disclosed Executives' STVR outcomes averaged 89% of maximum opportunity, with individual outcomes ranging from 80% to 100% of maximum opportunity.
- Disclosed Executives were awarded their full LTVR opportunity of 135% of FR (100% of FR for the CRO) (see section 5.4).

Restricted rights and Performance rights outcomes (CEO and Disclosed Executives)

The Board determined that the 2023 LTVR restricted rights (RR) should be made at full award value based on the outcome of the pre grant assessment (see section 5.3).

There were no performance rights (PR) due to vest in financial year 2023, as a result of a change in the performance period from three years to four years (i.e., 2018 PR award vested in Nov/Dec 2021, however 2019 PR award is not due to vest until Nov/Dec 2023).

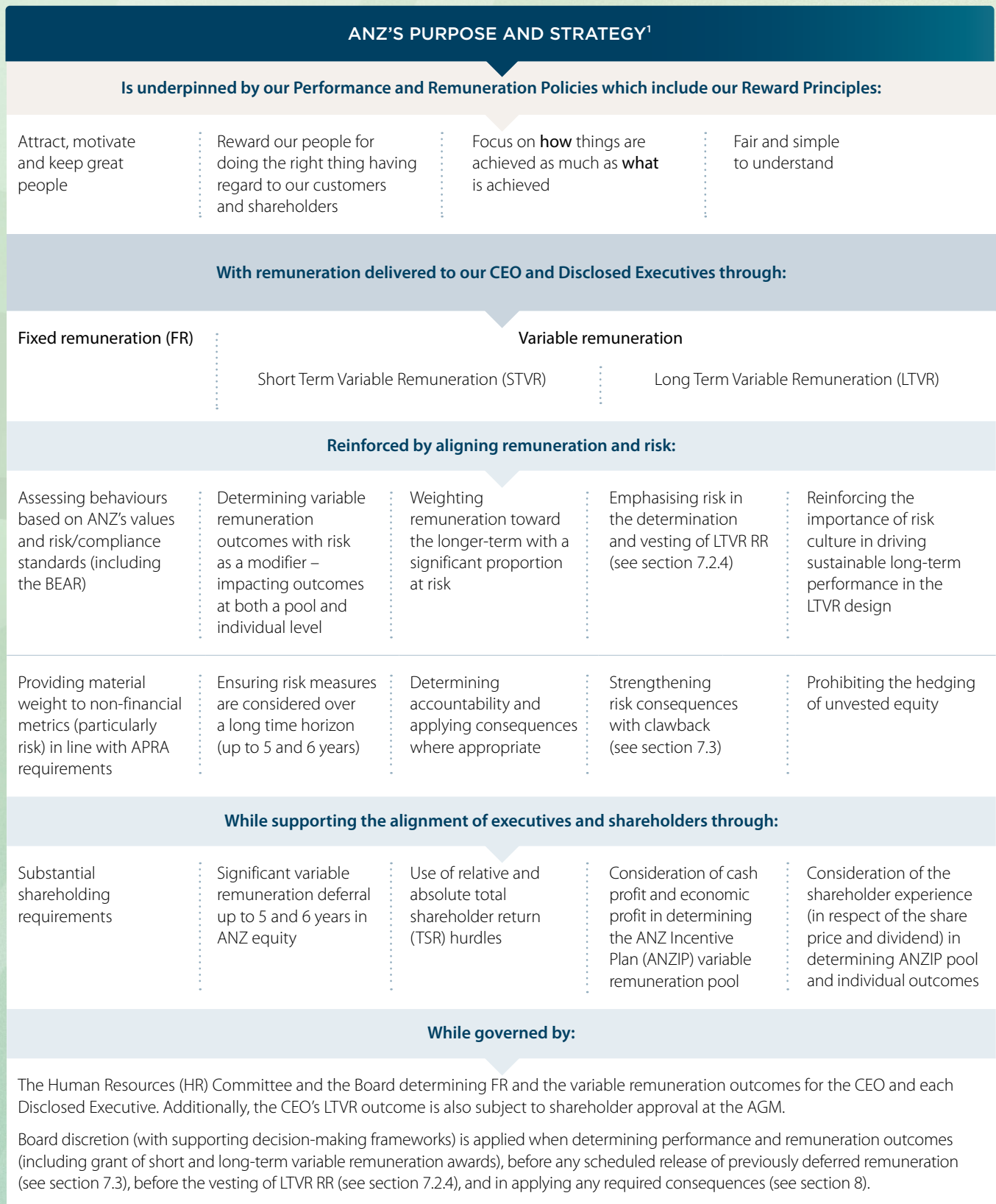
Non-Executive Director (NED) fees

No increases to NED fees for 2023 (see section 9.1).

3 OVERVIEW OF ANZ'S REMUNERATION STRUCTURE

3.1 Remuneration framework overview

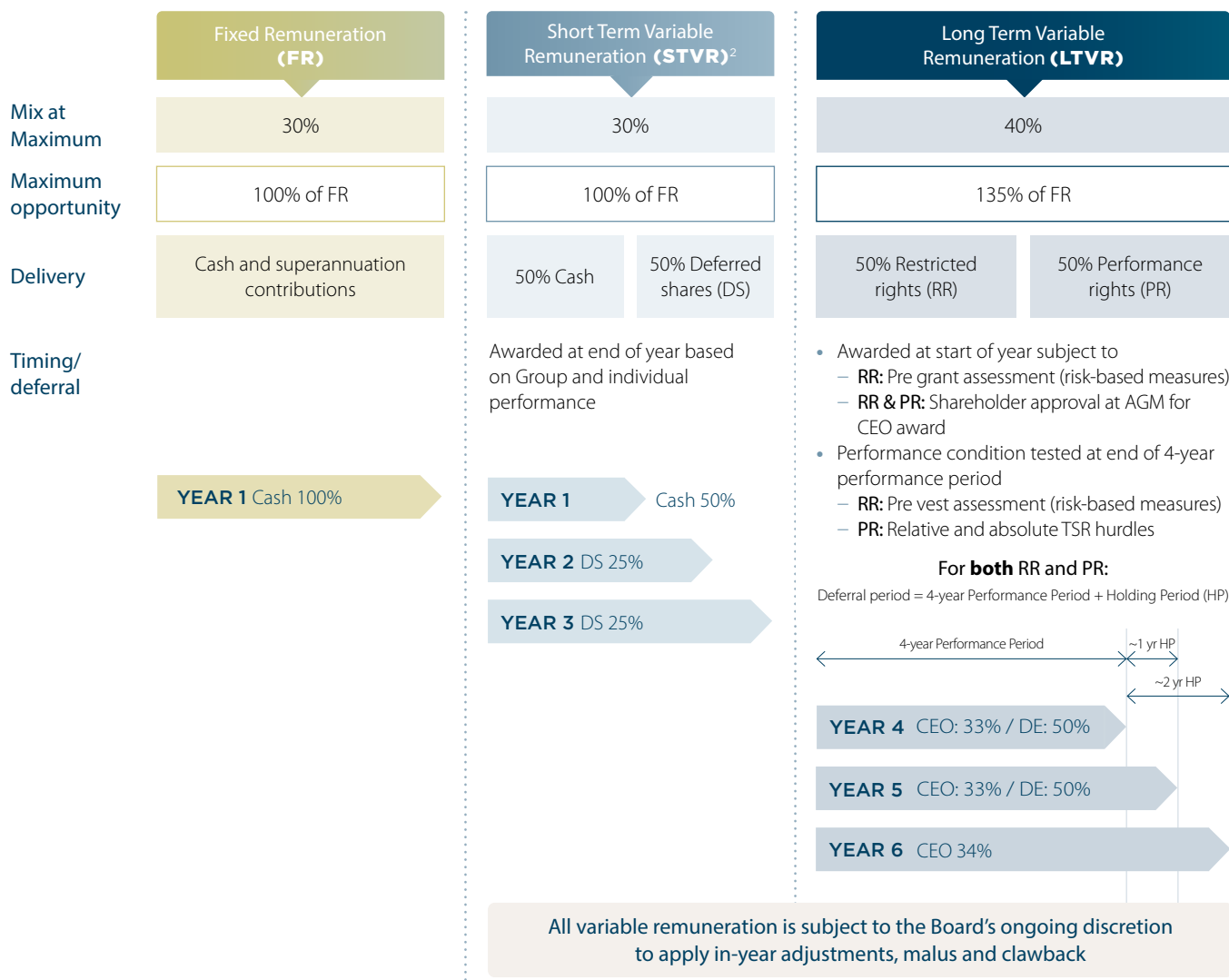
The following overview highlights how the executive remuneration framework supports ANZ's purpose and strategy, reinforces ANZ's focus on risk management, and aligns to shareholder value.



1. See the 'Our purpose and strategy' section of the Annual Report.

3.2 Overview of remuneration structure

CEO and Disclosed Executives (DEs) (excluding CRO¹)



1. CRO mix: 33.3% FR / 33.3% STVR / 33.3% LTVR. STVR maximum opportunity: the same as CEO/DE at 100% of FR, LTVR maximum opportunity: 100% of FR and delivered as 100% RR to support independence. 2. If the CEO receives above target STVR, the amount above target will be delivered as 40% cash and 60% DS (20% year 4, 20% year 5, 20% year 6) to ensure compliance with the minimum deferral requirements with respect to BEAR and APRA's Prudential Standard CPS 511 Remuneration.

As communicated in our 2022 Remuneration Report, the introduction of a new Prudential Standard *CPS 511 Remuneration* by our regulator APRA drove a detailed review of the way we reward our CEO and Disclosed Executives. The Board approved changes to the executive remuneration structure, effective from the 2022 financial year.

The structure has been designed to:

- Maintain a strong focus on performance and risk management
- Promote effective management of financial and non-financial risks
- Provide material weight to non-financial metrics for variable remuneration outcomes (in line with APRA requirements)
- Ensure long-term focus and shareholder alignment
- Balance meeting the *CPS 511* requirements and having a market competitive remuneration structure

Key features of the structure include:

- Balanced vesting over the short and long-term, with deferral of a significant proportion of variable remuneration (~80%) over 2 to 5 years (and over 2 to 6 years for the CEO)
- Strong risk and remuneration consequences, including clawback applying for two years post the payment/vesting of all variable remuneration
- Rewarding executives for both annual performance and also performance over the longer term
- Future focused LTVR comprising a combination of risk-based and TSR hurdles

4 GROUP PERFORMANCE

4.1 Assessment against the ANZ Group Performance Framework for 2023

The ANZ Group Performance Framework is approved by the Board at the start of each year. It plays a key role to:

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

Assessment of performance against the ANZ Group Performance Framework provides a key input:

- in determining the size of the ANZ Incentive Plan (ANZIP) pool, which funds STVR for Disclosed Executives; and
- in the overall performance assessment for the CEO (50% weighting) and Disclosed Executives (25% - 50% weighting), which informs STVR outcomes.

A range of objective indicators and subjective factors are considered including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

Overall, performance in 2023 was assessed as above target with all business lines contributing strongly.

On the following pages we have outlined ANZ's 2023 performance objectives and provided a summary of outcomes for each of the key performance categories to inform the overall assessment for 2023.

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



RISK

Modifier

0 TO 110%

Overall assessment

On target (no adjustment)



FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE

35%
weight

Overall assessment

Well above target

+

CUSTOMER

35%
weight

Overall assessment

Below target

+

PEOPLE & CULTURE

30%
weight

Overall assessment

Above target



OVERALL

Group Performance

Assessment

Above target

FINANCIAL DISCIPLINE & OPERATIONAL RESILIENCE

Assessment (35% weight): **Well above target**

Key objectives

Outcomes

Run core businesses well, focused on delivering sustainable growth and operational improvements

Below Target Above

| | | | |
|--|--|--------------------------|----------|
| Deliver Group economic profit to plan or better in a high-quality manner | Economic Profit (ex large / notables ¹) | \$552m | \$1,596m |
| Contain total cost growth to support the ambition of our 3yr Strategic Plan | Total Cost Growth (fx adj ex large / notables ¹) | 5% | |
| Deliver / progress key change programs – plan for day 1 integration of Suncorp Bank (SB), NOHC structure, BS11, Ngā Tapuwāe (NT) | Programs | SB Plan, NT Launch, BS11 | NOHC |

- Significant improvement in financial performance (see section 4.2.1) with Economic Profit² (+293%) and Cash NPAT (+14%) up YoY, as a result of:
 - Strong growth in net interest income (+11% YoY), driven by (i) disciplined volume growth across our divisions and (ii) improved margin outcomes – in a supportive rate environment, but in the face of continuing home loan competition and customer shifts to higher rate deposit products.
 - All four businesses performing strongly against their Plans.
 - Continued low credit impairment charges (\$245m), as a result of improved portfolio credit quality, and long-term discipline regarding customer selection.
- Costs were managed well in line with market guidance (of +5% YoY, fx adj ex large/notables), with significant productivity gains and management focus on our investment slate, which helped to partially offset significant headwinds (e.g., inflationary pressure).
- We implemented the NOHC structure in a short time frame, BS11 was delivered (the first of any bank in NZ), Ngā Tapuwāe has launched (to move ANZ NZ core to cloud and redesign business for greater resilience, agility and lower cost), and we are operationally ready to integrate Suncorp (if our application to the Australian Competition Tribunal is successful).

CUSTOMER

Assessment (35% weight): **Below target**

Key objectives

Outcomes

Deliver great customer outcomes, focused on improving the financial wellbeing, sustainability and experience of priority segments

Below Target Above

| | | | |
|---|--------------------------|----------------|------|
| Australia Retail: accelerate ANZ Plus customer acquisition and engagement and ensure Plus Home Loan is in market, including the broker channel; and maintain home lending turnaround times in line with or better than major banks | Aus Retail | Plus in Broker | Plus |
| | Aus Retail | Lending times | |
| Australia Commercial: materially improve customer and banker experience | Aus Commercial | | |
| New Zealand: continue to make banking easier | NZ | | |
| Institutional: make meaningful progress on environmental sustainability strategies | Institutional | | |
| Business Services: transition our four business services to a uniform service approach | Business Services | | |

- **Australia Retail:** Significant progress with ANZ Plus, exceeding 2023 targets related to active customers (465K vs 400K target), funds under management (FUM) (\$9.4bn vs \$4bn target), and Net Promoter Score (NPS) scores (e.g., Join NPS of +52 vs 45 target). Plus Home Loans launched, although not via the broker channel as planned. Turnaround times in Classic Home Loans have been stable for the entire year and within the range targeted (<3 days), while growing market share (32 bps), and improving Home Lending NPS from 71.1 in 2022 to 76.1 in 2023.
- **Australia Commercial:** Strategy is being executed with early signs of success (e.g., faster and simpler application process; time to final decision on a small business loan improved from 12 to 9.3 days, launch of market leading “streamlined unsecured lending” offering simpler processes, NPS of 29.9 vs 26.5 in 2022); however we targeted a more material improvement in customer and banker experience.
- **New Zealand:** Remain #1 for Brand Consideration. Data capability enhanced with acquisition of DOT Loves Data. Successful launch of Business Regrowth Loans and Business Visa Debit for business customers.
- **Institutional:** Continued leading Asia Pacific market in improving social and environmental outcomes and supporting our customers’ transition to net zero – having achieved close to \$47bn of our 2025 sustainable solutions target of \$50bn on 31 March 2023, and rolled out a new \$100bn target (by the end of 2030) from 1 April 2023. Institutional extended its leadership in the Peter Lee³ surveys, with the highest Relationship Strength Index scores ever achieved by any bank in both Australia and NZ, and our best ever Transaction Banking results (including ranking #1 for product development and innovation, and system implementation for the first time), further strengthening our leadership in the provision of Payments and Cash Management solutions in Australia and NZ (#1 market share).
- **Business Services:** Our ambition to build enterprise-wide Business Services as a more efficient and resilient path to service delivery, is behind plan, however progress has been made.

1. 2. 3. See footnotes over page.

| PEOPLE & CULTURE | Assessment (30% weight): Above target | | |
|---|--|--------|-------|
| Key objectives | Outcomes | | |
| | Below | Target | Above |
| <i>Build a culture where our diverse teams are engaged and optimised for success</i> | | | |
| Maintain industry leading employee engagement | | 84% | 87% |
| Continue to improve our project delivery capability | | ● | |
| Retain high performers (particularly those with the critical skills and priority capabilities to reinvent banking) | | 90% | 94% |

- We have continued our purposeful focus on strengthening leadership, capability, culture and project delivery, as evidenced by the execution of a range of supporting initiatives delivering value, our highly engaged workforce, and recognition as a great place to work.
 - Our engagement score is industry leading for financial services at 87% (vs 84% in 2022), and equal to the world's best companies in any industry, and we have also maintained our #1 ranking amongst major bank peers in Glassdoor⁴ employer of choice ratings.
 - We made good progress on Women in Leadership at 37.3% (vs a target of 36.9%), and up on 2022 outcome of 35.9%. Three out of four of our business divisions are led by women.
 - Our project delivery capability continues to improve, and after a sustained effort and investment we are seeing material uplift in our delivery capability (supported by various independent reports to the Board).
 - Uplift in leadership capability with investment in a range of programs (e.g., Lead@ANZ rolled out to ~5,600 people leaders, Executive Leadership Series with NPS>50). Capability uplift in priority areas (e.g., launch of Engineering Career Pathways to support the development of technical mastery across critical specialisations, roll out of a Customer Coaching program, implementation of Career Programs strategy resulting in a 100% increase in applications to the 2024 Graduate Program).

| RISK MODIFIER | Assessment: On target (no adjustment) |
|--|--|
| Continued sound risk discipline with no major regulatory, credit, audit or market breaches. | |

- Strong credit outcome with no material credit events recorded.
- Ongoing progress in delivering key regulatory commitments and uplifting non-financial risk management (through the further implementation of our new Group wide non-financial risk framework), although the APRA imposed operational risk overlay of \$500m remains.
- Strengthening risk culture (including achieving the target state of 'Sound' and continuing to achieve a high 'Speak Up' index of 84%), reflecting sustained efforts to encourage people to speak up and challenge each other respectfully.
- No repeat adverse audits, no material Risk Appetite Statement breaches, and no material non-financial risk events.

| BOARD DISCRETION | Assessment: No adjustment |
|--|----------------------------------|
| After several years of focus on simplifying ANZ through the sale of businesses and cost restructuring, ANZ has successfully delivered sustainable growth in the remaining core businesses against a backdrop of increased changes in consumer behaviour, a slowdown in the economy, as well as increasing disruption in Financial Services (via the rise of new digitally enabled business models and non-bank competitors). The outcome also aligns strongly with the shareholder experience (see section 4.2.2). | |
| Overall, the Board view that an 'above target' assessment accurately reflects overall performance in 2023, noting that STVR outcomes for the CEO and Disclosed Executives also take into consideration performance against individual objectives. | |

| OVERALL ASSESSMENT | Assessment: Above target |
|---|---------------------------------|
| The above target assessment appropriately reflects our performance with all business lines each contributing strongly together to achieve above target financial results and strong performance against our strategic objectives - positioning ANZ well for the future. | |

1. The Group's results include a number of items collectively referred to as large/notable items. Given the nature and significance they are considered separately given the target was established without consideration of large notables. 2. Economic profit is a risk adjusted profit measure used to evaluate business unit performance and is not subject to audit by the external auditor. Economic profit is calculated via a series of adjustments to cash profit with the economic credit cost adjustment replacing the accounting credit loss charge; the inclusion of the benefit of imputation credits (measured at 70% of Australian tax) and an adjustment to reflect the cost of capital. The economic profit increase in 2023 was driven by higher cash profit, favourable economic credit cost adjustment and higher imputation credits, partially offset by higher cost of capital. 3. Peter Lee Associates 2022 Large Corporate and Institutional Relationship Banking surveys, Australia and NZ. 4. Glassdoor is a website where employees and former employees anonymously review companies and their management.



4.2 ANZ Performance Outcomes

4.2.1 ANZ'S FINANCIAL PERFORMANCE 2019–2023

When determining variable remuneration outcomes for the CEO, Disclosed Executives and employees a range of different financial indicators are considered. The Group uses cash profit¹ as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. The adjustments made in arriving at cash profit are included in statutory profit which is subject to audit. Although cash profit is not audited, the external auditor has informed the Audit Committee that the cash profit adjustments have been determined on a consistent basis across each period presented.

Statutory profit is flat compared to the prior financial year, while cash profit from continuing operations has increased almost 14%. Underlying performance reflects stronger revenue from lending volumes across our divisions together with improved net interest margin in a supportive rate environment which enable continued focus on investing for growth.

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

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------|--------|-------|--------|--------|
| Statutory profit attributable to ordinary shareholders (\$m) | 5,953 | 3,577 | 6,162 | 7,119 | 7,098 |
| Cash profit ¹ (\$m, unaudited) | 6,161 | 3,660 | 6,181 | 6,496 | 7,405 |
| Cash profit – Continuing operations (\$m, unaudited) | 6,470 | 3,758 | 6,198 | 6,515 | 7,405 |
| Cash profit before provisions – Continuing operations (\$m, unaudited) | 9,958 | 8,369 | 8,396 | 8,968 | 10,754 |
| Cash ROE (%) – Continuing operations (unaudited) | 10.9 | 6.2 | 9.9 | 10.4 | 10.9 |
| Cash EPS – Continuing operations (unaudited) | 220.2 | 128.7 | 216.5 | 228.8 | 247.1 |
| Share price at 30 September (\$) (On 1 October 2018, opening share price was \$27.80) | 28.52 | 17.22 | 28.15 | 22.80 | 25.66 |
| Total dividend (cents per share) | 160 | 60 | 142 | 146 | 175 |
| Total shareholder return (12 month %) | 9.2 | (36.9) | 70.7 | (14.0) | 20.0 |

1. Cash profit excludes non-core items included in statutory profit with the net after tax adjustment resulting in an increase to statutory profit of \$307m for 2023, made up of several items. It is provided to assist readers understand the results of the core business activities of the Group.

4.2.2 ANZ TSR PERFORMANCE (1 TO 10 YEARS)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the PR Select Financial Services (SFS) comparator group¹ over one to ten years, noting that for this table TSR is measured over a different timeframe (i.e., to 30 September 2023) to the performance period for our PR.

- ANZ's TSR performance was above the median TSR of the SFS comparator group¹ when comparing over one year; and
- below the median over three, five and ten years.

| | Years to 30 September 2023 | | | |
|----------------------------|----------------------------|-------------|-------------|-------------|
| | 1 | 3 | 5 | 10 |
| ANZ (%) | 20.0 | 76.3 | 19.7 | 46.1 |
| Median TSR SFS (%) | 14.6 | 77.3 | 29.8 | 60.0 |
| Upper quartile TSR SFS (%) | 22.3 | 90.9 | 60.9 | 128.2 |

1. See section 7.2.5 for details of the SFS comparator group.

5 2023 CEO AND DISCLOSED EXECUTIVE OUTCOMES

Variable remuneration is 'at risk' remuneration and can range from zero to maximum opportunity.

With the exception of the CEO's STVR, individual variable remuneration outcomes for all other employees including STVR for Disclosed Executives are funded under the ANZ Incentive Plan (ANZIP). The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 10.1.3.

At the end of each financial year the Board exercise their judgement to determine a fair and reasonable ANZIP pool. An assessment of financial performance guides the pool range but it is not a formulaic outcome. The Board considers a range of factors including:

- The ANZ Group Performance Framework assessment (see section 4.1).
- The quality of earnings and operating environment.
- The shareholder experience during 2023 such as shareholder returns and dividend comparison with prior periods.
- Our Reward Principles such as attract, motivate and keep great people (see section 7).

Annual performance objectives are set at the Group and also at the Divisional/individual level at the start of each year. They are designed to be stretching yet achievable. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources.

Where expectations are met, STVR is likely to be awarded around 80% of maximum opportunity. Where performance is below expectations, STVR will be less (potentially down to zero), and where above expectations, STVR will be more (potentially up to maximum opportunity).

LTVR will be awarded at the beginning of the year, based on full opportunity unless the LTVR RR pre grant assessment results in any reduction (and is also subject to shareholder approval for the CEO).

Remuneration outcomes have been presented in the following three ways:

i. RECEIVED remuneration
(see section 5.1)

ii. AWARDED remuneration
(see sections 5.2, 5.3 and 5.4)

iii. STATUTORY remuneration
(see section 11.1)

5.1 2023 Received remuneration

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2023 financial year as cash paid, or in the case of prior equity awards, the value which vested in 2023.

FR adjustments were received by Disclosed Executives in accordance with the executive remuneration structure changes made in 2022, as disclosed in the 2022 Remuneration Report. There were no other adjustments to FR for Disclosed Executives in 2023, apart from the Group Executive, Technology & Group Services whose FR was increased on 1 November 2022 from \$1.15m to \$1.25m to reflect the expansion of responsibilities and to improve alignment with the market.

2023 Received remuneration – CEO and Disclosed Executives:

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

| | Fixed remuneration \$ | Cash variable remuneration \$ | Total cash \$ | Deferred variable remuneration which vested during the year ¹ \$ | Other deferred remuneration which vested during the year ¹ \$ | Actual remuneration received ² \$ |
|---|--------------------------|----------------------------------|------------------|--|---|---|
| CEO AND CURRENT DISCLOSED EXECUTIVES | | | | | | |
| S Elliott | 2,500,000 | 1,160,000 | 3,660,000 | 919,413 | - | 4,579,413 |
| M Carnegie | 1,250,000 | 550,000 | 1,800,000 | 561,264 | - | 2,361,264 |
| K Corbally | 1,250,000 | 532,500 | 1,782,500 | 471,287 | - | 2,253,787 |
| F Faruqui | 1,250,000 | 600,000 | 1,850,000 | 795,274 | - | 2,645,274 |
| G Florian³ | 1,242,000 | 497,500 | 1,739,500 | 496,698 | - | 2,236,198 |
| R Howell⁴ | 231,792 | 180,000 | 411,792 | - | - | 411,792 |
| C Morgan^{4,5} | 627,000 | 250,000 | 877,000 | - | 407,000 | 1,284,000 |
| A Strong⁴ | 690,000 | 315,100 | 1,005,100 | 291,162 | - | 1,296,262 |
| A Watson⁶ | 1,106,505 | 472,570 | 1,579,075 | 450,151 | - | 2,029,226 |
| M Whelan | 1,460,000 | 730,000 | 2,190,000 | 753,723 | - | 2,943,723 |
| FORMER DISCLOSED EXECUTIVES | | | | | | |
| K van der Merwe^{1,4} | 780,000 | n/a | 780,000 | 488,194 | - | 1,268,194 |

1. Deferred variable remuneration which either vested or lapsed/forfeited during the year is the point in time value of previously deferred remuneration granted as deferred shares, deferred shares rights and/or restricted rights/performance rights, and is based on the one day Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of deferred shares/deferred share rights and/or restricted rights/performance rights. No previously deferred variable remuneration lapsed/forfeited during the year for the CEO or Disclosed Executives (due to no performance rights due to vest in 2023) other than for K van der Merwe -\$4,880,967, which relates to forfeiture on resignation of unvested deferred remuneration. **2.** The sum of fixed remuneration, cash variable remuneration and deferred variable remuneration which vested during the year. **3.** Fixed remuneration reflects changes in fixed remuneration during the financial year due to expanded role (G Florian). **4.** Fixed remuneration based on time as a Disclosed Executive (R Howell, C Morgan, A Strong, K van der Merwe). **5.** Other deferred remuneration for C Morgan relates to deferred remuneration forfeited and bonus opportunity forgone as a result of joining ANZ, that was deferred as cash and vested during the year. **6.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year.



5.2 Awarded STVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of STVR outcomes.

STVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

These tables show a year-on-year comparison of STVR awarded to the CEO,

and Disclosed Executives for the 2022 and 2023 performance periods. STVR awarded reflects actual cash and the deferred shares component of STVR **awarded** in respect of the relevant financial year. As non-cash components are subject to future vesting outcomes, the awarded value may be higher or lower than the future realised value.

2023 remuneration outcomes reflect both the overall performance of the Group and the performance of each individual/Division.

5.2.1 CEO

The Board determined that an STVR outcome of \$2.4m (96% of maximum opportunity) was appropriate for 2023 having regard to both the overall performance of the CEO and also the overall performance of the Group. This is the first above target STVR award for the CEO since commencing in the role in 2016, reflecting the above target performance outcome in 2023 as summarised below.

| 'WHAT' ASSESSMENT SUMMARY | |
|--|--|
| ANZ Group Performance Framework - see section 4.1 (50% weighting) | Individual Strategic Objectives - see below (50% weighting) |
| Assessed as: Above target | Assessed as: Well above target |
| 'HOW' ASSESSMENT SUMMARY | |
| ANZ Values & Behaviours | Individual Risk / Compliance Assessment |
| Assessed as: Above expectations | Assessed as: Met expectations |
| OVERALL PERFORMANCE ASSESSMENT | |
| Assessed as: Well above target (120%) | |

Awarded STVR in the relevant financial year – CEO

| | Financial year | STVR maximum opportunity \$ | Actual STVR | | | STVR as % of | |
|------------------|----------------|-----------------------------|---------------|--------------|-------------------------|--------------------|---------------------|
| | | | Total STVR \$ | STVR cash \$ | STVR deferred shares \$ | Target opportunity | Maximum opportunity |
| CEO | | | | | | | |
| S Elliott | 2023 | 2,500,000 | 2,400,000 | 1,160,000 | 1,240,000 | 120% | 96% |
| | 2022 | 2,500,000 | 1,860,000 | 930,000 | 930,000 | 93% | 74% |

2023 CEO individual strategic objectives

- Drive the strategic direction of the organisation, with particular focus on growth, home lending momentum and Commercial strategy in Australia, and embed our digital transformation, Sustainability, Platforms and Ecosystems
- Focus on sound risk management, operational excellence and resilience including system stability, to ensure ANZ has robust and reliable platforms to support long-term growth
- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ across all stakeholder groups
- Complete Suncorp acquisition with agreed integration plan
- Continue to build ExCo effectiveness and succession pipelines for ExCo and CEO

Board assessment of performance on individual strategic objectives:

The CEO delivered a strong performance this year. After several years focused on simplification of ANZ (disposal of businesses and internal re-structures), ANZ has moved to driving sustainable growth in each of the core businesses. Pleasingly, ANZ's record financial performance in 2023 was contributed to by each of the four core business divisions. The CEO's deliverables highlight that the key strategic building blocks are in place to support long-term performance.

The CEO has focused on executing and delivering sustainable growth in our core businesses. Key results include:

- ANZ Plus being the fastest growing new bank platform in Australia, including exceeding targets related to the number of active customers, funds under management and Net Promoter Scores
- Executing the Commercial strategy, with the new Division performing strongly - in large part due to the CEO's stewardship of this business (pre appointment of GE, Australia Commercial)
- Exceeding our ambitions to grow sustainability as a source of revenue through a range of sustainability banking activities such as, labelled sustainable finance (e.g., green and sustainability linked loans, bonds and guarantees), and banking activities to fund and facilitate the transition to a net zero economy (e.g., green buildings, renewable energy, energy efficiency, sustainable infrastructure)
- Recovery of home lending momentum, with growth exceeding 1x system target
- Improving share on Institutional payment platforms, with overall payments growing by ~8%

- Building digital ecosystems in support of the broader strategy (e.g., investments in View Media Group, DOT Loves Data and Pollination, and appointment of a new CEO in Cashrewards)

There has been continued strong risk discipline championed by the CEO, with emphasis on the right behaviours to identify, discuss, and act on risks the bank confronts and takes. Strengthening operational excellence and resilience has been a key focus of the CEO. Examples include:

- Clear progress in the build of a Group wide non-financial risk framework (with strong business leadership)
- Executed a very ambitious change agenda (e.g., technology uplift programs, ANZ Plus, NOHC implementation, Suncorp acquisition, Platform Services, major regulatory programs)
- Demonstration of strong cyber resilience, and positive achievements in the area of financial crime
- Delivery of BS11¹ (the first of any New Zealand bank) and the launch of Ngā Tapuwāe² in NZ to unlock future growth in New Zealand

A key strength of the CEO is his strong advocacy and role modelling of ANZ's values and behaviours – create opportunities, deliver what matters, succeed together – as evidenced by all business lines contributing strongly to achieve a great performance outcome. The CEO's leadership translates into continuing high employee engagement (87%) – which is equal to the Global Best In Class across all industries. Similarly, ANZ's 'Speak Up' index at 84% reflects continued efforts to encourage a culture

where people feel they can challenge each other respectfully.

The CEO continues to demonstrate his ability to communicate effectively and authentically with stakeholder groups – shareholders, employees, customers, regulators, government and the community (including non-profit and environmental groups). He is regarded as a thought and industry leader both internally and externally, and engages regularly with employees and the community at large, via multiple communication and media channels, parliamentary hearings, and through proactive relationship management.

The CEO has played a key role in leading the Suncorp acquisition initiative, and has been a strong advocate of the benefits and opportunities for ANZ, our customers in Queensland, and the broader community. While the ACCC rejected ANZ's application, the CEO has ensured ANZ is well prepared for the integration of Suncorp Bank into ANZ in the event its application for Australian Competition tribunal review is successful.

The strong performance in 2023 reflects the effective support provided by the CEO to ExCo, along with key moves and appointments made to his team over the last 1 to 2 years. Executive succession and development continue to be a focus for the CEO and the Board, with the CEO making solid progress in enabling potential internal CEO successors in the future.

Overall there were many positive achievements in 2023 (positioning ANZ well to deliver against our strategic priorities), and in the Board's view the CEO deserves an overall assessment outcome of well above target.

1. BS11 outlines the Reserve Bank of New Zealand's outsourcing policy. 2. ANZ New Zealand has embarked on a multi-year program of work to fundamentally transform its business. Called "Ngā Tapuwāe o ANZ" ("The footsteps of ANZ"), this program will change our core technology, processes and ways of working.

5.2.2 DISCLOSED EXECUTIVES

- STVR outcomes continue to differ both year-on-year and between executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. In 2023, STVR is at or above target for all Disclosed Executives (reflecting that they have all jointly delivered material value from strategic and operational decisions in 2023); however only 2 of 38 Disclosed Executives in recent reporting periods (2018 to 2022) received at or above target variable remuneration. See section 5.4 for 2023 variable remuneration awarded details.
- The average STVR outcome for current Disclosed Executives is 89% of maximum opportunity. This reflects both the overall assessment of ANZ Group performance as above target (see section 4.1), which is weighted 25% or 50%, and also individual performance (see section 6.2) which is weighted 75% or 50% depending on role. Outcomes range from 80% to 100% of maximum opportunity. The remuneration outcomes in 2023 reflect that this is a high performing team, with all business and enablement functions each contributing significantly to a strong performance outcome for ANZ.
- 2023 STVR awarded outcomes for both C Morgan and A Strong are based on their time as a Disclosed Executive during 2023 (i.e., ~7 months and ~11 months respectively).
- R Howell's 2023 STVR awarded outcome reflects the period acting as the GE T&C (i.e., ~4 months).

Awarded STVR in the relevant financial year – Disclosed Executives

| | Financial year | STVR maximum opportunity \$ | Actual STVR | | | STVR as % of | |
|-------------------------------------|----------------|-----------------------------|---------------|--------------|-------------------------|--------------------|---------------------|
| | | | Total STVR \$ | STVR cash \$ | STVR deferred shares \$ | Target opportunity | Maximum opportunity |
| CURRENT DISCLOSED EXECUTIVES | | | | | | | |
| M Carnegie | 2023 | 1,250,000 | 1,100,000 | 550,000 | 550,000 | 110% | 88% |
| | 2022 | 1,250,000 | 920,000 | 460,000 | 460,000 | 92% | 74% |
| K Corbally | 2023 | 1,250,000 | 1,065,000 | 532,500 | 532,500 | 107% | 85% |
| | 2022 | 1,250,000 | 885,000 | 442,500 | 442,500 | 89% | 71% |
| F Faruqui¹ | 2023 | 1,250,000 | 1,200,000 | 600,000 | 600,000 | 120% | 96% |
| | 2022 | 1,212,500 | 1,159,150 | 579,575 | 579,575 | 120% | 96% |
| G Florian | 2023 | 1,250,000 | 995,000 | 497,500 | 497,500 | 100% | 80% |
| | 2022 | 1,150,000 | 885,000 | 442,500 | 442,500 | 96% | 77% |
| R Howell¹ | 2023 | 348,068 | 300,000 | 180,000 | 120,000 | 108% | 86% |
| C Morgan¹ | 2023 | 627,000 | 500,000 | 250,000 | 250,000 | 100% | 80% |
| A Strong¹ | 2023 | 690,000 | 630,200 | 315,100 | 315,100 | 114% | 91% |
| A Watson² | 2023 | 1,106,505 | 945,140 | 472,570 | 472,570 | 107% | 85% |
| | 2022 | 1,108,830 | 845,483 | 422,742 | 422,742 | 95% | 76% |
| M Whelan | 2023 | 1,460,000 | 1,460,000 | 730,000 | 730,000 | 125% | 100% |
| | 2022 | 1,460,000 | 1,070,000 | 535,000 | 535,000 | 92% | 73% |
| FORMER DISCLOSED EXECUTIVES | | | | | | | |
| K van der Merwe³ | 2023 | 780,000 | n/a | n/a | n/a | n/a | n/a |
| | 2022 | 1,040,000 | 800,000 | 400,000 | 400,000 | 96% | 77% |

1. STVR based on time as a Disclosed Executive in either 2022 (F Faruqui) or 2023 (R Howell, C Morgan, A Strong). R Howell STVR subject to 40% deferral (see section 7.1 for remuneration arrangements due to acting nature of appointment). **2.** Paid in NZD and converted to AUD. Year to date average exchange rate used to convert NZD to AUD as at 30 September for the relevant year. **3.** Ineligible for STVR.

5.3 Awarded LTVR and pre grant assessment outcome

The first award of LTVR under the new remuneration structure was made at the start of the 2023 financial year to Disclosed Executives (Nov 2022) and the CEO (Dec 2022 post AGM), and it was awarded at full opportunity.

LTVR was not awarded in 2022, due to the transition from awarding LTVR at the beginning of the year rather than at the end.

The RR component of LTVR was subject to a pre grant assessment by the Board which determined that the award should be made at full value (i.e., no reduction); and will be subject to a pre vest assessment by the Board of non-financial measures at the end of the four-year performance period to determine whether the RR should vest in full.

Restricted Rights Pre Grant Assessment (see section 7.2.4)

| STEP | ACTION | OUTCOME |
|-------------------------------------|-----------------------------|---------------|
| Step 1 | Assess Prudential Soundness | Met |
| Step 2 | Assess Risk Measures | Met |
| Step 3 | Apply Board discretion | No adjustment |
| Pre grant assessment outcome | | 100% |

The PR component of LTVR is subject to TSR hurdles (see section 7.2.5), which will determine the level of vesting and subsequent value of PR at the end of the performance period.

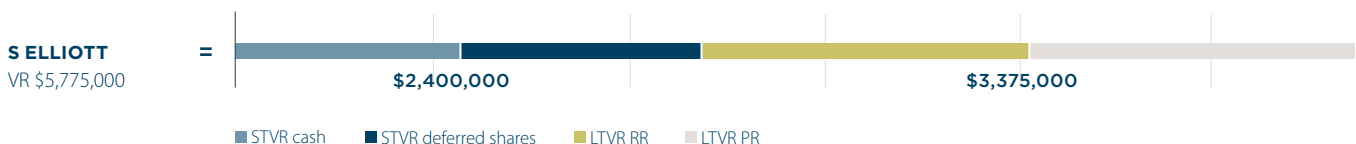
CEO LTVR: Shareholders approved at the 2022 AGM a 2023 LTVR award of \$3.375m (135% of FR), delivered in the form of 50% RR and 50% PR. Similarly, shareholder approval will be sought at the 2023 AGM for a 2024 LTVR award of \$3.375m.

Disclosed Executives LTVR: 2023 LTVR awarded at full opportunity (135% of new FR related to the structural change, and 100% for the CRO). Note that for C Morgan, a pro-rated 2023 LTVR was granted in September 2023 (rather than November 2022) due to commencement with ANZ partway through 2023, and R Howell was not eligible in his acting capacity. See section 7.2.3 for delivery details.

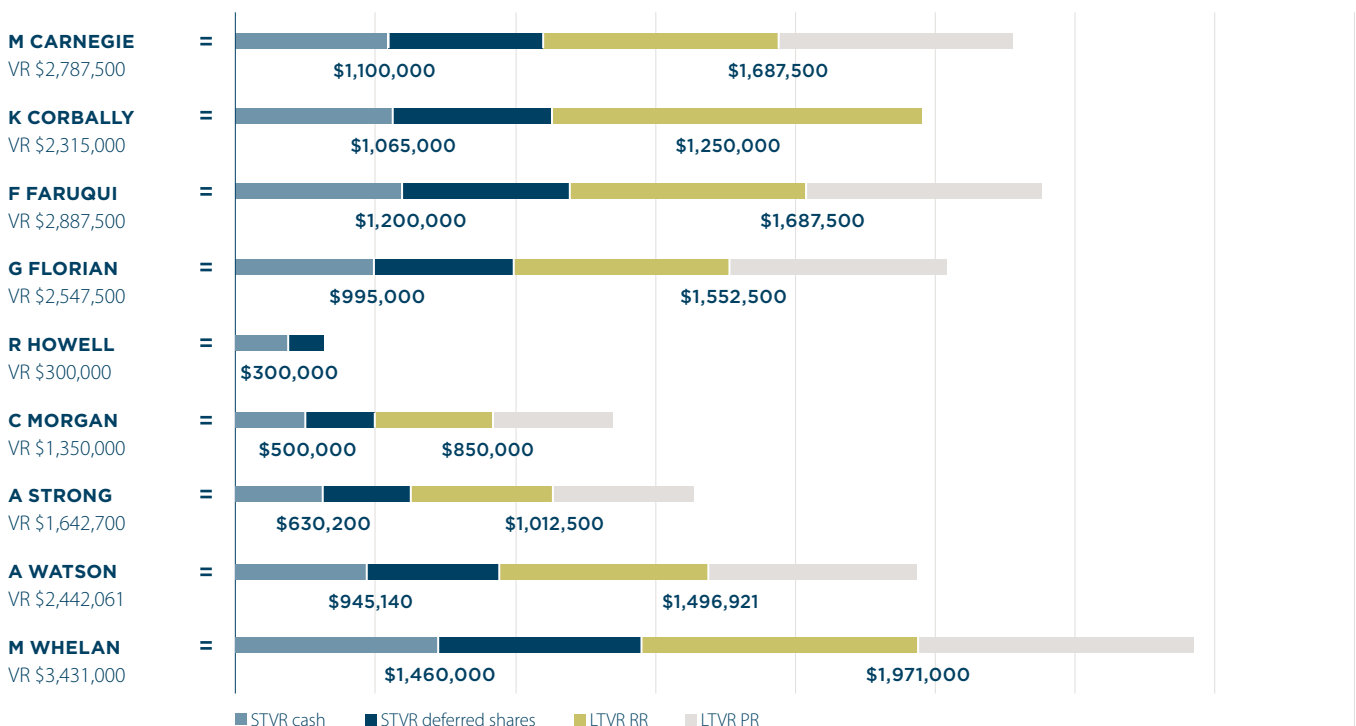
5.4 2023 Awarded VR

The below charts show the STVR and LTVR awarded to the CEO and Disclosed Executives for the year ending 30 September 2023.

CEO 2023 VR



Disclosed Executives 2023 VR





5.5 2023 Remuneration comparison with prior years

CEO - Summary of 2022 and 2023 total remuneration

| | AWARDED | | | | RECEIVED | STATUTORY |
|------|---|-----------|-----------|-----------------------|---|---|
| | <p>Awarded remuneration reflects actual cash and the deferred shares component of STVR awarded in the year. As non-cash components are subject to future vesting outcomes, the awarded value may be higher or lower than the future realised value.</p> <p>Awarded remuneration appears significantly higher in 2023, largely because no LTVR was awarded for 2022 (as we transitioned to the new remuneration structure and moved to awarding LTVR at the start (rather than end) of the financial year). Note, STVR is awarded at the end of the year.</p> | | | | <p>Received remuneration reflects the actual remuneration received in the year (i.e., cash paid and the value of previously awarded STVR deferred shares and LTVR performance rights which vested in the year).</p> <p>The amount received is lower in 2023 (compared to 2022), primarily due to there being no LTVR due to vest in 2023 due to changing from a three to four-year performance period in Nov/Dec 2019.</p> | <p>Statutory remuneration reflects remuneration in accordance with Australian Accounting Standards which includes FR and the amortised accounting value of variable remuneration, not the actual awarded or received value in respect of the relevant financial year (i.e., includes the value of STVR and LTVR expensed in the year). This is different to remuneration received in 2023 (which includes prior year awards which vested).</p> |
| | Fixed remuneration \$ | STVR \$ | LTVR \$ | Total remuneration \$ | Total remuneration \$ | Total remuneration \$ |
| 2023 | 2,500,000 | 2,400,000 | 3,375,000 | 8,275,000 | 4,579,413 | 6,186,508 |
| 2022 | 2,500,000 | 1,860,000 | n/a | 4,360,000 | 6,000,069 | 5,489,133 |

Historical STVR and LTVR

This table shows the STVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last five years. STVR outcomes are reasonably aligned with financial performance trends over the corresponding 2019 to 2023 periods, with 2023 STVR higher than prior years, consistent with 2023 financial performance (see section 4.2.1).

Historical STVR and LTVR – CEO¹

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|-------|------------------|-------|-------|------|
| STVR ² outcome (% of maximum opportunity) | 48% | 33% ³ | 53% | 74% | 96% |
| LTVR vesting outcome (% vested) | 21.8% | 0% | 43.3% | 51.6% | n/a |

1. Prior to 2022, the maximum STVR opportunity for the CEO was 150% of target, however under the new structure (effective from 2022) this was reduced to 125% of target, therefore the 2022 and 2023 STVR % of maximum opportunity of 74% and 96% respectively is not comparable with prior years. If the maximum opportunity had remained at 150% of target, then the 2022 and 2023 STVR outcomes for the CEO (on a like for like basis) would have equated to 62% and 80% of maximum opportunity respectively. **2.** Previously referred to as AVR pre-2022. **3.** Post 50% COVID-19 reduction.

Historical VR¹

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

Historical VR – Disclosed Executive

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|----------|------------------|-----------|-----------|------------|
| STVR ² outcome (average % of maximum opportunity ³) | 45% | 36% ⁴ | 60% | 78% | 89% |
| STVR ² outcome (range % of maximum opportunity ³) | 0% - 74% | 31% - 44% | 46% - 66% | 71% - 96% | 80% - 100% |
| VR PR vesting outcome (% vested) | 21.8% | 0% | 43.3% | 51.6% | n/a |

1. Prior to 2022 the maximum VR opportunity for Disclosed Executives was 150% of combined VR target, however under the new structure (effective from 2022), this was reduced to 125% of STVR target component only, therefore the 2022 and 2023 STVR % of maximum opportunity shown above of 78% and 89% respectively are not comparable with prior years. If the maximum opportunity had remained at 150% of target, then the average 2022 and 2023 STVR outcomes for Disclosed Executives (on a like for like basis) would have equated to 65% and 74% of maximum opportunity respectively. **2.** Previously referred to as VR pre-2022. **3.** Pre 2022, % of maximum opportunity applied to the full VR due to the combined VR structure for Disclosed Executives in those years. **4.** Post 50% COVID-19 reduction.

6 STRUCTURE AND DELIVERY: PERFORMANCE

6.1 CEO performance

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

WEIGHTING OF FINANCIAL METRICS

STVR

The CEO's STVR is not formulaic – outcomes are moderated by the Risk element of the ANZ Group Performance Framework and the Board's judgement on the appropriate STVR considering all aspects of performance.

LTVR

TSR (both relative and absolute) continue to determine the outcome of LTVR PR (50% LTVR weighting). However, LTVR also includes a 50% weighted RR award that is primarily focused on risk-based measures (as part of the pre grant and pre vest assessments – see section 7.2.4). This ensures LTVR has a material weight to non-financial measures as required under the APRA Prudential Standard CPS 511 Remuneration.

At the end of the financial year, ANZ's performance is assessed against the ANZ Group Performance Framework, and the CEO's performance is also assessed against this, along with his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk, audit and conduct

events that have either occurred or come to light in the year are also considered, together with input from both the Audit Committee and the Risk Committee of the Board.

6.2 Disclosed Executive performance

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

At the end of the financial year, the performance of each Disclosed Executive¹ is assessed against the ANZ Group Performance Framework (25% to 50% weighting), their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The ANZ Group Performance Framework weighting for Disclosed Executives reinforces the importance of collective accountability and contribution to Group outcomes. The respective 2023 weighting varies based on role focus:

- 50% Group performance weighting: CFO, GE Strategy & Transformation, GE T&C, and GE Technology & Group Services
- 25% Group performance weighting: CRO, GE Australia Retail, GE Australia Commercial, GE & CEO New Zealand, and GE Institutional

Similar to the ANZ Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial Discipline and Operational Resilience, Customer, and People and Culture, with Risk acting as a modifier.² The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial Discipline and Operational Resilience element weightings range from 20% to 40%.

The HR Committee seeks input from the CEO, and independent reports from Risk,

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

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

STVR and LTVR

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

As highlighted in section 4, performance against objectives impacts STVR outcomes (e.g., where expectations are met, STVR is likely to be awarded around target which equates to 80% of maximum opportunity). The degree of variance in individual STVR outcomes reflect the weighting of the Group component (i.e., roles with 50% Group weighting will generally have less differentiation), and relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. The outcomes demonstrate the at risk nature of STVR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2023 STVR for Disclosed Executives is 89% of maximum opportunity (ranging from 80% to 100%).

LTVR under the new remuneration structure was awarded for the first time in 2023, with a pre grant assessment (focused on risk measures) resulting in a full RR award. A pre vest assessment will determine the number of RR that ultimately vest, and performance against TSR hurdles will determine the level of vesting of PR. LTVR (RR and PR) is designed to strengthen the alignment of executive interests with shareholders, and PR provide a strong link between the reward for executive performance and TSR returns over the next four-year period.

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

7 STRUCTURE AND DELIVERY: REMUNERATION

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

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

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

The CEO and Disclosed Executives' variable remuneration is comprised of STVR and LTVR consistent with external market practice.

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

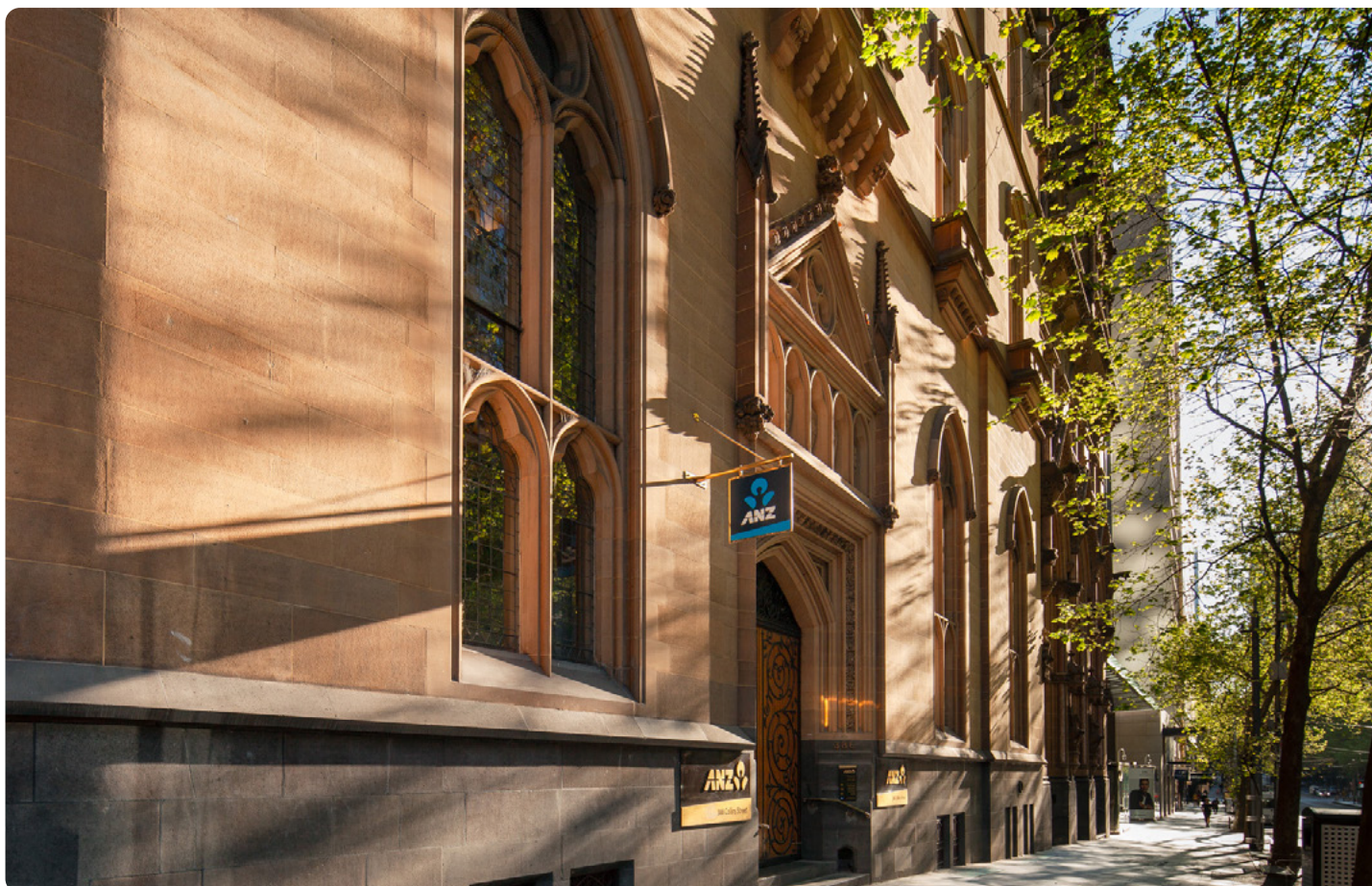
In considering variable remuneration outcomes the HR Committee and Board reflect on the **application of ANZ's Reward Principles**:

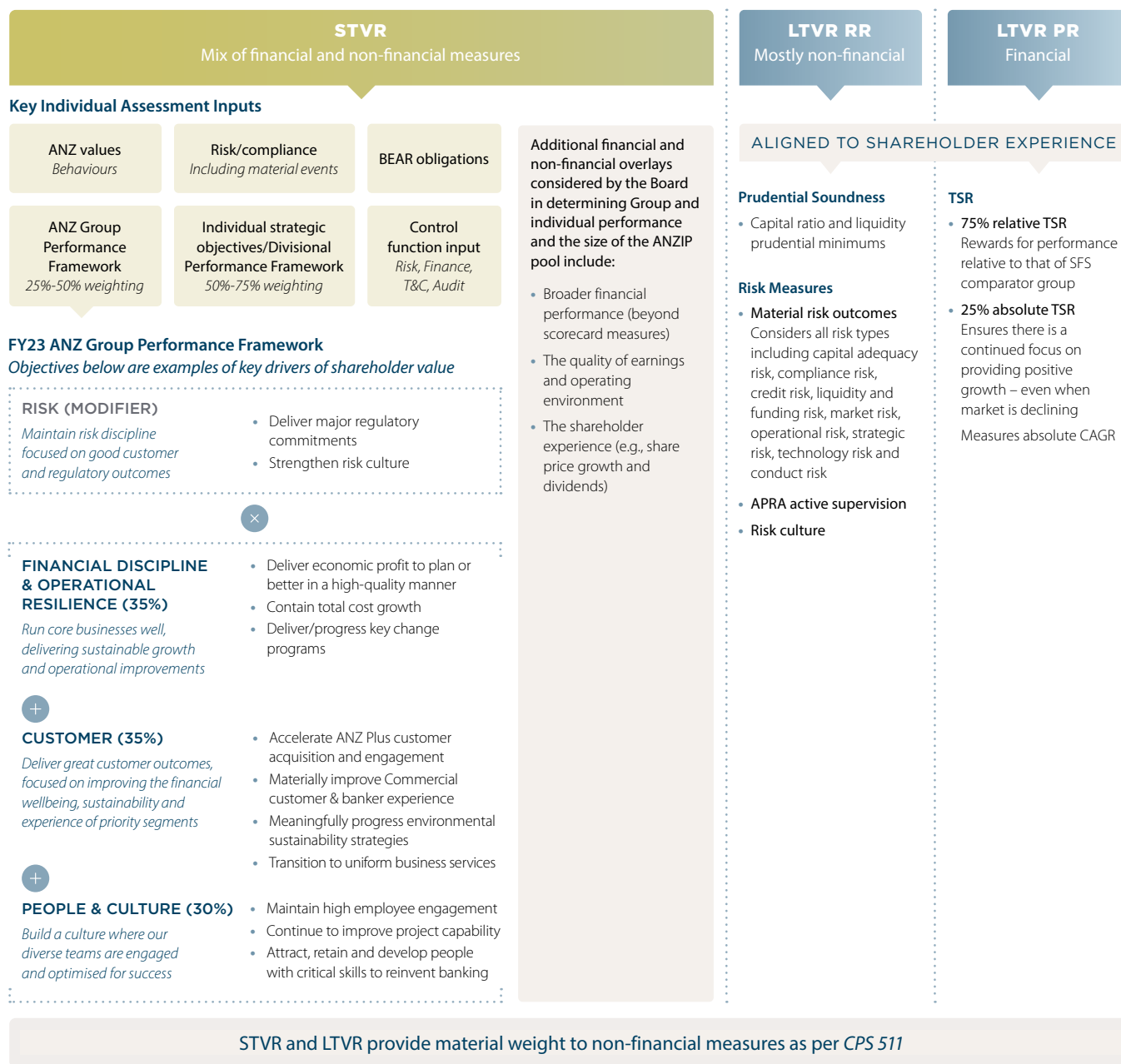
- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience and expectations of a range of stakeholders (including shareholders, customers, employees, community and regulators).
- **Attract, motivate and keep great people:** In determining remuneration outcomes, the Board acknowledges the importance of balancing performance with being market competitive to ensure retention of key talent – particularly in a competitive talent landscape.
- **Focus on how things are achieved as much as what is achieved:** The Board ensures that appropriate consideration and weight is given to performance against objectives (which includes a risk

modifier), a risk assessment (capturing financial and non-financial risks), and how that performance was achieved (i.e., in accordance with our values and purpose).

- **Fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

Variable remuneration outcomes are based on a range of measures (as illustrated overleaf), with material weight provided to non-financial measures in accordance with Prudential Standard *CPS 511 Remuneration*. Our variable remuneration approach has a strong focus on driving long-term sustainable outcomes for shareholders. For example, STVR outcomes include a number of objectives that are considered key drivers of shareholder value, and the significant weighting to the LTVR component (around 60% of VR) as well as 50% of STVR delivered as ANZ shares, aligns a large proportion of executive remuneration to the shareholder experience (in respect of the share price and dividend).





By deferring a significant portion of variable remuneration (around 80% of maximum opportunity for the CEO and Disclosed Executives and 75% for the CRO), we seek to ensure alignment with shareholder interests, to deliver on ANZ's strategic objectives, and to ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer-term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes including:

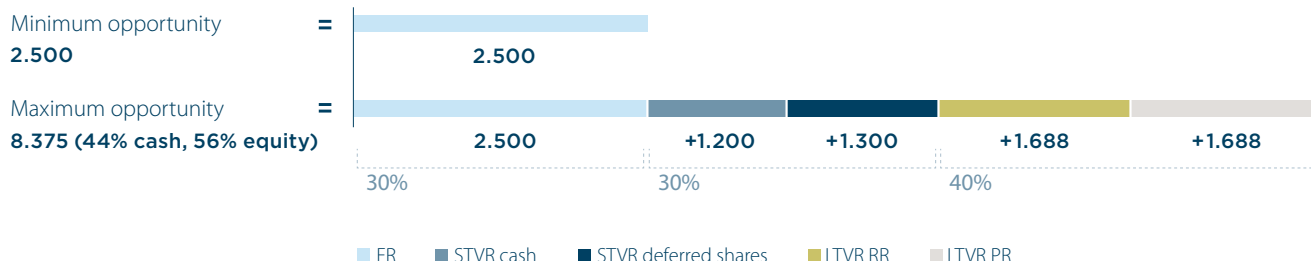
- STVR and LTVR outcomes for each financial year;
- LTVR vesting outcomes (pre vest assessment);
- Consideration of malus or further deferral before any scheduled release of previously deferred remuneration;
- Consideration of clawback for up to two years post payment or vesting of variable remuneration. See section 7.3.

7.1 Remuneration mix

The CEO and Disclosed Executives¹ have an aligned remuneration mix (30% FR, 30% STVR and 40% LTVR at maximum opportunity), and structure (with the exception of longer deferral for the CEO in line with APRA's deferral requirements).

CEO

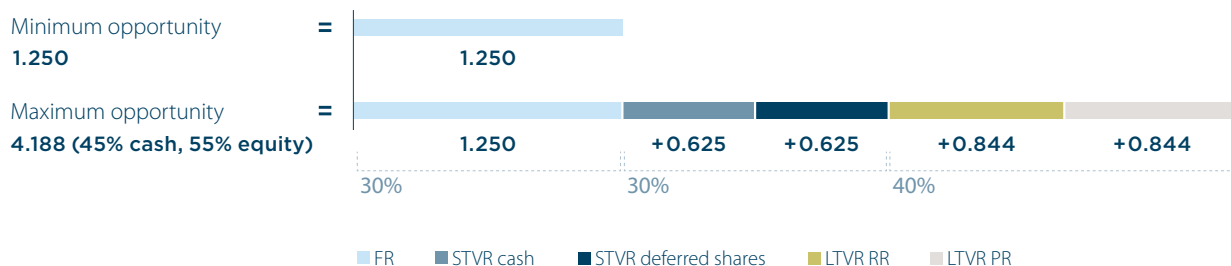
Remuneration mix – CEO (\$m)



Disclosed Executives

The dollar amounts in the below example are for illustrative purposes only, and are based on the FR value of \$1.25m.

Remuneration mix – Disclosed Executives¹ (\$m)



1. Excluding CRO and Acting GE T&C.

CRO

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

While the STVR opportunity (100% of FR) is the same as the CEO and Disclosed Executives, the LTVR opportunity is different (100% of FR instead of 135% of FR) reflecting the delivery of LTVR as 100% RR (instead of 50% RR and 50% PR). Maximum variable remuneration opportunity is 200% of FR for the CRO. The remuneration mix is 33.3% FR/33.3% STVR/33.3% LTVR.

Acting GE T&C

Due to the acting nature of R Howell's appointment his remuneration arrangements differ to other Disclosed Executives. For the time spent in this acting role, his FR was set at \$700k per annum from 1 June 2023 and increased to \$703k from 1 July 2023 (due to the impact of the Superannuation Guarantee rate change). His VR maximum opportunity was set at

150% of FR (his remuneration mix is therefore 40% FR/60% VR). His VR will be delivered as 60% cash and 40% as shares deferred over years 4 to 5 to ensure compliance with CPS 511 deferral requirements.

7.2 Variable remuneration delivery

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO and Acting GE T&C) is delivered as follows:

- STVR as 50% cash and 50% shares deferred equally over years 2 and 3; and
- LTVR as RR and PR deferred over:
 - year 4 (33%), year 5 (33%) and year 6 (34%) for the CEO; and
 - year 4 (50%) and year 5 (50%) for Disclosed Executives.

Both RR and PR are tested against the relevant performance condition at the end of the four-year performance period and are then subject to additional holding period(s) until the completion of the respective deferral periods.

At target performance, 63% of variable remuneration for the CEO and Disclosed Executives, and 56% of variable remuneration for the CRO is deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives. If the CEO receives above target STVR (as is the case in 2023), the amount above target will be delivered as 40% cash and 60% deferred shares (20% year 4, 20% year 5, 20% year 6) to ensure compliance with the minimum deferral requirements with respect to BEAR and APRA's Prudential Standard *CPS 511 Remuneration*.

Before any scheduled release of deferred remuneration, the Board considers whether malus should be applied to previously deferred remuneration (or further deferral of vesting), or clawback to variable remuneration previously granted, for the CEO and Disclosed Executives. See section 7.3.

7.2.1 STVR CASH – CEO AND DISCLOSED EXECUTIVES

The cash component of STVR is paid to executives at the end of the annual Performance and Remuneration Review (December 2023), and is subject to clawback for two years post payment.

7.2.2 STVR DEFERRED SHARES – CEO AND DISCLOSED EXECUTIVES

By deferring 50% of an executives' STVR as deferred shares over years two and three (and it remaining subject to malus and clawback), we enable a substantial amount of their STVR to be directly linked to delivering shareholder value. We grant deferred shares in respect of performance for the financial year ending 30 September in late November each year.

For deferred variable remuneration for the CEO and Disclosed Executives, we calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the five trading days leading up to and including 1 October (i.e., in line with the beginning of the financial year). Allocations prior to the 2022 financial year were based on the VWAP in the five trading days leading up to and including the date of grant. The VWAP used for disclosure and expensing purposes is the one-day VWAP at the date of grant, which is in line with the Accounting Standard.

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

7.2.3 LTVR – CEO AND DISCLOSED EXECUTIVES¹

LTVR reinforces the focus on achieving longer term strategic objectives, driving outperformance relative to peers, and creating long-term sustained value for all stakeholders. The following table details design features common to both LTVR RR and PR.

This section details the LTVR approach that applied to the 2023 LTVR award granted in November/ December 2022, and to the GE Australia Commercial in September 2023.

| LTVR ELEMENT | DETAIL |
|---------------------------|--|
| Description | RR and PR provide a right to acquire one ordinary ANZ share at nil cost – as long as applicable time and performance conditions are met. Their future value may range from zero to an indeterminate value. The value depends on performance against the applicable performance condition and on the share price at the time of exercise. |
| Performance period | Both RR and PR have a four-year performance period commencing from 1 October and ending four years later on 30 September (e.g., 1 October 2022 to 30 September 2026 for the 2023 grant), noting that LTVR is awarded at the start of the financial year (rather than the end). A four-year performance period provides sufficient time for longer term performance to be reflected. |
| Deferral periods | The deferral period is the sum of the four-year performance period and the applicable holding period. The holding period commences the day after the end of the four-year performance period (e.g., 1 October 2026 in the case of the 2023 LTVR award), and finishes on the 4 th , 5 th or 6 th anniversary of grants. |
| Exercise period | Rights can only be exercised at the end of the relevant deferral period (4, 5 or 6 years) when the rights vest and become exercisable. There is a two-year exercise period which commences at the end of the relevant deferral period for RR and PR. |
| Expensing | ANZ engages PricewaterhouseCoopers to independently determine the fair value of RR and PR, which is only used for expensing for accounting purposes. They consider factors including: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date. |
| Dividends | A dividend equivalent payment (DEP) is paid in cash at the end of the relevant deferral period, but is only made to the extent that all or part of the underlying rights meet the relevant performance condition and vest to the individual. Dividend equivalent payments accrue over the full deferral period for RR, and only during the holding period for PR. |
| Allocation basis | The value the Board uses to determine the number of RR and PR to be allocated to the CEO and Disclosed Executives is the face value of ANZGHL shares traded on the ASX in the five trading days leading up to and including 1 October (beginning of the financial year and LTVR performance period). LTVR is awarded around the start of the financial year in late November for Disclosed Executives and December for the CEO (subject to shareholder approval). |

1. Excluding Acting GE T&C.



7.2.4 LTVR RESTRICTED RIGHTS – CEO AND DISCLOSED EXECUTIVES¹

The award of RR ensures that LTVR provides material weight to non-financial measures (as required under APRA's Prudential Standard *CPS 511 Remuneration*), as well as supporting long-term alignment with shareholders.

Having a risk-based focus reflects the intent of the Prudential Standard *CPS 511 Remuneration* in ensuring remuneration arrangements appropriately incentivise individuals to prudently manage risks. The performance conditions are designed to ensure there is focus on both material risk events and building a strong risk culture over the longer term.

| LTVR ELEMENT | PERFORMANCE CONDITION DETAIL | | | | | | |
|---|--|---|--------------------------------|----------------------------------|---|---|---|
| <p>RR pre grant and pre vest assessments</p> | <p>Pre grant assessment purpose: Determines whether any reduction should be made to RR award value and is primarily based on outcomes in the prior financial year.</p> <p>Pre vest assessment purpose: Determines whether the RR amount awarded should vest in full and is based on outcomes over the four-year performance period.</p> <p>The pre grant and pre vest assessments also take into consideration any adjustments already applied for the same event/outcomes in either the current or prior years (i.e., adjustments to STVR and LTVR, malus and clawback), to ensure the overall impact is fair and proportionate to the severity of the outcome. Therefore, given other remuneration adjustments are likely to be considered first, and as the award of RR is future focused, it is anticipated that RR will be allocated at full value in most years – unless the outcome of the following three assessment steps determines otherwise.</p> <table border="1" data-bbox="352 913 1479 1518"> <thead> <tr> <th data-bbox="352 913 667 987">STEP 1 Assess Prudential soundness</th> <th data-bbox="673 913 1023 987">STEP 2 Assess risk measures</th> <th data-bbox="1029 913 1479 987">STEP 3 Apply Board discretion</th> </tr> </thead> <tbody> <tr> <td data-bbox="352 996 667 1518"> <ul style="list-style-type: none"> Nil award if ANZ does not meet capital ratio and liquidity prudential minimums. </td> <td data-bbox="673 996 1023 1518"> <ul style="list-style-type: none"> Consideration of any Material Risk Outcomes from executive actions or inactions which is expected to/or has resulted in significant impacts. Consideration of any significant adverse change in APRA's Active Supervision level. Consideration of Risk Culture (additional measure for pre vest) that examines whether or not ANZ has maintained (or made progress towards) a sound risk culture, considering both executive actions or inactions. </td> <td data-bbox="1029 996 1479 1518"> <ul style="list-style-type: none"> Board to determine whether any reduction should be made to LTVR RR outcome based on consideration of a range of factors, including: <ul style="list-style-type: none"> the outcomes from steps 1 and 2; the impact, if any, of the issue/s on ANZ's reputation/standing in the market; whether the issue was specific to ANZ, the banking industry or the broader market; any impacts already applied (e.g., regarding downward adjustment mechanisms, pre grant assessment impact to LTVR RR); whether any impact should be made on an individual or collective basis. </td> </tr> </tbody> </table> <p>The assessments are not intended to be formulaic given the circumstances requiring the application of Board discretion will typically be different or unique, however a Board decision making framework is in place to guide the Board in applying discretion.</p> | STEP 1 Assess Prudential soundness | STEP 2 Assess risk measures | STEP 3 Apply Board discretion | <ul style="list-style-type: none"> Nil award if ANZ does not meet capital ratio and liquidity prudential minimums. | <ul style="list-style-type: none"> Consideration of any Material Risk Outcomes from executive actions or inactions which is expected to/or has resulted in significant impacts. Consideration of any significant adverse change in APRA's Active Supervision level. Consideration of Risk Culture (additional measure for pre vest) that examines whether or not ANZ has maintained (or made progress towards) a sound risk culture, considering both executive actions or inactions. | <ul style="list-style-type: none"> Board to determine whether any reduction should be made to LTVR RR outcome based on consideration of a range of factors, including: <ul style="list-style-type: none"> the outcomes from steps 1 and 2; the impact, if any, of the issue/s on ANZ's reputation/standing in the market; whether the issue was specific to ANZ, the banking industry or the broader market; any impacts already applied (e.g., regarding downward adjustment mechanisms, pre grant assessment impact to LTVR RR); whether any impact should be made on an individual or collective basis. |
| STEP 1 Assess Prudential soundness | STEP 2 Assess risk measures | STEP 3 Apply Board discretion | | | | | |
| <ul style="list-style-type: none"> Nil award if ANZ does not meet capital ratio and liquidity prudential minimums. | <ul style="list-style-type: none"> Consideration of any Material Risk Outcomes from executive actions or inactions which is expected to/or has resulted in significant impacts. Consideration of any significant adverse change in APRA's Active Supervision level. Consideration of Risk Culture (additional measure for pre vest) that examines whether or not ANZ has maintained (or made progress towards) a sound risk culture, considering both executive actions or inactions. | <ul style="list-style-type: none"> Board to determine whether any reduction should be made to LTVR RR outcome based on consideration of a range of factors, including: <ul style="list-style-type: none"> the outcomes from steps 1 and 2; the impact, if any, of the issue/s on ANZ's reputation/standing in the market; whether the issue was specific to ANZ, the banking industry or the broader market; any impacts already applied (e.g., regarding downward adjustment mechanisms, pre grant assessment impact to LTVR RR); whether any impact should be made on an individual or collective basis. | | | | | |
| <p>Material risk outcomes process</p> | <p>The consideration of material risk outcomes is a key process that forms part of our broader Accountability and Consequence Framework (A&CF) (see section 8), and is a comprehensive bottom-up process designed to ensure that all relevant events are surfaced and considered appropriately. Key steps include:</p> <ul style="list-style-type: none"> Risk, conduct and audit events are reported in ANZ's Compliance & Operational Risk System. Divisional Accountability Groups review serious risk, conduct and audit events, and provide recommendations regarding accountability and consequences, where appropriate. Enterprise Accountability Group (EAG) reviews recommendations of the Divisional Accountability Groups and make final determination (with some exceptions where local Board approval is required or for material risk takers and other non-administrative direct reports to the CEO, where Board approval is required). HR Committee reviews most serious risk, conduct and audit events (as part of independent report from CRO) and determines impacts at the Group, Division and individual level for the CEO and ExCo. | | | | | | |

1. Excluding Acting GE T&C.

7.2.5 LTVR PERFORMANCE RIGHTS – CEO AND DISCLOSED EXECUTIVES EXCLUDING THE CRO¹

| LTVR ELEMENT | PERFORMANCE CONDITION DETAIL | | | | | | | | |
|--|---|---|-------------------------------------|--|--------|--|--|--|---------|
| <p>Performance rights hurdles</p> | <p>The PR have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. There are two TSR performance hurdles for the 2023 grants of PR:</p> <ul style="list-style-type: none"> • 75% will be measured against a relative TSR hurdle. • 25% will be measured against an absolute TSR hurdle. <p>TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance. The combination of relative and absolute TSR hurdles provides balance to the plan by:</p> <ul style="list-style-type: none"> • Relative: rewarding executives for performance that exceeds that of comparator companies; and • Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining. <p>The two hurdles measure separate aspects of performance:</p> <ul style="list-style-type: none"> • the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and • the absolute Compound Annual Growth Rate (CAGR) TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes. <p>We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether any PR becomes exercisable. We measure relative and absolute TSR hurdles independently from the other – for example one may vest fully or partially but the other may not vest.</p> | | | | | | | | |
| <p>Relative TSR hurdle for PR</p> | <p>The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.</p> <p>For future LTVR awards of PR (i.e., from financial year 2024), the Board approved for DBS Bank Limited to be removed from the comparator group (noting that this change does not apply to awards currently on foot). This change reflects the need to better balance the weighting of international peers in our comparator group to more appropriately reflect the change in capital allocated to Asia compared to when international comparators were originally included in 2015 (as part of the super regional strategy at that time). When considering an appropriate cohort of peers for benchmarking TSR performance, the Board take into consideration organisations with a similar scope of activities, common geographical focus, broadly comparable risk compliance and regulatory profiles, and relative stability and transparency across market cycles.</p> <table border="1" data-bbox="344 1500 1458 1715"> <thead> <tr> <th data-bbox="344 1500 861 1568">If our TSR when compared to the TSR of the comparator group</th> <th data-bbox="868 1500 1458 1568">then the percentage of PR that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="344 1576 861 1612">is less than the 50th percentile</td> <td data-bbox="868 1576 1458 1612">is nil</td> </tr> <tr> <td data-bbox="344 1621 861 1680">reaches at least the 50th percentile, but is less than the 75th percentile</td> <td data-bbox="868 1621 1458 1680">is 50% plus 2% for every one percentile increase above the 50th percentile</td> </tr> <tr> <td data-bbox="344 1688 861 1715">reaches or exceeds the 75th percentile</td> <td data-bbox="868 1688 1458 1715">is 100%</td> </tr> </tbody> </table> | If our TSR when compared to the TSR of the comparator group | then the percentage of PR that vest | is less than the 50 th percentile | is nil | reaches at least the 50 th percentile, but is less than the 75 th percentile | is 50% plus 2% for every one percentile increase above the 50 th percentile | reaches or exceeds the 75 th percentile | is 100% |
| If our TSR when compared to the TSR of the comparator group | then the percentage of PR that vest | | | | | | | | |
| is less than the 50 th percentile | is nil | | | | | | | | |
| reaches at least the 50 th percentile, but is less than the 75 th percentile | is 50% plus 2% for every one percentile increase above the 50 th percentile | | | | | | | | |
| reaches or exceeds the 75 th percentile | is 100% | | | | | | | | |

1. Excluding Acting GET&C.

| LTVR ELEMENT | PERFORMANCE CONDITION DETAIL | | | | | | | | | | |
|---|--|---------------------------------|--|---------------------|--------|-----------|--------|---|---|----------------------------|---------|
| <p>Absolute TSR hurdle for PR</p> | <p>The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for the PR award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital (CoC). The CoC is determined using methodologies including the Capital Asset Pricing Model (CAPM). The CoC is regularly reviewed and updated to reflect current market conditions. Due to the prospective nature of the 2023 PR and given the increased volatility in the 10-year bond rate, the Board determined it was appropriate to use the 2H average CoC as the CAGR TSR target for the 2023 PR.</p> <table border="1" data-bbox="360 595 1479 842"> <thead> <tr> <th data-bbox="360 595 847 649">If the absolute CAGR of our TSR</th> <th data-bbox="852 595 1479 649">then the percentage of 2023 PR that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="360 656 847 689">is less than 9.125%</td> <td data-bbox="852 656 1479 689">is nil</td> </tr> <tr> <td data-bbox="360 696 847 730">is 9.125%</td> <td data-bbox="852 696 1479 730">is 50%</td> </tr> <tr> <td data-bbox="360 736 847 801">reaches at least 9.125%, but is less than 13.688%</td> <td data-bbox="852 736 1479 801">is progressively increased on a pro-rata, straight-line, basis from 50% to 100%</td> </tr> <tr> <td data-bbox="360 808 847 842">reaches or exceeds 13.688%</td> <td data-bbox="852 808 1479 842">is 100%</td> </tr> </tbody> </table> <p>For future LTVR awards of PR (i.e., from financial year 2024), the CAGR TSR hurdle will be based on the time weighted CoC over the four-year performance period of the PR. Therefore, the CAGR TSR target will be adjusted on a time weighted basis unless the Board applies discretion not to adjust. The CoC will be reviewed by the Board on a quarterly basis based on the output from the CAPM methodology (which takes into consideration the risk-free bond rate, the market risk premium and the beta – i.e., the volatility of ANZ's historical share price relative to the market). Any CoC changes approved by the Board throughout the performance period are prospective only (i.e., reflect current market factors) and will form part of the dynamic absolute TSR target calculation. Moving to a dynamic target that reflects the changes in CoC over the performance period (rather than a static target at the beginning of the performance period), is more responsive to changes in both interest rates and risks, and is considered more appropriate and fairer from both an investor and executive perspective, and supports better shareholder alignment.</p> | If the absolute CAGR of our TSR | then the percentage of 2023 PR that vest | is less than 9.125% | is nil | is 9.125% | is 50% | reaches at least 9.125%, but is less than 13.688% | is progressively increased on a pro-rata, straight-line, basis from 50% to 100% | reaches or exceeds 13.688% | is 100% |
| If the absolute CAGR of our TSR | then the percentage of 2023 PR that vest | | | | | | | | | | |
| is less than 9.125% | is nil | | | | | | | | | | |
| is 9.125% | is 50% | | | | | | | | | | |
| reaches at least 9.125%, but is less than 13.688% | is progressively increased on a pro-rata, straight-line, basis from 50% to 100% | | | | | | | | | | |
| reaches or exceeds 13.688% | is 100% | | | | | | | | | | |
| <p>Calculating TSR performance</p> | <p>When calculating performance against TSR, we:</p> <ul style="list-style-type: none"> • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, to calculate ANZ's performance against both the absolute and relative TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting. | | | | | | | | | | |

7.3 Downward adjustment – Board discretion

The Board can exercise its discretion to apply a number of downward adjustment options as part of consequence management (in accordance with applicable law and any terms and conditions provided). The Board may choose to exercise the following options or a combination of these at any time, but will always consider their use if any of the circumstances specified by Prudential Standard *CPS 511 Remuneration* occur. The downward adjustment options specified in #1 to #3 below are applicable to all employees, while clawback (#4) in 2023 is currently limited to select employees (primarily the CEO, Disclosed Executives and some senior employees in jurisdictions where clawback regulations apply):

- 1. In year adjustment**, the most common type of downward adjustment, which reduces the amount of variable remuneration an employee may have otherwise been awarded for that year.
- 2. Further deferral/freezing** delays the decision to pay/allocate variable remuneration, or further defers the vesting of deferred remuneration or freezes vested/unexercised shares and rights. This would typically only be considered where an investigation is pending/underway.
- 3. Malus** is an adjustment to reduce the value of all or part of deferred remuneration before it has vested. Malus is used in cases of more serious performance or behaviour issues. Any and all variable remuneration we award or grant to an employee is subject to ANZ's on-going and absolute discretion to apply malus and adjust variable remuneration downward (including to zero) at any time before the relevant variable remuneration vests.
- 4. Clawback** is the recovery of variable remuneration that has already vested or been paid (up to two years from vesting/payment or a longer period as determined by Board discretion, policy or applicable law). This would typically only be considered if the other types of downward adjustment/other consequences are considered inadequate given the severity of the situation.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the Enterprise Accountability Group (EAG) (for other employees) considers whether any further deferral, malus, or clawback should be applied. See section 8 for details.

8

ACCOUNTABILITY AND CONSEQUENCE FRAMEWORK

The Enterprise Accountability Group (EAG) is the primary governance mechanism for the operation of the Accountability and Consequence Framework (A&CF).

8.1 Role of the EAG

The EAG is chaired by the CEO and members include the CRO, CFO and GET&C. It operates under the delegated authority of the HR Committee and is responsible for:

- supporting the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF;
- reviewing the most material risk, conduct and audit events for accountability and the application of consequences, where appropriate;
- providing guidance to the Divisions and considering initiatives across the Divisions to strengthen risk behaviours;
- acknowledging material positive risk events and recognising risk role models, whose achievements are profiled across the organisation; and
- approving the release or application of downward adjustment for deferred variable remuneration (noting that for the CEO and Disclosed Executives this is approved by the Board).

8.2 Material positive risk events

The EAG review material positive risk decisions and events – times when our proactive approach to identifying and mitigating risk have had a material positive outcome. Reviewing these examples provides an opportunity to acknowledge the importance of these events and share learnings across the enterprise.

8.3 Risk role models

In 2023, 81 individuals were recognised by the EAG for role modelling outstanding risk behaviours through their efforts to identify, manage and mitigate the organisation's risks and contribute to our strong risk culture. Recognition provided included a personalised e-mail from the CEO, local recognition events, and having their achievement profiled on our intranet and in internal newsletters.

8.4 Compliance with Prudential Standard CPS 511 Remuneration

ANZ's A&CF is an integral part of our enterprise approach to meeting the requirements of APRA Prudential Standard CPS 511 Remuneration.

We introduced clawback provisions for the CEO and our Disclosed Executives effective 2022, in addition to existing downward adjustment tools such as in year adjustment, further deferral and malus.

In 2023, we have continued to raise employee awareness with respect to accountability and consequences through explicit references to the A&CF (including remuneration consequences) in employee training and communications and performance and remuneration policy documents.

In addition, as part of our annual performance and remuneration process, we have provided our People Leaders with guidance regarding appropriate (and in some cases, mandatory) remuneration consequences for conduct and performance issues, including insights from the previous year's consequences applied. These activities are part of our continued focus on consistency in application of remuneration consequence across ANZ globally.

8.5 Consideration of consequences for material risk, audit and conduct events

The EAG has processes in place to ensure that we mitigate the risk of conflicts of interest in reviewing events and determining accountability and consequences. For example, when undertaking accountability reviews, a recommendation regarding the review leader and scope must be sent to the CRO (or in the case of an event involving Group Risk to the CEO), for review and approval to ensure the individual is capable of undertaking an impartial and unbiased review.

Considerations regarding accountability and consequences for our most senior executives are considered and determined by the HR Committee and Board.

Reports on the most material risk, audit and conduct issues were presented to the HR, Risk and Audit Committees at a concurrent meeting. This information was considered by the Board when considering the performance of the Group and the 2023 ANZIP variable remuneration pool for all employees and determining the performance and remuneration outcomes of the CEO and Disclosed Executives.

The HR Committee and Board consider accountability and consequences for the CEO and Disclosed Executives, including the application of malus and clawback (see section 7.3). No malus or clawback was applied to the remuneration of the CEO and Disclosed Executives during 2023.

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



8.6 Evolving the A&CF

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

8.7 Speak up culture

We continue to raise employee awareness of, and promote the various ways employees can speak up and raise issues and ideas for improvement including through initiatives such as:

- a global awareness campaign to mark World Whistleblower Day in June, which included a conversation guide designed to support People Leaders with team discussions on the importance of speaking up and promotion of whistleblowing;
- digital communications designed to build confidence and trust in the Whistleblower Program and process; and
- through monitoring responses in our employee engagement surveys.

Key risk and speak-up scores, including 'The People Leaders in the area I work demonstrate personal accountability for risk and sound risk behaviours' (91%), 'I can raise issues and concerns without fear of reprisals' (81%) and 'When I speak up, my ideas, opinions and concerns are heard' (84%) remained strong and consistent with 2022 and 2021 results.¹

8.8 Application of consequences

In 2023, there were 1,330 employee relations cases involving alleged breaches of our Code, with 501 resulting in a formal consequence or the employee leaving ANZ, down from 518 in 2022. Breaches ranged from compliance/procedural breaches (23%), through to general unacceptable behaviour (31.7%), email/systems misuse (9.2%), attendance issues (20.8%), fraud/theft (5.4%), conflict of interest (5.6%) and breaches of our Equal Opportunity, Bullying and Harassment Policy (3.6%). Outcomes following investigations of breaches this year included 100 terminations, 314 warnings and 87 employees leaving ANZ.

In relation to the application of consequences to our senior leadership population (senior executives, executives and senior managers), 30 current and former employees (21 in 2022) had a consequence applied as a result of the application of our Code of Conduct Policy and/or findings of accountability for a relevant event. Consequences included warnings, impacts on performance and remuneration outcomes and dismissal.

All employees and contractors across the enterprise are required to complete mandatory learning modules. Permanent employees who fail to complete their mandatory learning requirements within 30 days of the due date are (in the absence of genuinely exceptional circumstances) ineligible for any FR increase or variable remuneration award as part of our annual Performance and Remuneration Review. In 2023, the mandatory learning course compliance rate across the enterprise was 99.6%.

¹ Results reported are taken from the Q2 and/or Q4 employee engagement surveys, and Risk Culture Survey.

9

NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

9.1 Remuneration structure

The HR Committee reviewed NED fees and determined not to increase fees for 2023.

For 2024, the HR Committee has reviewed and approved a 2% increase to the NED member fee (from \$240,000 to \$245,000) which has remained unchanged since 2016. The Board Chairman fee remains unchanged. Following review, the HR Committee also approved the alignment of the fee structure across all Committees increasing each Committee chair fee to \$68,000, and each Committee member fee to \$34,000. This fee review considered increased complexity in the regulatory environment, uplifts for ANZ's broader employee population, and the external market.

The fee structure is applicable to NEDs of ANZGHL and ANZBGL. Fees prior to the implementation of the Non-Operating Holding Company (NOHC) structure related to membership of the ANZBGL Board, and post implementation are viewed as a single fee covering both Boards (i.e., membership of ANZGHL and ANZBGL Boards/Committees). Currently the fee structure applies irrespective of whether NEDs serve on one or more Boards.

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

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

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

To maintain NED independence and impartiality:

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

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

This table shows the NED fee policy structure for 2023.

2023 NED fee policy structure

| | 2023 | |
|--|-----------|------------|
| | Chair fee | Member fee |
| Board ^{1,2} | \$850,000 | \$240,000 |
| Audit Committee | \$65,000 | \$32,500 |
| Risk Committee | \$65,000 | \$32,500 |
| HR Committee | \$65,000 | \$32,500 |
| Digital Business & Technology Committee | \$55,000 | \$27,500 |
| Ethics, Environment, Social & Governance Committee | \$55,000 | \$27,500 |

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

NED shareholding guidelines

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

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

Based on the ANZ share price as at 30 September 2023, all NEDs meet or, if less than five years' tenure, are on track to meet the holding guideline.

9.2 2023 Statutory remuneration – NEDS

The following table outlines the statutory remuneration of NEDs¹ disclosed in accordance with Australian Accounting Standards.

1. In addition to the fee shown below, Sir John Key received NZD 422,050 in 2022 and 2023 for his role as Chairman of ANZ Bank New Zealand Limited.

2023 Statutory remuneration – NEDS

| | Financial year | Short-term NED benefits | | Post-employment | Total remuneration ³ \$ |
|---|----------------|-------------------------|--|--|---------------------------------------|
| | | Fees ¹ \$ | Non monetary benefits ² \$ | Super contributions ¹ \$ | |
| CURRENT NON-EXECUTIVE DIRECTORS | | | | | |
| P O'Sullivan | 2023 | 824,181 | - | 25,819 | 850,000 |
| | 2022 | 813,501 | 6,128 | 23,999 | 843,628 |
| I Atlas | 2023 | 339,181 | - | 25,819 | 365,000 |
| | 2022 | 330,751 | - | 23,999 | 354,750 |
| J Halton | 2023 | 329,181 | - | 25,819 | 355,000 |
| | 2022 | 318,001 | - | 23,999 | 342,000 |
| G Hodges⁴ | 2023 | 176,745 | - | 17,102 | 193,847 |
| J Key | 2023 | 301,681 | - | 25,819 | 327,500 |
| | 2022 | 290,251 | - | 23,999 | 314,250 |
| H Kramer⁴ | 2023 | 35,841 | - | 3,942 | 39,783 |
| J Macfarlane | 2023 | 336,443 | - | 25,819 | 362,262 |
| | 2022 | 301,501 | - | 23,999 | 325,500 |
| C O'Reilly⁴ | 2023 | 344,181 | - | 25,819 | 370,000 |
| | 2022 | 302,863 | - | 22,579 | 325,442 |
| J Smith⁴ | 2023 | 298,889 | - | 25,819 | 324,708 |
| | 2022 | 36,003 | - | 3,780 | 39,783 |
| FORMER NON-EXECUTIVE DIRECTORS | | | | | |
| G Liebelt⁴ | 2023 | 72,439 | 2,104 | - | 74,543 |
| | 2022 | 360,427 | - | 6,323 | 366,750 |
| Total of all Non-Executive Directors | 2023 | 3,058,762 | 2,104 | 201,777 | 3,262,643 |
| | 2022 | 2,753,298 | 6,128 | 152,677 | 2,912,103 |

1. Year-on-year differences in fees relate to changes to the NED fees and also to the superannuation Maximum Contribution Base. G Liebelt elected to receive all payments in fees and therefore did not receive superannuation contributions during 2022 and 2023 with exception to fees paid in Q422. 2. Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking and gifts provided upon retirement. 3. Long-term benefits and share-based payments do not apply for the NEDs. 4. Remuneration based on time as a NED (2022 for C O'Reilly and J Smith, 2023 for G Hodges, H Kramer and G Liebelt).

10 REMUNERATION GOVERNANCE

10.1 The Human Resources (HR) Committee

10.1.1 ROLE OF THE HR COMMITTEE

The HR Committee has been established by the ANZGHL Board, and has been delegated authority to act as the remuneration committee for ANZBGL. The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

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

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) in accordance with the ANZ Group Performance and Remuneration Policy and ANZBGL Performance and Remuneration Policy, and fees for the NEDs;
- matters related to the implementation of APRA's Prudential Standard *CPS 511 Remuneration*, and updates on the BEAR, and Treasury's Financial Accountability Regime (FAR);
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material events that have either occurred or came to light in the year;
- the release, further deferral or application of malus or deferred remuneration or clawback;
- key senior executive appointments and terminations;
- the review of the ANZ Group Performance and Remuneration Policy and ANZBGL Performance and Remuneration Policy, and the Accountability & Consequence Framework (A&CF);
- building capabilities required to deliver on our strategy;

- succession plans for key senior executives; and
- culture, diversity and inclusion, employee engagement, and how we work in a post COVID environment.



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

10.1.2 LINK BETWEEN REMUNERATION AND RISK

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

- material risk, conduct and audit events that either occurred or came to light in 2023;
- 2023 performance and variable remuneration recommendations at both the Group, CEO and Disclosed Executive level.

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

- the Board had two NEDs (in addition to the Chairman) in 2023 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO (together with GE T&C and GGM IA) provides an independent report to the HR Committee on the most material risk, conduct and audit events (as relevant) to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level;

- the CRO also provides an independent report to assist the Board in their assessment of performance and remuneration outcomes for the CEO and Disclosed Executives;
- the chairs of the Risk and Audit Committees are asked to provide input to ensure appropriate consideration of all relevant risk and internal audit issues;
- the ANZ Group Performance Framework and Divisional Performance Frameworks include Risk as a key element acting as a modifier, and it forms an integral part of each framework's assessment and directly impacts the overall outcomes; and
- the LTVR RR pre grant and pre vest assessments undertaken by the Board are primarily based on non-financial risk outcomes.

10.1.3 CONFLICT OF INTEREST

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's STVR is funded and determined separately from the ANZIP variable remuneration pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role;
- the EAG also has processes in place to help mitigate conflicts of interest as outlined in section 8; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
 - independent reports from Risk, Finance, Talent and Culture, and Internal Audit;
 - material risk, conduct and audit event data provided by the CRO;
 - input from both the Audit Committee and the Risk Committee of the Board.

10.1.4 EXTERNAL ADVISORS PROVIDED INFORMATION BUT NOT RECOMMENDATIONS

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external advisors: Aon, Ashurst, Deloitte, EY, Guerdon Associates, Herbert Smith Freehills, PayIQ Executive Pay and PricewaterhouseCoopers. This information related to market data, market practices, analysis and modelling, legislative requirements and the interpretation of governance and regulatory requirements.

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

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

purpose and values, risk appetite and the Performance and Remuneration Policies and Principles.

10.2 Internal governance

10.2.1 HEDGING PROHIBITION

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

10.2.2 CEO AND DISCLOSED EXECUTIVES' SHAREHOLDING GUIDELINES

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

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

Executives are permitted to sell ANZ securities to meet taxation obligations on employee equity even if below the 200% guideline. However, tax obligations for the purpose of these guidelines is limited to that arising from the initial taxing point event (i.e., when the deferred shares vest or rights are exercised).

Shareholdings include all vested and unvested equity (excluding PR). Based on equity holdings as at 30 September 2023, the CEO and all Disclosed Executives meet or, if less than five years' tenure, are on track to meet their minimum shareholding guidelines requirements.

10.2.3 CEO AND DISCLOSED EXECUTIVES' CONTRACT TERMS AND EQUITY TREATMENT

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

| | |
|--|--|
| Type of contract | Permanent ongoing employment contract. |
| Notice on resignation | <ul style="list-style-type: none"> • 12 months by CEO; • 6 months by Disclosed Executives.¹ |
| Notice on termination by ANZ² | <ul style="list-style-type: none"> • 12 months by ANZ for CEO and Disclosed Executives.³ <p>However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of FR up to the date of their termination and their statutory entitlements.</p> |
| How unvested equity is treated on leaving ANZ | <p>Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise.</p> <p>If an executive is terminated due to redundancy or they are classified as a 'good leaver', unless the Board determines otherwise, then:</p> <ul style="list-style-type: none"> • their STVR (deferred shares/share rights) remain on foot and are released at the original vesting date; • their LTVR (RR/PR) (for grants awarded from 31 December 2020) remain on foot and are released at the original vesting date (to the extent that the performance hurdles are met); and • their PR⁴ (for grants awarded pre 31 December 2020) are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). <p>On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.</p> |
| Change of control (applies to the CEO only) | If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's LTVR (RR/PR). They will vest to the extent that the performance conditions are satisfied. |

1. 3 months by the former Acting GE T&C. **2.** For M Carnegie, K Corbally, F Faruqui, G Florian, R Howell, C Morgan, A Strong, M Whelan and K van der Merwe, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time. For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **3.** 6 months by ANZ for the Acting GE T&C. **4.** Or deferred share rights granted to the CRO instead of PR.

11 OTHER INFORMATION

11.1 2023 Statutory remuneration – CEO and Disclosed Executives

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the FR awarded (cash and superannuation contributions) and also the cash component of the 2023 variable remuneration award, it does not show the actual variable remuneration awarded or received in 2023 (see sections 5.1 to 5.4), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2023 Statutory remuneration – CEO and Disclosed Executives

| | Financial year | Short-term employee benefits | | | Post-employment | |
|---|----------------|--------------------------------|---|--|-------------------------------|---|
| | | Cash salary ¹ \$ | Non monetary benefits ² \$ | Total cash incentive ³ \$ | Other cash ⁴ \$ | Super contributions ⁵ \$ |
| CEO AND CURRENT DISCLOSED EXECUTIVES | | | | | | |
| S Elliott | 2023 | 2,474,181 | 15,676 | 1,160,000 | - | 25,819 |
| | 2022 | 2,476,001 | 15,384 | 930,000 | - | 23,999 |
| M Carnegie | 2023 | 1,224,181 | 77,341 | 550,000 | - | 26,319 |
| | 2022 | 1,176,001 | 31,041 | 460,000 | - | 24,499 |
| K Corbally | 2023 | 1,224,181 | 10,176 | 532,500 | - | 25,819 |
| | 2022 | 1,176,001 | 9,884 | 442,500 | - | 23,999 |
| F Faruqi⁹ | 2023 | 1,224,181 | 11,423 | 600,000 | - | 25,819 |
| | 2022 | 1,159,194 | 174,222 | 579,575 | - | 4,806 |
| G Florian¹⁰ | 2023 | 1,216,181 | 23,179 | 497,500 | - | 25,819 |
| | 2022 | 1,072,169 | 18,569 | 442,500 | - | 23,999 |
| R Howell⁹ | 2023 | 224,942 | - | 180,000 | - | 6,850 |
| C Morgan^{4,9} | 2023 | 608,220 | 15,707 | 250,000 | 407,000 | 18,780 |
| A Strong⁹ | 2023 | 670,504 | - | 315,100 | - | 19,496 |
| A Watson^{8,11} | 2023 | 1,062,823 | 21,431 | 472,570 | - | 60,557 |
| | 2022 | 1,019,021 | 22,049 | 422,742 | - | 70,686 |
| M Whelan | 2023 | 1,434,181 | 10,176 | 730,000 | - | 25,819 |
| | 2022 | 1,376,001 | 9,884 | 535,000 | - | 23,999 |
| FORMER DISCLOSED EXECUTIVES | | | | | | |
| K van der Merwe¹² | 2023 | 760,635 | 7,190 | - | - | 19,865 |
| | 2022 | 976,001 | 16,034 | 400,000 | - | 24,499 |

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services and costs met by the Company in relation to relocation/accommodation. **3.** The total cash incentive relates to the cash component of STVR only. The relevant amortisation of the STVR deferred components is included in share-based payments and has been amortised over the vesting period. The total STVR was approved by the ANZBGL and ANZGHL Boards on 17 October 2023, and in addition for A Watson by the ANZ NZ Board on 17 October 2023. 100% of the cash component of the STVR awarded for the 2022 and 2023 years vested to the executive in the applicable financial year. **4.** Other cash and other equity allocations (C Morgan) relate to the employment arrangements of deferred variable remuneration forfeited and bonus opportunity forgone as a result of joining ANZ. **5.** For Australian based executives, the 2022 and 2023 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. F Faruqi's 2022 amount reflects a part year superannuation contribution. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay. KiwiSaver employer superannuation contributions are also contributed on top of cash STVR at the time of payment. **6.** For Australian based executives, long service leave accrued takes into consideration the impact of changes to the Superannuation Guarantee percentage. Year-on-year fluctuations in long service leave accrued relate to the impact of historical fixed remuneration increases on the accrual as calculated at the end of each

Long-term employee benefits

Share-based payments⁷

Total amortisation value of

Variable remuneration

Other equity allocations^{4,8}Long service leave accrued during the year⁶

| | Deferred shares \$ | Deferred share rights \$ | Restricted rights \$ | Performance rights \$ | Deferred shares \$ | Termination benefits \$ | Total remuneration \$ |
|--------|--------------------|--------------------------|----------------------|-----------------------|--------------------|-------------------------|-----------------------|
| 35,112 | 1,061,506 | - | 212,024 | 1,202,190 | - | - | 6,186,508 |
| 33,306 | 933,786 | - | - | 1,076,657 | - | - | 5,489,133 |
| 22,858 | 548,990 | - | 132,871 | 298,501 | - | - | 2,881,061 |
| 17,151 | 522,450 | - | - | 129,603 | - | - | 2,360,745 |
| 27,518 | 568,319 | 265,999 | 196,849 | - | - | - | 2,851,361 |
| 34,577 | 513,883 | 238,579 | - | - | - | - | 2,439,423 |
| 19,332 | 600,306 | 56,608 | 132,871 | 364,031 | - | - | 3,034,571 |
| 17,524 | 465,805 | 178,143 | - | 302,636 | - | - | 2,881,905 |
| 30,978 | 531,235 | - | 122,240 | 270,977 | - | - | 2,718,109 |
| 15,812 | 512,134 | - | - | 171,181 | - | - | 2,256,364 |
| 9,321 | 62,538 | - | - | - | - | - | 483,651 |
| 5,367 | 67,909 | - | 1,414 | 798 | 29,899 | - | 1,405,094 |
| 18,550 | 354,547 | - | 73,347 | 38,600 | - | - | 1,490,144 |
| 6,612 | 528,328 | - | 117,866 | 222,922 | 46 | - | 2,493,155 |
| 4,068 | 505,698 | 2,132 | - | 119,057 | 312 | - | 2,165,765 |
| 36,172 | 700,447 | - | 155,192 | 393,646 | - | - | 3,485,633 |
| 17,779 | 666,495 | - | - | 181,892 | - | - | 2,811,050 |
| - | (418,392) | - | - | (591,168) | - | 30,626 | (191,244) |
| 14,409 | 472,124 | - | - | 177,072 | - | - | 2,080,139 |

financial year. **7.** As required by AASB 2 *Share-based payments*, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity becomes exercisable. No terms of share-based payments have been altered or modified during the financial year. There were no cash settled share-based payments or any other form of share-based payment compensation during the financial year for the CEO or Disclosed Executives. **8.** Other equity allocations (A Watson) relate to shares received in relation to the historical Employee Share Offer which provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. **9.** Remuneration based on time as a Disclosed Executive in either 2022 (F Faruqui) or 2023 (R Howell, C Morgan, A Strong). **10.** Fixed remuneration reflects changes in fixed remuneration during the financial year due to expanded role (G Florian). **11.** Paid in NZD and converted to AUD. **12.** 2023 remuneration for K van der Merwe based on time as a Disclosed Executive up to date of cessation 30 June 2023 (noting her annual fixed remuneration for 2023 was \$1.04m). Share-based payments include the expensing treatment on resignation for unvested deferred remuneration (including reversals for forfeiture on resignation). Termination benefits reflect payment for accrued annual leave in accordance with her contract, payable on resignation.



| Name | Type of equity | Number granted ¹ | Equity fair value (for 2023 grants only) \$ | Grant date | First date exercisable | Date of expiry | Vested | | Lapsed/Forfeited | | Exercised/Sold | | Vested and exercisable as at 30 Sep 2023 ³ | Unexercisable as at 30 Sep 2023 ⁴ | | | |
|------------------------------------|--------------------|-----------------------------|---|------------|------------------------|----------------|--------|-----|-----------------------|----------|----------------|-----------------------|---|--|--------|---|-----------------------|
| | | | | | | | Number | % | Value ² \$ | Number | % | Value ² \$ | | | Number | % | Value ² \$ |
| FORMER DISCLOSED EXECUTIVES | | | | | | | | | | | | | | | | | |
| K van der Merwe⁶ | Deferred shares | 524 | | 22-Nov-18 | 22-Nov-19 | - | - | - | - | - | - | (524) | 100 | 12,962 | - | - | |
| | Deferred shares | 3,577 | | 22-Nov-18 | 22-Nov-20 | - | - | - | - | - | - | (3,577) | 100 | 88,481 | - | - | |
| | Deferred shares | 3,577 | | 22-Nov-18 | 22-Nov-21 | - | - | - | - | - | - | (3,577) | 100 | 88,481 | - | - | |
| | Deferred shares | 3,577 | | 22-Nov-18 | 22-Nov-22 | - | 3,577 | 100 | 88,419 | - | - | (1,192) | 33 | 29,485 | 2,385 | - | |
| | Deferred shares | 3,301 | | 22-Nov-19 | 22-Nov-22 | - | 3,301 | 100 | 81,596 | - | - | - | - | - | 3,301 | - | |
| | Deferred shares | 1,650 | | 22-Nov-19 | 22-Nov-23 | - | - | - | - | (1,650) | 100 | (39,067) | - | - | - | - | - |
| | Deferred shares | 4,293 | | 07-Dec-20 | 22-Nov-22 | - | 4,293 | 100 | 106,117 | - | - | - | - | - | 4,293 | - | |
| | Deferred shares | 2,862 | | 07-Dec-20 | 22-Nov-23 | - | - | - | - | (2,862) | 100 | (67,763) | - | - | - | - | - |
| | Deferred shares | 1,431 | | 07-Dec-20 | 22-Nov-24 | - | - | - | - | (1,431) | 100 | (33,882) | - | - | - | - | - |
| | Deferred shares | 8,579 | | 22-Nov-21 | 22-Nov-22 | - | 8,579 | 100 | 212,062 | - | - | - | - | - | 8,579 | - | |
| | Deferred shares | 6,433 | | 22-Nov-21 | 22-Nov-23 | - | - | - | - | (6,433) | 100 | (152,313) | - | - | - | - | - |
| | Deferred shares | 4,288 | | 22-Nov-21 | 22-Nov-24 | - | - | - | - | (4,288) | 100 | (101,527) | - | - | - | - | - |
| | Deferred shares | 2,144 | | 22-Nov-21 | 22-Nov-25 | - | - | - | - | (2,144) | 100 | (50,763) | - | - | - | - | - |
| | Deferred shares | 8,669 | 22.94 | 01-Oct-22 | 22-Nov-23 | - | - | - | - | (8,669) | 100 | (205,255) | - | - | - | - | - |
| | Deferred shares | 8,669 | 22.94 | 01-Oct-22 | 22-Nov-24 | - | - | - | - | (8,669) | 100 | (205,255) | - | - | - | - | - |
| | Restricted rights | 15,214 | 19.36 | 22-Nov-22 | 22-Nov-26 | 22-Nov-28 | - | - | - | (15,214) | 100 | (360,220) | - | - | - | - | - |
| | Restricted rights | 15,214 | 18.22 | 22-Nov-22 | 22-Nov-27 | 22-Nov-29 | - | - | - | (15,214) | 100 | (360,220) | - | - | - | - | - |
| | Performance rights | 25,510 | | 22-Nov-19 | 22-Nov-23 | 22-Nov-25 | - | - | - | (25,510) | 100 | (603,998) | - | - | - | - | - |
| | Performance rights | 8,503 | | 22-Nov-19 | 22-Nov-23 | 22-Nov-25 | - | - | - | (8,503) | 100 | (201,325) | - | - | - | - | - |
| | Performance rights | 23,213 | | 07-Dec-20 | 22-Nov-24 | 22-Nov-26 | - | - | - | (23,213) | 100 | (549,612) | - | - | - | - | - |
| Performance rights | 7,737 | | 07-Dec-20 | 22-Nov-24 | 22-Nov-26 | - | - | - | (7,737) | 100 | (183,188) | - | - | - | - | - | |
| Performance rights | 33,140 | | 22-Nov-21 | 22-Nov-25 | 22-Nov-27 | - | - | - | (33,140) | 100 | (784,652) | - | - | - | - | - | |
| Performance rights | 11,046 | | 22-Nov-21 | 22-Nov-25 | 22-Nov-27 | - | - | - | (11,046) | 100 | (261,535) | - | - | - | - | - | |
| Performance rights | 11,410 | 11.27 | 22-Nov-22 | 22-Nov-26 | 22-Nov-28 | - | - | - | (11,410) | 100 | (270,153) | - | - | - | - | - | |
| Performance rights | 3,803 | 7.46 | 22-Nov-22 | 22-Nov-26 | 22-Nov-28 | - | - | - | (3,803) | 100 | (90,043) | - | - | - | - | - | |
| Performance rights | 11,410 | 10.13 | 22-Nov-22 | 22-Nov-27 | 22-Nov-29 | - | - | - | (11,410) | 100 | (270,153) | - | - | - | - | - | |
| Performance rights | 3,803 | 7.32 | 22-Nov-22 | 22-Nov-27 | 22-Nov-29 | - | - | - | (3,803) | 100 | (90,043) | - | - | - | - | - | |

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2023 financial year the five highest paid executives include five Disclosed Executives. Rights granted to Disclosed Executives as remuneration in 2023 are included in the table. No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2023 up to the Directors' Report sign-off date. 2. The point in time value of deferred shares/deferred share rights and/or restricted rights/performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of deferred shares/deferred share rights and/or restricted rights/performance rights. The exercise price for all deferred share rights/restricted rights/performance rights is \$0.00. No terms or conditions of grant of the share-based payment transactions have been altered or modified during the reporting period. 3. The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable. 4. Performance rights granted in prior years (by grant date) that remained unexercisable at 30 September 2023 or date ceased as a KMP include:

| | Nov-19 | Nov-20 | Nov-21 | Nov-22 |
|------------------------|---------|---------|---------|--------|
| S Elliott | 168,066 | 159,308 | 126,353 | 73,143 |
| M Carnegie | 40,816 | 38,378 | 42,345 | 36,572 |
| K Corbally | - | - | - | - |
| F Faruqui | 69,118 | 34,045 | 54,006 | 36,572 |
| G Florian | 23,128 | 34,820 | 50,324 | 33,644 |
| R Howell | - | - | - | - |
| C Morgan | - | - | - | 18,421 |
| A Strong | - | - | - | 21,944 |
| A Watson | - | 31,389 | 51,117 | 32,442 |
| M Whelan | 72,108 | 34,045 | 60,266 | 42,716 |
| K van der Merwe | - | - | - | - |

Performance rights granted to S Elliott in 2023 were approved by shareholders at the 2022 AGM in accordance with ASX Listing Rule 10.14. 5. Equity transactions disclosed from date commenced as a Disclosed Executive. There were no disclosable transactions for R Howell. 6. Equity transactions disclosed up to date ceased as a KMP.

11.2.2 NED, CEO AND DISCLOSED EXECUTIVES' EQUITY HOLDINGS

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

Equity holdings – NED, CEO and Disclosed Executives

| Name | Type of equity | Opening balance at 1 Oct 2022 | Granted during the year as remuneration ¹ | Received during the year on exercise of options or rights | Resulting from any other changes during the year ² | Closing balance at 30 Sep 2023 ^{3,4} |
|---|-------------------------------|-------------------------------|--|---|---|---|
| CURRENT NON-EXECUTIVE DIRECTORS | | | | | | |
| P O'Sullivan | Ordinary shares | 4,350 | - | - | - | 4,350 |
| | Capital notes 7 | 9,250 | - | - | - | 9,250 |
| I Atlas | Ordinary shares | 15,318 | - | - | - | 15,318 |
| J Halton | Ordinary shares | 9,653 | - | - | 405 | 10,058 |
| G Hodges⁵ | Ordinary shares | 201,635 | - | - | (17,234) | 184,401 |
| | Capital notes 4 | 1,350 | - | - | - | 1,350 |
| J Key | Ordinary shares | 10,500 | - | - | - | 10,500 |
| H Kramer⁵ | Ordinary shares | 5,828 | - | - | - | 5,828 |
| J Macfarlane | Ordinary shares | 19,042 | - | - | - | 19,042 |
| | Capital notes 3 | 5,000 | - | - | (5,000) | - |
| | Capital notes 6 | 2,140 | - | - | - | 2,140 |
| | Capital notes 7 | 2,000 | - | - | - | 2,000 |
| | Capital notes 8 | - | - | - | 5,000 | 5,000 |
| C O'Reilly | Ordinary shares | 6,400 | - | - | - | 6,400 |
| J Smith | Ordinary shares | 2,779 | - | - | - | 2,779 |
| FORMER NON-EXECUTIVE DIRECTORS | | | | | | |
| G Liebelt⁶ | Ordinary shares | 21,671 | - | - | - | 21,671 |
| | Capital notes 6 | 2,500 | - | - | - | 2,500 |
| | Capital notes 7 | 2,500 | - | - | - | 2,500 |
| CEO AND CURRENT DISCLOSED EXECUTIVES | | | | | | |
| S Elliott | Deferred shares | 69,986 | 40,312 | - | (37,195) | 73,103 |
| | Ordinary shares | 395,108 | - | - | 100,532 | 495,640 |
| | Vested shares 1yr restriction | 56,989 | - | - | (56,989) | - |
| | Restricted rights | - | 73,145 | - | - | 73,145 |
| | Performance rights | 453,727 | 73,143 | - | - | 526,870 |
| M Carnegie | Deferred shares | 112,834 | 19,939 | - | - | 132,773 |
| | Ordinary shares | 34,098 | - | - | 7,482 | 41,580 |
| | Restricted rights | - | 36,572 | - | - | 36,572 |
| | Performance rights | 121,539 | 36,572 | - | - | 158,111 |
| K Corbally | Deferred shares | 45,844 | 19,180 | - | (19,066) | 45,958 |
| | Ordinary shares | 1,381 | - | - | 2,964 | 4,345 |
| | Capital notes 6 | 1,400 | - | - | - | 1,400 |
| | Deferred share rights | 62,675 | - | - | - | 62,675 |
| | Restricted rights | - | 54,182 | - | - | 54,182 |
| F Faruqui | Deferred shares | 28,006 | 25,899 | - | (1,963) | 51,942 |
| | Ordinary shares | 100,380 | - | 21,687 | (1,550) | 120,517 |
| | Deferred share rights | 31,467 | - | (21,687) | - | 9,780 |
| | Restricted rights | - | 36,572 | - | - | 36,572 |
| | Performance rights | 157,169 | 36,572 | - | - | 193,741 |
| G Florian | Deferred shares | 56,605 | 19,180 | - | (28,737) | 47,048 |
| | Ordinary shares | 37,583 | - | - | 18,029 | 55,612 |
| | Restricted rights | - | 33,646 | - | - | 33,646 |
| | Performance rights | 108,272 | 33,644 | - | - | 141,916 |
| R Howell⁵ | Deferred shares | 12,138 | - | - | - | 12,138 |
| | Ordinary shares | 324 | - | - | (324) | - |
| C Morgan⁵ | Deferred shares | - | 13,189 | - | - | 13,189 |
| | Ordinary shares | 25 | - | - | (25) | - |
| | Restricted rights | - | 18,422 | - | - | 18,422 |
| | Performance rights | - | 18,421 | - | - | 18,421 |
| A Strong⁵ | Deferred shares | 23,382 | 18,397 | - | (5,000) | 36,779 |
| | Ordinary shares | 2,264 | - | - | 1,971 | 4,235 |
| | Restricted rights | - | 21,944 | - | - | 21,944 |
| | Performance rights | - | 21,944 | - | - | 21,944 |
| A Watson | Deferred shares | 41,956 | 18,324 | - | (18,179) | 42,101 |
| | Employee Share Offer | 61 | - | - | - | 61 |
| | Ordinary shares | 37,581 | - | - | 13,393 | 50,974 |
| | Restricted rights | - | 32,442 | - | - | 32,442 |
| | Performance rights | 82,506 | 32,442 | - | - | 114,948 |
| M Whelan | Deferred shares | 56,260 | 23,190 | - | (30,492) | 48,958 |
| | Ordinary shares | 46,963 | - | - | 233 | 47,196 |
| | Restricted rights | - | 42,716 | - | - | 42,716 |
| | Performance rights | 166,419 | 42,716 | - | - | 209,135 |

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| K van der Merwe⁶ | Deferred shares | 63,515 | 17,338 | - | (45,016) | 35,837 |
|------------------------------------|--------------------|---------|--------|---|-----------|---------------|
| | Ordinary shares | 29,407 | - | - | 1,918 | 31,325 |
| | Restricted rights | - | 30,428 | - | (30,428) | - |
| | Performance rights | 109,149 | 30,426 | - | (139,575) | - |

1. Details of options/rights granted as remuneration during 2023 are provided in the previous table. 2. Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. 3. The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e., indirect beneficially held shares) as at 30 September 2023 (or the date ceased as a KMP): P O'Sullivan - 0, I Atlas - 15,318, J Halton - 0, G Hodges - 0, J Key - 10,500, H Kramer - 5,828, J Macfarlane - 28,182, C O'Reilly - 0, J Smith - 0, G Liebelt - 8,436, S Elliott - 562,395, M Carnegie - 132,773, K Corbally - 47,358, F Faruqui - 51,942, G Florian - 56,947, R Howell - 12,138, C Morgan - 13,189, A Strong - 36,779, A Watson - 42,162, M Whelan - 92,771, K van der Merwe - 35,837. 4. Zero rights were vested and exercisable, and zero options/rights were vested and unexercisable as at 30 September 2023. There was no change in the balance as at the Directors' Report sign-off date. 5. Commencing balance is based on holdings as at the date of commencement as a KMP. 6. Concluding balance is based on holdings as at the date ceased as a KMP.

11.3 Loans

11.3.1 OVERVIEW

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

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2023 (including those with balances less than \$100,000) was \$31,068,195 (2022: \$30,679,346) with interest paid of \$1,346,442 (2022: \$790,118) during the period.

11.3.2 NED, CEO AND DISCLOSED EXECUTIVES' LOAN TRANSACTIONS

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

Loan transactions – NED, CEO and Disclosed Executives

| Name | Opening balance at 1 Oct 2022 ¹ \$ | Closing balance at 30 Sep 2023 \$ | Interest paid and payable in the reporting period ² \$ | Highest balance in the reporting period \$ |
|---|--|--------------------------------------|--|---|
| CURRENT NON-EXECUTIVE DIRECTORS | | | | |
| P O'Sullivan | 731,495 | 657,998 | 28 | 736,813 |
| G Hodges | 2,173,487 | 2,322,549 | 105,411 | 3,307,728 |
| J Key | 3,703,009 | 3,583,961 | 285,191 | 3,927,633 |
| H Kramer | 3,177,784 | 3,189,935 | 29,733 | 3,198,854 |
| J Macfarlane | 9,364,205 | 5,907,690 | 539,941 | 10,643,712 |
| CEO AND CURRENT DISCLOSED EXECUTIVES | | | | |
| S Elliott | 2,521,407 | 2,467,062 | 84,378 | 2,561,192 |
| M Carnegie | 3,374 | 5,602,183 | 18,855 | 5,646,088 |
| G Florian | 4,250,856 | 2,324,157 | 79,239 | 4,293,369 |
| A Strong | 1,461,490 | 1,715,981 | 62,505 | 1,852,107 |
| M Whelan | 1,550,938 | 1,528,458 | 89,738 | 1,601,107 |
| FORMER DISCLOSED EXECUTIVES | | | | |
| K van der Merwe³ | 1,655,942 | 1,696,038 | 49,224 | 1,733,877 |
| Total | 30,593,988 | 30,996,013 | 1,344,242 | 39,502,479 |

1. Opening balances have been adjusted for new and leaving KMP. 2. Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. 3. Closing balance is as at the date ceased as a KMP.

11.4 Other transactions

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

Other transactions – NED, CEO and Disclosed Executives

| | Opening balance at 1 Oct 2022 ¹ \$ | Closing balance at 30 Sep 2023 ^{2,3} \$ |
|---------------------------|--|---|
| Total KMP deposits | 30,432,187 | 40,819,935 |

1. Opening balance is at 1 October 2022 or the date of commencement as a KMP if part way through the year and it has been adjusted to take into account timing variances. 2. Closing balance is at 30 September 2023 or at the date ceased as a KMP if part way through the year. 3. Interest received on deposits for 2023 was \$1,001,678 (2022: \$140,355).

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

DIRECTORS' REPORT

Directors' report

The Directors' Report for the financial year ended 30 September 2023 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 7;
- Operating and financial review on pages 20 to 32;
- Dividends on page 32;
- Information on the Directors on pages 8 to 10;
- Remuneration report on pages 34 to 71.

Establishment of a New Group Organisational Structure

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

The key steps undertaken in the Restructure were:

- new legal entities ANZGHL, ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd were created;
- each ANZBGL shareholder received one ANZGHL ordinary share for each ANZBGL ordinary share that they held prior to the implementation of the Restructure;
- ANZBGL transferred its beneficial interests in banking-adjacent businesses to ANZ NBH Pty Ltd;
- ANZBGL transferred its interest in several properties to ANZ Group Services Pty Ltd;

- ANZBGL transferred all shares in ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd to ANZGHL; and
- ANZGHL transferred all shares in ANZBGL to ANZ BH Pty Ltd.

As a result of the Restructure, the consolidated results of ANZBGL and its subsidiaries for the 2023 financial year consist of:

- the results of the former ANZ Group for the period 1 October 2022 to 2 January 2023;
- the results of the ANZBGL Group for the period 3 January to 30 September 2023.

ANZGHL Financial Information

As a result of the Restructure, ANZBGL is a subsidiary of ANZGHL. A copy of the 2023 ANZGHL Annual Report can be accessed via the ANZ Shareholder Centre at anz.com/shareholder/centre/reporting.

Significant changes in state of affairs

There have been no other significant changes in the Group's state of affairs other than Establishment of a New Group Organisational Structure as described above.

Events since the end of the financial year

There have been no significant events from 30 September 2023 to the date of signing this report.

Participation in political party activities

We aim to assist the democratic process in Australia by attending and participating in paid events hosted by the major federal political parties. For the year ended 30 September 2023, we contributed \$97,159 to participate in political activities hosted by the Australian Labor Party, the Liberal Party of Australia and the National Party of Australia. These activities included speeches, political functions and conferences, and policy dialogue forums. We disclose these contributions to the Australian Electoral Commission (AEC), noting the AEC's reporting year is a different period to the Group's financial year.

Modern slavery statement

The Group is subject to *Australia's Modern Slavery Act Australian Commonwealth Modern Slavery Act 2018 (Cth)* and *United Kingdom's Modern Slavery Act 2015*.

Our Modern Slavery Statement sets out actions taken to identify, assess and manage modern slavery risks in our operations and supply chain during the financial year ended 30 September 2023.

Our 2023 Modern Slavery Statement will be available at anz.com/esgreport prior to our Annual General Meeting.

Environmental regulation

We recognise the expectations of our stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates our environmental impact.

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

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

Further details of our environmental performance, including progress against our targets and management of material issues aligned with our commitment to fair and responsible banking and priority areas of financial wellbeing, environmental sustainability and housing, are available in the ESG Supplement, at anz.com/annualreport.



External auditor

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

The Board Audit Committee conducts a formal annual performance assessment of the external auditor, including whether to commence an external tender for the audit. After considering relevant factors including tenure, audit quality, local and international capability and experience, and independence, the Board Audit Committee resolved to reappoint KPMG for the 30 September 2024 financial year audit.

KPMG regularly rotates the Group Lead Audit Engagement Partner and the Engagement Quality Control Review Partner with the most recent rotation being for the financial years ended 30 September 2023 and 30 September 2020, respectively.

Non-audit services

Our Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work. Specifically, the Policy:

- limits the scope of non-audit services that may be provided;
- requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in ANZGHL's Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2023 financial year, and has confirmed that the provision of these services is consistent with the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2023 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

| Non-audit services | Amount paid/ payable \$'000's | |
|--|----------------------------------|----------|
| | 2023 | 2022 |
| Methodology, procedural and administrative reviews | 105 | 8 |
| Total | 105 | 8 |

Further details on the compensation paid to KPMG are provided in Note 33 Auditor Fees to the financial statements including details of audit-related services provided during the year of \$5.82 million (2022: \$7.50 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2023 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Directors' and officers' indemnity

ANZBGL's Constitution (Rule 9.1) permits ANZBGL to:

- Indemnify any officer or employee of ANZBGL or any of its related bodies corporate, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such an officer, employee or auditor to a person (other than ANZBGL or a related body corporate), including liabilities incurred as a result of appointment or nomination by ANZBGL or a related body corporate as a trustee or as an officer or employee of another corporation; and
- Make payments in respect of legal costs incurred by an officer or employee or auditor in defending an action for a liability incurred as such an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

Our policy is that our employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, we will indemnify employees and former employees against any liability they incur to any third party as a result of acting in good faith in the course of their employment and this extends to liability incurred as a result of their appointment/nomination by or at the request of the ANZ Group as an officer or employee of another corporation or body or as a trustee.

The indemnity is subject to applicable law and certain exceptions.

ANZBGL has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of ANZBGL, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in ANZBGL's Constitution.

During the 2023 financial year, we have paid premiums for insurance for the benefit of the Directors and employees of the Group. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.



Paul D O'Sullivan
Chairman

10 November 2023

Key management personnel and employee share and option plans

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2023 financial year and as at the date of this report.

Note 30 Employee Share and Option Plans to the 2023 Financial Report contains details of the 2023 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues.



Shayne C Elliott
Managing Director

10 November 2023

The names of all persons who currently hold options/rights are entered in the register kept by ANZGHL pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

Rounding of amounts

ANZBGL is a company of the kind referred to in *Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Lead Auditor's Independence Declaration

The Lead Auditors Independence Declaration given under *Section 307C of the Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2023.



KPMG

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2023, there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.



Martin McGrath
Partner

10 November 2023



FINANCIAL REPORT

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INCOME STATEMENT

| For the year ended 30 September | Note | Consolidated | | The Company | |
|--|------|---------------|---------------|--------------|--------------|
| | | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Interest income ¹ | | 49,927 | 23,609 | 41,144 | 18,408 |
| Interest expense | | (33,352) | (8,735) | (29,026) | (7,433) |
| Net interest income | 2 | 16,575 | 14,874 | 12,118 | 10,975 |
| Other operating income | 3 | 3,577 | 4,235 | 5,401 | 6,424 |
| Net income from insurance business | 3 | 89 | 140 | - | - |
| Share of associates' profit/(loss) | 3 | 225 | 177 | (18) | (12) |
| Operating income | | 20,466 | 19,426 | 17,501 | 17,387 |
| Operating expenses | 4 | (10,087) | (9,579) | (8,488) | (8,123) |
| Profit before credit impairment and income tax | | 10,379 | 9,847 | 9,013 | 9,264 |
| Credit impairment (charge)/release | 13 | (245) | 232 | (75) | 265 |
| Profit before income tax | | 10,134 | 10,079 | 8,938 | 9,529 |
| Income tax expense | 5 | (2,941) | (2,940) | (1,964) | (1,933) |
| Profit after tax from continuing operations | | 7,193 | 7,139 | 6,974 | 7,596 |
| Profit/(Loss) after tax from discontinued operations | | - | (19) | - | - |
| Profit for the year | | 7,193 | 7,120 | 6,974 | 7,596 |
| Comprising: | | | | | |
| Profit attributable to shareholders of the Company | | 7,165 | 7,119 | 6,974 | 7,596 |
| Profit attributable to non-controlling interests | | 28 | 1 | - | - |

¹ Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of \$46,918 million (2022: \$22,844 million) in the Group and \$37,235 million (2022: \$17,123 million) in the Company.

The notes appearing on pages 82 to 205 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

| | Consolidated | | The Company | |
|--|--------------|--------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| For the year ended 30 September | | | | |
| Profit after tax from continuing operations | 7,193 | 7,139 | 6,974 | 7,596 |
| Other comprehensive income | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Investment securities - equity securities at FVOCI | (30) | (55) | (23) | (119) |
| Other reserve movements ¹ | (80) | 127 | (105) | 132 |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation reserve | 718 | (759) | 64 | 139 |
| Other reserve movements | 199 | (4,180) | 378 | (4,132) |
| Income tax attributable to the above items | (22) | 1,172 | (73) | 1,186 |
| Share of associates' other comprehensive income ² | 31 | (40) | - | - |
| Other comprehensive income after tax from continuing operations | 816 | (3,735) | 241 | (2,794) |
| Profit/(Loss) after tax from discontinued operations | - | (19) | - | - |
| Total comprehensive income for the year | 8,009 | 3,385 | 7,215 | 4,802 |
| Comprising total comprehensive income attributable to: | | | | |
| Shareholders of the Company | 7,954 | 3,399 | 7,215 | 4,802 |
| Non-controlling interests ¹ | 55 | (14) | - | - |

¹ The Group includes foreign currency translation differences attributable to non-controlling interests of \$27 million (2022: -\$15 million).

² The Group's share of associates' other comprehensive income, that may be reclassified subsequently to profit or loss in the Group, includes:

| | 2023 \$m | 2022 \$m |
|--|-------------|-------------|
| FVOCI reserve gain/(loss) | 25 | (56) |
| Defined benefits gain/(loss) | 6 | 15 |
| Foreign currency translation reserve gain/(loss) | - | 1 |
| Total | 31 | (40) |

The notes appearing on pages 82 to 205 form an integral part of these financial statements.

BALANCE SHEET

| As at 30 September | Note | Consolidated | | The Company | |
|---|------|------------------|------------------|----------------|----------------|
| | | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Assets | | | | | |
| Cash and cash equivalents ¹ | 8 | 168,154 | 168,132 | 154,408 | 155,483 |
| Settlement balances owed to ANZ | | 9,349 | 4,762 | 8,935 | 4,024 |
| Collateral paid | | 8,558 | 12,700 | 7,717 | 11,368 |
| Trading assets | 9 | 37,004 | 35,237 | 30,693 | 28,073 |
| Derivative financial instruments | 10 | 60,406 | 90,174 | 59,989 | 88,056 |
| Investment securities | 11 | 96,969 | 86,153 | 83,201 | 72,399 |
| Net loans and advances | 12 | 707,694 | 672,407 | 563,017 | 537,345 |
| Regulatory deposits | | 646 | 632 | 284 | 249 |
| Due from controlled entities | | - | - | 26,067 | 22,860 |
| Shares in controlled entities | 25 | - | - | 16,277 | 17,630 |
| Investments in associates | 26 | 2,321 | 2,181 | - | 53 |
| Current tax assets | | 37 | 46 | 9 | 43 |
| Deferred tax assets | 5 | 3,386 | 3,384 | 2,988 | 2,992 |
| Goodwill and other intangible assets | 21 | 3,961 | 3,877 | 935 | 935 |
| Premises and equipment | | 2,360 | 2,431 | 1,923 | 2,171 |
| Other assets | | 5,196 | 3,613 | 3,636 | 2,402 |
| Total assets | | 1,106,041 | 1,085,729 | 960,079 | 946,083 |
| Liabilities | | | | | |
| Settlement balances owed by ANZ | | 19,267 | 13,766 | 16,574 | 10,224 |
| Collateral received | | 10,382 | 16,230 | 9,452 | 14,425 |
| Deposits and other borrowings | 14 | 815,203 | 797,281 | 675,075 | 665,607 |
| Derivative financial instruments | 10 | 57,482 | 85,149 | 57,511 | 84,500 |
| Due to controlled entities | | - | - | 26,894 | 25,305 |
| Current tax liabilities | | 305 | 829 | 133 | 488 |
| Deferred tax liabilities | 5 | 60 | 83 | 47 | 54 |
| Payables and other liabilities | 15 | 15,932 | 9,835 | 13,279 | 8,562 |
| Employee entitlements | | 568 | 549 | 424 | 409 |
| Other provisions | 22 | 1,714 | 1,872 | 1,499 | 1,648 |
| Debt issuances | 16 | 116,014 | 93,734 | 98,213 | 75,828 |
| Total liabilities | | 1,036,927 | 1,019,328 | 899,101 | 887,050 |
| Net assets | | 69,114 | 66,401 | 60,978 | 59,033 |
| Shareholders' equity | | | | | |
| Ordinary share capital | 23 | 29,082 | 28,797 | 29,005 | 28,720 |
| Reserves | 23 | (1,796) | (2,606) | (2,222) | (2,546) |
| Retained earnings | 23 | 41,306 | 39,716 | 34,195 | 32,859 |
| Share capital and reserves attributable to shareholders of the Company | 23 | 68,592 | 65,907 | 60,978 | 59,033 |
| Non-controlling interests | 23 | 522 | 494 | - | - |
| Total shareholders' equity | 23 | 69,114 | 66,401 | 60,978 | 59,033 |

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

CASH FLOW STATEMENT

| For the year ended 30 September | Consolidated | | The Company | |
|---|-----------------|----------------|-----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Profit after income tax | 7,193 | 7,120 | 6,974 | 7,596 |
| Adjustments to reconcile to net cash provided by/(used in) operating activities: | | | | |
| Allowance for expected credit losses | 245 | (232) | 75 | (265) |
| Depreciation and amortisation | 941 | 1,008 | 795 | 867 |
| (Gain)/Loss on sale of premises and equipment | 43 | (8) | 31 | (1) |
| Net derivatives/foreign exchange adjustment | 3,505 | (4,434) | 3,074 | (4,687) |
| (Gain)/Loss on sale from divestments | (29) | (252) | 70 | (246) |
| Other non-cash movements ¹ | (90) | (48) | 124 | 235 |
| <i>Net (increase)/decrease in operating assets:</i> | | | | |
| Collateral paid | 4,143 | (2,638) | 3,590 | (2,054) |
| Trading assets | (23) | 8,020 | (1,769) | 6,355 |
| Net loans and advances ¹ | (28,289) | (46,364) | (25,708) | (41,990) |
| Net intra-group loans and advances | - | - | (1,481) | 978 |
| Other assets ¹ | (1,725) | (190) | (1,333) | (81) |
| <i>Net increase/(decrease) in operating liabilities:</i> | | | | |
| Deposits and other borrowings | 21,866 | 48,879 | 21,353 | 45,058 |
| Settlement balances owed by ANZ | 5,278 | (3,486) | 6,314 | (4,769) |
| Collateral received | (5,848) | 9,468 | (4,886) | 8,074 |
| Other liabilities | (1,015) | 3,333 | (1,295) | 3,426 |
| Total adjustments | (998) | 13,056 | (1,046) | 10,900 |
| Net cash (used in)/provided by operating activities² | 6,195 | 20,176 | 5,928 | 18,496 |
| Cash flows from investing activities | | | | |
| Investment securities assets: | | | | |
| Purchases | (51,974) | (34,292) | (46,130) | (30,065) |
| Proceeds from sale or maturity | 41,401 | 32,797 | 35,495 | 28,201 |
| Proceeds from divestments, net of cash disposed | 1,135 | 394 | 1,174 | (5) |
| Net movement in shares in controlled entities | - | (65) | (29) | (133) |
| Net investments in other assets | (604) | (651) | (612) | (667) |
| Net cash (used in)/provided by investing activities | (10,042) | (1,817) | (10,102) | (2,669) |
| Cash flows from financing activities | | | | |
| Deposits and other borrowings drawn down | (11,105) | 1,226 | (12,002) | - |
| Debt issuances: ³ | | | | |
| Issue proceeds | 44,182 | 23,422 | 40,428 | 20,145 |
| Redemptions | (23,985) | (26,017) | (19,641) | (21,985) |
| Dividends paid ⁴ | (4,700) | (3,784) | (4,673) | (3,782) |
| On market purchase of treasury shares | (21) | (117) | (21) | (117) |
| Repayment of lease liabilities | (337) | (218) | (277) | (226) |
| Share buyback | - | (846) | - | (846) |
| ANZ Bank New Zealand Perpetual Preference Shares | - | 492 | - | - |
| Share entitlement issue | - | 3,497 | - | 3,497 |
| Net cash (used in)/provided by financing activities | 4,034 | (2,345) | 3,814 | (3,314) |
| Net (decrease)/increase in Cash and cash equivalents | 187 | 16,014 | (360) | 12,513 |
| Cash and cash equivalents at beginning of year | 168,132 | 151,260 | 155,483 | 141,436 |
| Effects of exchange rate changes on Cash and cash equivalents | (165) | 858 | (715) | 1,534 |
| Cash and cash equivalents at end of year | 168,154 | 168,132 | 154,408 | 155,483 |

¹ Certain non-cash movements were reclassified to Net loans and advances and Other assets to better reflect the net movement in operating assets. Comparatives have been restated. (2022: reduction to Other non-cash movements of \$861 million, a decrease in Net loans and advances of \$14 million, and an increase in Other assets of \$875 million) for the Group. (2022: reduction to Other non-cash movements of \$723 million, a decrease in Net loans and advances of \$13 million, and an increase in Other assets of \$736 million) for the Company.

² Net cash (used in)/provided by operating activities for the Group includes interest received of \$48,362 million (2022: \$22,748 million), interest paid of \$30,738 million (2022: \$7,857 million) and income taxes paid of \$3,501 million (2022: \$2,171 million). Net cash (used in)/provided by operating activities for the Company includes interest received of \$40,353 million (2022: \$17,672 million), interest paid of \$26,846 million (2022: \$6,692 million) and income taxes paid of \$2,384 million (2022: \$1,443 million).

³ Non-cash movements on Debt issuances include a loss of \$2,084 million (2022: \$4,725 million gain) from unrealised movements primarily due to fair value hedging adjustments and foreign exchange losses for the Group, and include a loss of \$1,598 million (2022: \$3,420 million gain) from unrealised movements primarily due to fair value hedging and foreign exchange losses for the Company.

⁴ Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.

STATEMENT OF CHANGES IN EQUITY

| | Ordinary share capital \$m | Reserves \$m | Retained earnings \$m | Share capital and reserves attributable to shareholders of the Company \$m | Non- controlling interests \$m | Total shareholders' equity \$m |
|--|----------------------------------|-----------------|-----------------------------|---|---|---|
| Consolidated | | | | | | |
| As at 1 October 2021 | 25,984 | 1,228 | 36,453 | 63,665 | 11 | 63,676 |
| Profit or loss from continuing operations | - | - | 7,138 | 7,138 | 1 | 7,139 |
| Profit or loss from discontinued operations | - | - | (19) | (19) | - | (19) |
| Other comprehensive income for the year from continuing operations | - | (3,835) | 115 | (3,720) | (15) | (3,735) |
| Total comprehensive income for the year | - | (3,835) | 7,234 | 3,399 | (14) | 3,385 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Dividends paid | - | - | (3,965) | (3,965) | (2) | (3,967) |
| Dividend reinvestment plan ¹ | 183 | - | - | 183 | - | 183 |
| Group share buy-back ² | (846) | - | - | (846) | - | (846) |
| Share entitlement issue ³ | 3,497 | - | - | 3,497 | - | 3,497 |
| Other equity movements: | | | | | | |
| Employee share and option plans | (21) | - | - | (21) | - | (21) |
| Preference shares issued ⁴ | - | - | (7) | (7) | 499 | 492 |
| Other items | - | 1 | 1 | 2 | - | 2 |
| As at 30 September 2022 | 28,797 | (2,606) | 39,716 | 65,907 | 494 | 66,401 |
| Profit or loss from continuing operations | - | - | 7,165 | 7,165 | 28 | 7,193 |
| Other comprehensive income for the year from continuing operations | - | 863 | (74) | 789 | 27 | 816 |
| Total comprehensive income for the year | - | 863 | 7,091 | 7,954 | 55 | 8,009 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | |
| Dividends paid | - | - | (5,559) | (5,559) | (27) | (5,586) |
| Dividend reinvestment plan ¹ | 206 | - | - | 206 | - | 206 |
| Other equity movements: | | | | | | |
| Employee share and option plans | 79 | - | - | 79 | - | 79 |
| Net transfers following Restructure | - | (39) | 39 | - | - | - |
| Other items | - | (14) | 19 | 5 | - | 5 |
| As at 30 September 2023 | 29,082 | (1,796) | 41,306 | 68,592 | 522 | 69,114 |

¹ 8.4 million shares were issued under the Dividend Reinvestment Plan for the 2022 final dividend (2022 interim dividend: 7.2 million; 2021 final dividend: nil). On-market share purchases for the DRP in 2022 were \$204 million.

² The Group completed its \$1.5 billion on-market share buy-back of ANZ ordinary shares on 25 March 2022 resulting in 31 million shares being cancelled in 2022.

³ The Group issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

⁴ Perpetual preference shares issued by ANZ Bank New Zealand, a wholly owned subsidiary of ANZBGL, are considered non-controlling interests to the Group.

The notes appearing on pages 82 to 205 form an integral part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

| The Company | Ordinary share capital \$m | Reserves \$m | Retained earnings \$m | Total shareholders' equity \$m |
|--|----------------------------------|-----------------|-----------------------------|---|
| As at 1 October 2021 | 25,907 | 341 | 29,132 | 55,380 |
| Profit for the year | - | - | 7,596 | 7,596 |
| Other comprehensive income for the year | - | (2,888) | 94 | (2,794) |
| Total comprehensive income for the year | - | (2,888) | 7,690 | 4,802 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Dividends paid | - | - | (3,965) | (3,965) |
| Dividend reinvestment plan ¹ | 183 | - | - | 183 |
| Group share buy-back ² | (846) | - | - | (846) |
| Share entitlement issue ³ | 3,497 | | | 3,497 |
| Other equity movements: | | | | |
| Employee share and option plans | (21) | - | - | (21) |
| Other items | - | 1 | 2 | 3 |
| As at 30 September 2022 | 28,720 | (2,546) | 32,859 | 59,033 |
| Profit for the year | - | - | 6,974 | 6,974 |
| Other comprehensive income for the year | - | 319 | (78) | 241 |
| Total comprehensive income for the year | - | 319 | 6,896 | 7,215 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Dividends paid | - | - | (5,559) | (5,559) |
| Dividend reinvestment plan ¹ | 206 | - | - | 206 |
| Other equity movements: | | | | |
| Employee share and option plans | 79 | - | - | 79 |
| Other items | - | 5 | (1) | 4 |
| As at 30 September 2023 | 29,005 | (2,222) | 34,195 | 60,978 |

¹ 8.4 million shares were issued under the Dividend Reinvestment Plan for the 2022 final dividend (2022 interim dividend: 7.2 million; 2021 final dividend: nil). On-market share purchases for the DRP in 2022 were \$204 million.

² The Company completed its \$1.5 billion on-market share buy-back on 25 March 2022 resulting in 31 million shares being cancelled in 2022.

³ The Company issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

The notes appearing on pages 82 to 205 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

ORGANISATIONAL RESTRUCTURE

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

On Restructure, each ANZ shareholder received one ANZGHL ordinary share for each ANZ ordinary share that they held prior to the implementation of the Restructure. The Restructure is accounted for as a reverse acquisition in the ANZGHL consolidated financial statements as at 30 September 2023, with ANZBGL identified as the acquirer in accordance with AASB 3 *Business Combinations*.

As a result of the Restructure, the ANZBGL consolidated results for the 2023 financial year end consist of:

- the results of the former ANZ Group for the period 1 October 2022 to 2 January 2023;
- the result of ANZBGL and its subsidiaries (Group) for the period 3 January to 30 September 2023.

Refer to Accounting Policies Applicable to the Restructure section below for further details.

GENERAL INFORMATION

These are the financial statements for ANZBGL (the Company) and its controlled entities (together, the Group or Consolidated Entity) for the year ended 30 September 2023. The Company is a public company incorporated and domiciled in Australia with debt listed on securities exchanges. The Company is a subsidiary of ANZGHL and is regulated by APRA as an ADI. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 29 markets.

On 10 November 2023, the Directors resolved to authorise the issue of these financial statements. Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and *International Financial Reporting Standards* (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars (\$m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).



1. ABOUT OUR FINANCIAL STATEMENTS (continued)

BASIS OF MEASUREMENT AND PRESENTATION

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

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

In accordance with AASB 119 *Employee Benefits* we have measured defined benefit obligations using the Projected Unit Credit Method.

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

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Company the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items classified as FVTPL and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at FVOCI, translation differences are included in other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group financial statements using the following method:

| Foreign currency item | Exchange rate used |
|------------------------|---|
| Assets and liabilities | The reporting date rate |
| Equity | The initial investment date rate |
| Income and expenses | The average rate for the period – but for a significant transaction if we believe the average rate is not reasonable, then we use the rate at the date of the transaction |

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES APPLICABLE TO THE RESTRUCTURE

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

The Group's accounting policy for the transfer of the assets and entities between companies under common control is to apply book value accounting. Under this approach, any differences between book value and the transfer price are recorded in equity. The accounting policy choice did not have a material impact on profit and loss or equity when the assets were transferred as part of the Restructure. Refer to Note 31 Related Party Disclosures for details of the transfer.



KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

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

The Group has made various accounting estimates in this Financial Report based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2023 about future events considered reasonable in the circumstances. Thus there is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

The impact of these uncertainties on each of these accounting estimates is discussed in the relevant notes in this Financial Report. Readers should consider these disclosures in light of the inherent uncertainties described above.



1. ABOUT OUR FINANCIAL STATEMENTS (continued)

INTEREST RATE BENCHMARK REFORM

Interbank offered rates (IBORs) reform is the global transition away from IBORs and their replacement by risk-free rates (RFRs). IBOR reforms have had a wide-ranging impact for the Group and our customers given the fundamental differences between IBORs and RFRs. Accordingly, the Group established an enterprise-wide Benchmark Transition Program to manage the operational, market, legal, conduct and financial reporting risks associated with IBOR transition.

As at 30 September 2023 the Group's Program is largely complete, and included the implementation of the required processes, technology and product capabilities that ensured the transitions were successfully undertaken. In line with regulatory announcements made in early 2021, IBOR rates including Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF) and Japanese Yen (JPY), and the 1-week and 2-month US Dollar (USD) London Interbank Offered Rate (LIBOR) rate settings ceased on 31 December 2021 and were replaced by alternative RFRs. The Group's exposure to IBOR reform was primarily concentrated in other USD LIBOR settings which ceased on 30 June 2023. No material changes were made to the Group's risk management strategy because of IBOR reform and the use of IBOR rates in new products was phased out in accordance with industry and supervisory guidance. The transition activities had an immaterial impact to the Group's profit and loss.

To support any legacy contracts referencing these benchmarks across the industry, the 1-month, 3-month and 6-month USD settings will continue to be published using an alternative 'synthetic' methodology. The Group continues to manage a small number of loan and derivative contracts whose transition is being managed with customers, and a small number of debt issuances with investors. These remaining contracts will either mature or transition ahead of the synthetic USD LIBOR cessation date of 30 September 2024. The Group has an immaterial exposure to other announced benchmark cessation events expected to occur between 2024 and 2026.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

Accounting policies have been consistently applied, unless otherwise noted.

AASB 2023-2 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES

In May 2023, the Federal Government announced it will implement key aspects of Pillar Two of the OECD/G20 Two-Pillar Solution to address the tax challenges arising from digitalisation of the economy. This measure is not yet law. Other jurisdictions in which ANZ operates are also considering implementation of the regime. The ANZ Group is expected to be within the scope of associated legislation. In anticipation of legislation being enacted, the AASB issued *AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* in June 2023. The Group has applied the mandatory exemption included in para. 4A of this standard and will apply the whole amending standard from 1 October 2023. This amending standard stipulates a mandatory temporary exemption from recognising deferred tax assets and liabilities related to Pillar Two income taxes. The Group is monitoring progress of associated legislation and has not yet determined the expected impact on its financial statements.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2023 and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 *Financial Instruments* (AASB 9) introduced new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provided the Group with an accounting policy choice to continue to apply the AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standards Board's ongoing project on Dynamic Risk Management (macro hedge accounting) is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED (continued)

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 will not have a material impact on the Group.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* amends AASB 112 *Income Taxes*. It clarifies that entities are required to recognise deferred tax on transactions for which there is both an asset and a liability and that give rise to equal taxable and deductible temporary differences which may apply to leases and decommissioning or restoration obligations. This amendment is effective for the Group from 1 October 2023 and will not have a material impact on the Group.

LEASE LIABILITY IN A SALE AND LEASEBACK

AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* amends AASB 16 *Leases* and specifies the accounting for variable lease payments by seller-lessees in sale and leaseback transactions. The amendment is effective from 1 October 2024 and will not have a material impact on the Group.

2. NET INTEREST INCOME

| | Consolidated | | The Company | |
|--|-----------------|----------------|-----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Net interest income | | | | |
| Interest income by type of financial asset | | | | |
| Financial assets at amortised cost | 44,303 | 21,737 | 35,000 | 16,289 |
| Investment securities at FVOCI | 2,615 | 1,107 | 2,235 | 834 |
| Trading assets | 1,654 | 700 | 1,413 | 547 |
| Financial assets at FVTPL | 1,355 | 65 | 1,449 | 177 |
| External interest income | 49,927 | 23,609 | 40,097 | 17,847 |
| Controlled entities' income | - | - | 1,047 | 561 |
| Interest income | 49,927 | 23,609 | 41,144 | 18,408 |
| Interest expense by type of financial liability | | | | |
| Financial liabilities at amortised cost | (31,334) | (8,019) | (26,016) | (6,170) |
| Securities sold short | (451) | (214) | (392) | (191) |
| Financial liabilities designated at FVTPL | (1,214) | (162) | (1,104) | (151) |
| External interest expense | (32,999) | (8,395) | (27,512) | (6,512) |
| Controlled entities expense | - | - | (1,161) | (581) |
| Interest expense | (32,999) | (8,395) | (28,673) | (7,093) |
| Major bank levy | (353) | (340) | (353) | (340) |
| Net interest income | 16,575 | 14,874 | 12,118 | 10,975 |



RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense in net interest income for all financial instruments, including those classified as held for trading, assets measured at FVOCI, and assets and liabilities designated at FVTPL. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at amortised cost and FVOCI. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. These are presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 (levy or major bank levy) applies a rate of 0.06% to certain liabilities of ANZBGL. The levy represents a finance cost and it is presented as interest expense in the Income Statement.

3. NON-INTEREST INCOME

| | Consolidated | | The Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Non-interest income | | | | |
| Fee and commission income | | | | |
| Lending fees ¹ | 397 | 374 | 362 | 340 |
| Non-lending fees | 2,275 | 2,394 | 1,533 | 1,744 |
| Commissions | 85 | 103 | 55 | 74 |
| Funds management income | 246 | 261 | 22 | 27 |
| External fee and commission income | 3,003 | 3,132 | 1,972 | 2,185 |
| Controlled entities' income | - | - | 187 | 244 |
| Fee and commission income | 3,003 | 3,132 | 2,159 | 2,429 |
| Fee and commission expense | (1,057) | (1,160) | (553) | (695) |
| Net fee and commission income | 1,946 | 1,972 | 1,606 | 1,734 |
| Other income | | | | |
| Net foreign exchange earnings and other financial instruments income ² | 1,535 | 1,993 | 1,272 | 1,296 |
| Gain on completion of ANZ Worldline partnership | - | 307 | - | 307 |
| Impairment of interest in controlled entities | - | - | - | (180) |
| Release of foreign currency translation reserve | 43 | (65) | - | - |
| Loss on disposal of financial planning and advice business | - | (62) | - | (22) |
| Loss on disposal of data centres in Australia | (43) | - | (32) | - |
| Dividends received from controlled entities | - | - | 2,562 | 3,181 |
| Other | 96 | 90 | (7) | 108 |
| Other income | 1,631 | 2,263 | 3,795 | 4,690 |
| Other operating income | 3,577 | 4,235 | 5,401 | 6,424 |
| Net income from insurance business | 89 | 140 | - | - |
| Share of associates' profit/(loss) | 225 | 177 | (18) | (12) |
| Non-interest income | 3,891 | 4,552 | 5,383 | 6,412 |

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 FVTPL.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period, or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product.
- non-lending fees include fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international transaction fees. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where we act as an agent by arranging a third party (such as an insurance provider) to provide goods and services to a customer. In such cases, we are not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, we only recognise the net commission retained as revenue. When the commission is variable based on factors outside our control (such as a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing asset management services. Revenue is recognised over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges that we use to manage interest rate and foreign exchange risk on funding instruments;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;
- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments to items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at FVTPL or held for trading;
- amounts released from the FVOCI reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in Other income in the year in which control of the asset transfers to the buyer.

When a non-financial asset or group of assets is classified as held for sale, it is measured at the lower of its carrying amount immediately prior to reclassification and fair value less costs to sell, with any remeasurement recognised in Other operating income to align with the classification of gain or loss on sale that would have applied if the sale had completed during the year.

3. NON-INTEREST INCOME (continued)



RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT/(LOSS)

The equity method is applied to accounting for associates. Under the equity method, our share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.



4. OPERATING EXPENSES

| | Consolidated | | The Company | |
|--|---------------|--------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Personnel | | | | |
| Salaries and related costs | 5,157 | 4,754 | 3,791 | 3,494 |
| Superannuation costs | 396 | 375 | 335 | 317 |
| Other | 183 | 167 | 154 | 127 |
| Personnel | 5,736 | 5,296 | 4,280 | 3,938 |
| Premises | | | | |
| Rent | 71 | 88 | 50 | 67 |
| Depreciation | 437 | 419 | 338 | 344 |
| Other | 176 | 214 | 123 | 168 |
| Premises | 684 | 721 | 511 | 579 |
| Technology | | | | |
| Depreciation and amortisation | 501 | 578 | 455 | 521 |
| Subscription licences and outsourced services | 1,007 | 899 | 695 | 648 |
| Other | 178 | 144 | 144 | 162 |
| Technology | 1,686 | 1,621 | 1,294 | 1,331 |
| Restructuring | 169 | 101 | 146 | 78 |
| Other | | | | |
| Advertising and public relations | 176 | 165 | 133 | 128 |
| Professional fees | 857 | 935 | 795 | 864 |
| Freight, stationery, postage and communication | 175 | 172 | 128 | 128 |
| Other | 604 | 568 | 1,201 | 1,077 |
| Other | 1,812 | 1,840 | 2,257 | 2,197 |
| Operating expenses | 10,087 | 9,579 | 8,488 | 8,123 |

4. OPERATING EXPENSES (continued)



RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award due to resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 30 Employee Share and Option Plans.



5. INCOME TAX

INCOME TAX EXPENSE

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

| | Consolidated | | The Company | |
|---|---------------|---------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Profit before income tax from continuing operations | 10,134 | 10,079 | 8,938 | 9,529 |
| Prima facie income tax expense at 30% | 3,040 | 3,024 | 2,681 | 2,859 |
| Tax effect of permanent differences: | | | | |
| Net (gain)/loss from divestments/closures | - | (83) | - | (113) |
| Share of associates' (profit)/loss | (68) | (53) | 5 | 4 |
| Interest on convertible instruments | 92 | 49 | 92 | 49 |
| Overseas tax rate differential | (163) | (128) | (95) | (70) |
| Provision for foreign tax on dividend repatriation | 41 | 155 | 35 | 150 |
| Rebatable and non-assessable dividends | - | - | (769) | (954) |
| Impairment of interest in controlled entities | - | - | - | 54 |
| Other | (2) | 4 | 23 | (21) |
| Subtotal | 2,940 | 2,968 | 1,972 | 1,958 |
| Income tax (over)/under provided in previous years | 1 | (28) | (8) | (25) |
| Income tax expense | 2,941 | 2,940 | 1,964 | 1,933 |
| Current tax expense | 2,887 | 2,694 | 2,012 | 1,725 |
| Adjustments recognised in the current year in relation to the current tax of prior years | 1 | (28) | (8) | (25) |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | 53 | 274 | (40) | 233 |
| Income tax expense | 2,941 | 2,940 | 1,964 | 1,933 |
| Australia | 1,640 | 1,844 | 1,568 | 1,755 |
| Overseas | 1,301 | 1,096 | 396 | 178 |
| Effective tax rate | 29.0% | 29.2% | 22.0% | 20.3% |

5. INCOME TAX (continued)

DEFERRED TAX ASSETS AND LIABILITIES

| | Consolidated | | The Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Deferred tax assets balances comprise temporary differences attributable to: | | | | |
| Amounts recognised in the Income Statement: | | | | |
| Collectively assessed allowances for expected credit losses | 1,128 | 1,065 | 897 | 880 |
| Individually assessed allowances for expected credit losses | 102 | 148 | 79 | 119 |
| Provision for employee entitlements | 294 | 252 | 243 | 206 |
| Other provisions | 263 | 314 | 209 | 240 |
| Software | 917 | 867 | 781 | 708 |
| Other | 290 | 285 | 238 | 218 |
| Total | 2,994 | 2,931 | 2,447 | 2,371 |
| Amounts recognised directly in Other Comprehensive Income: | | | | |
| Cash flow hedge reserve | 818 | 882 | 789 | 891 |
| Other reserves | 29 | 20 | 27 | 16 |
| Total | 847 | 902 | 816 | 907 |
| Total deferred tax assets (before set-off) | 3,841 | 3,833 | 3,263 | 3,278 |
| Set-off of deferred tax balances pursuant to set-off provisions | (455) | (449) | (275) | (286) |
| Net deferred tax assets | 3,386 | 3,384 | 2,988 | 2,992 |
| | | | | |
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Deferred tax liabilities balances comprise temporary differences attributable to: | | | | |
| Amounts recognised in the Income Statement: | | | | |
| Finance leases | 95 | 79 | 6 | (15) |
| Other | 303 | 300 | 212 | 232 |
| Total | 398 | 379 | 218 | 217 |
| Amounts recognised directly in Other Comprehensive Income: | | | | |
| Foreign currency translation reserve | 36 | 36 | 36 | 36 |
| Cash flow hedge reserve | 17 | 8 | 7 | 8 |
| FVOCI reserve | 17 | 57 | 19 | 31 |
| Defined benefit obligations | 47 | 52 | 42 | 48 |
| Total | 117 | 153 | 104 | 123 |
| Total deferred tax liabilities (before set-off) | 515 | 532 | 322 | 340 |
| Set-off of deferred tax balances pursuant to set-off provisions | (455) | (449) | (275) | (286) |
| Net deferred tax liabilities | 60 | 83 | 47 | 54 |

5. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Following the Restructure on 3 January 2023, ANZGHL is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences for members of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by each member of the tax-consolidated group in relation to the tax contribution amounts payable or receivable between members of the tax-consolidated group and the head entity ANZGHL.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total \$1 million (2022: \$1 million) for the Group and nil (2022: nil) for the Company.

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total \$286 million (2022: \$250 million) for the Group and \$30 million (2022: \$18 million) for the Company.



RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.



KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends determined by the Board of the Company are recognised with a corresponding reduction of retained earnings on the dividend payment date. Accordingly, the final dividend announced for the current financial year is paid in the following financial year. Following the Restructure on 3 January 2023, ANZGHL is the head entity in the tax-consolidated group, and the franking and imputation credits have been transferred by the Company to ANZGHL.

| Dividends | % of total | Amount per share | Total dividend \$m |
|---|------------------|------------------|--------------------|
| Financial Year 2022 | | | |
| 2021 final dividend paid ^{1,2} | | 72 cents | 2,030 |
| 2022 interim dividend paid ^{1,2} | | 72 cents | 2,012 |
| Bonus option plan adjustment | | | (77) |
| Dividends paid during the year ended 30 September 2022 | | | 3,965 |
| Cash | 90.2% | | 3,577 |
| Dividend reinvestment plan ³ | 9.8% | | 388 |
| Dividends paid during the year ended 30 September 2022 | | | 3,965 |
| Financial Year 2023 | | | |
| 2022 final dividend paid ^{1,2} | | 74 cents | 2,213 |
| 2023 special dividend paid to ANZ BH Pty Ltd | | 33 cents | 1,000 |
| 2023 interim dividend paid to ANZ BH Pty Ltd | | 79 cents | 2,387 |
| Dividends paid during the year ended 30 September 2023 | | | 5,600 |
| Cash | 96.3% | | 5,394 |
| Dividend reinvestment plan | 3.7% | | 206 |
| Dividends paid during the year ended 30 September 2023 | | | 5,600 |
| Dividends announced and to be paid after year-end | | | |
| 2023 final dividend | Payment date | Amount per share | Total dividend \$m |
| | 22 December 2023 | 94 cents | 2,825 |

¹ Carries New Zealand imputation credits of NZD 9 cents for the 2022 final dividend and 2022 interim dividend, and NZD 8 cents for the 2021 final dividend.

² Fully franked for Australian tax purposes (30% tax rate).

³ Includes on-market share purchases for the DRP of \$204 million.

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

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

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on the ordinary shares of the Company if:

- the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- ANZ's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the Company's ordinary shares.

7. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Group's six operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of operating segments on a cash profit basis. To calculate cash profit, we exclude items from profit after tax attributable to shareholders. For 2023 and 2022, the adjustments relate to impacts of economic hedges and revenue and expense hedges which represent timing differences that will reverse through earnings in the future. Transactions between divisions across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

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

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

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail

The Australia Retail division provides a full range of banking services to Australian consumers. This includes Home Loans, Deposits, Credit Cards and Personal Loans. Products and services are provided via the branch network, home loan specialists, contact centres, a variety of self-service channels (digital and internet banking, website, ATMs and phone banking) and third-party brokers. It also includes the costs related to the development and operation of the ANZ Plus proposition for retail customers.

Australia Commercial

The Australia Commercial division provides a full range of banking products and financial services, including asset financing, across the following customer segments: SME Banking (small business owners and medium commercial customers), and Specialist Business (large commercial customers, and high net worth individuals and family groups).

Institutional

The Institutional division services global institutional and corporate customers, and governments across Australia, New Zealand and International (including Papua New Guinea (PNG)) via the following business units:

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

New Zealand

The New Zealand division comprises the following business units:

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

Pacific

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

Group Centre

Group Centre division provides support to the operating divisions, including technology, property, risk management, financial management, treasury, strategy, marketing, human resources, corporate affairs, and shareholder functions. It also includes minority investments in Asia.

7. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

| Year ended 30 September 2023 | Australia Retail \$m | Australia Commercial \$m | Institutional \$m | New Zealand \$m | Pacific \$m | Group Centre \$m | Group Total \$m |
|---|----------------------------|--------------------------------|----------------------|-----------------------|----------------|------------------------|-----------------------|
| Net interest income | 5,716 | 3,224 | 4,040 | 3,149 | 123 | 323 | 16,575 |
| Net fee and commission income | 546 | 322 | 685 | 398 | 19 | (24) | 1,946 |
| Net income from insurance business | 89 | - | - | - | - | - | 89 |
| Other income ^{1,2} | 16 | 43 | 2,009 | 11 | 66 | (80) | 2,065 |
| Share of associates' profit/(loss) | - | - | - | - | - | 225 | 225 |
| Other operating income | 651 | 365 | 2,694 | 409 | 85 | 121 | 4,325 |
| Operating income ^{1,2} | 6,367 | 3,589 | 6,734 | 3,558 | 208 | 444 | 20,900 |
| Operating expenses | (3,542) | (1,423) | (2,708) | (1,291) | (145) | (978) | (10,087) |
| Cash profit before credit impairment and income tax | 2,825 | 2,166 | 4,026 | 2,267 | 63 | (534) | 10,813 |
| Credit impairment (charge)/release | (135) | (107) | 80 | (112) | 28 | 1 | (245) |
| Cash profit before income tax | 2,690 | 2,059 | 4,106 | 2,155 | 91 | (533) | 10,568 |
| Income tax expense and non-controlling interests ^{1,2} | (816) | (619) | (1,143) | (603) | (20) | 105 | (3,096) |
| Cash profit/(loss) from continuing operations | 1,874 | 1,440 | 2,963 | 1,552 | 71 | (428) | 7,472 |
| Cash profit/(loss) from discontinued operations | | | | | | | - |
| Cash profit/(loss) | | | | | | | 7,472 |
| Economic hedges ¹ | | | | | | | (217) |
| Revenue and expense hedges ² | | | | | | | (90) |
| Profit after tax attributable to shareholders | | | | | | | 7,165 |
| <i>Includes non-cash items:</i> | | | | | | | |
| Share of associates' profit/(loss) | - | - | - | - | - | 225 | 225 |
| Depreciation and amortisation | (77) | (5) | (164) | (105) | (10) | (580) | (941) |
| Equity-settled share based payment expenses | (6) | (2) | (73) | (4) | - | (20) | (105) |
| Credit impairment (charge)/release | (135) | (107) | 80 | (112) | 28 | 1 | (245) |

| Financial position | Australia Retail \$m | Australia Commercial \$m | Institutional \$m | New Zealand \$m | Pacific \$m | Group Centre \$m | Group Total \$m |
|----------------------------|----------------------------|--------------------------------|----------------------|-----------------------|----------------|------------------------|-----------------------|
| Goodwill | 100 | - | 1,261 | 1,617 | - | - | 2,978 |
| Investments in associates | - | - | - | - | - | 2,321 | 2,321 |
| Total external assets | 315,184 | 61,916 | 538,827 | 125,178 | 3,391 | 61,545 | 1,106,041 |
| Total external liabilities | 168,866 | 119,341 | 452,779 | 122,924 | 3,862 | 169,155 | 1,036,927 |

¹ The cash profit adjustment for economic hedges applies to the Institutional, New Zealand and Group Centre divisions with \$305 million loss recognised in Other operating income and \$88 million benefit recognised in Income tax expense.

² The cash profit adjustment for revenue and expense hedges applies to the Group Centre division with \$129 million loss recognised in Other operating income and \$39 million benefit recognised in Income tax expense.



7. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

| Year ended 30 September 2022 | Australia Retail \$m | Australia Commercial \$m | Institutional \$m | New Zealand \$m | Pacific \$m | Group Centre \$m | Group Total \$m |
|---|-------------------------|-----------------------------|----------------------|--------------------|----------------|---------------------|--------------------|
| Net interest income | 5,527 | 2,568 | 3,697 | 2,871 | 96 | 115 | 14,874 |
| Net fee and commission income | 477 | 404 | 648 | 428 | 26 | (11) | 1,972 |
| Net income from insurance business | 140 | - | - | - | - | - | 140 |
| Other income ^{1,2} | 5 | 258 | 1,003 | 32 | 42 | 44 | 1,384 |
| Share of associates' profit/(loss) | - | - | - | - | - | 177 | 177 |
| Other operating income | 622 | 662 | 1,651 | 460 | 68 | 210 | 3,673 |
| Operating income ^{1,2} | 6,149 | 3,230 | 5,348 | 3,331 | 164 | 325 | 18,547 |
| Operating expenses | (3,397) | (1,301) | (2,566) | (1,273) | (153) | (889) | (9,579) |
| Cash profit before credit impairment and income tax | 2,752 | 1,929 | 2,782 | 2,058 | 11 | (564) | 8,968 |
| Credit impairment (charge)/release | 129 | 133 | 27 | (45) | 6 | (18) | 232 |
| Cash profit before income tax | 2,881 | 2,062 | 2,809 | 2,013 | 17 | (582) | 9,200 |
| Income tax expense and non-controlling interests ^{1,2} | (872) | (511) | (872) | (564) | (8) | 142 | (2,685) |
| Cash profit/(loss) from continuing operations | 2,009 | 1,551 | 1,937 | 1,449 | 9 | (440) | 6,515 |
| Cash profit/(loss) from discontinued operations | | | | | | | (19) |
| Cash profit/(loss) | | | | | | | 6,496 |
| Economic hedges ¹ | | | | | | | 569 |
| Revenue and expense hedges ² | | | | | | | 54 |
| Profit after tax attributable to shareholders | | | | | | | 7,119 |
| <i>Includes non-cash items:</i> | | | | | | | |
| Share of associates' profit/(loss) | - | - | - | - | - | 177 | 177 |
| Depreciation and amortisation | (87) | (12) | (158) | (116) | (10) | (626) | (1,009) |
| Equity-settled share based payment expenses | (5) | (1) | (72) | (4) | (1) | (19) | (102) |
| Credit impairment (charge)/release | 129 | 133 | 27 | (45) | 6 | (18) | 232 |

| Financial position | Australia Retail \$m | Australia Commercial \$m | Institutional \$m | New Zealand \$m | Pacific \$m | Group Centre \$m | Group Total \$m |
|----------------------------|-------------------------|-----------------------------|----------------------|--------------------|----------------|---------------------|--------------------|
| Goodwill | 178 | - | 1,198 | 1,530 | - | - | 2,906 |
| Investments in associates | - | - | - | - | - | 2,181 | 2,181 |
| Total external assets | 292,876 | 59,983 | 544,066 | 116,218 | 3,707 | 68,879 | 1,085,729 |
| Total external liabilities | 153,494 | 118,355 | 473,114 | 115,263 | 4,065 | 155,037 | 1,019,328 |

¹ The cash profit adjustment for economic hedges applies to the Institutional, New Zealand and Group Centre divisions with \$802 million gain recognised in Other operating income and \$233 million expense recognised in Income tax expense.

² The cash profit adjustment for economic hedges applies to the Group Centre division with \$77 million gain recognised in Other operating income and \$23 million expense recognised in Income tax expense.

7. SEGMENT REPORTING (continued)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are Interest income and Other operating income, which includes net fee and commission income, net foreign exchange earnings and other financial instruments income. The Australia Retail, Australia Commercial, New Zealand, and Pacific divisions derive income from products and services in retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The reportable segments operate across three geographical regions as follows:

- Australia Retail division - Australia
- Australia Commercial division - Australia
- Institutional division - all three geographical regions
- New Zealand division - New Zealand
- Pacific division – Rest of World
- Group Centre division - all three geographical regions

Discontinued operations results are included in the Australia geography. The Rest of World geography includes Asia, Pacific, Europe and the Americas.

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

| | Australia | | New Zealand | | Rest of World | | Total | |
|---|-------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Total operating income ¹ | 12,677 | 12,462 | 4,463 | 4,501 | 3,326 | 2,547 | 20,466 | 19,510 |
| Assets to be recovered in more than one year ² | 407,221 | 384,724 | 119,278 | 109,191 | 28,877 | 32,350 | 555,376 | 526,265 |

¹ Includes Operating income earned from discontinued operations of nil (2022: \$84 million).

² Represents Net loans and advances based on the contractual maturity.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets as they apply to the note disclosures that follow.



CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, FVTPL and FVOCI. Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

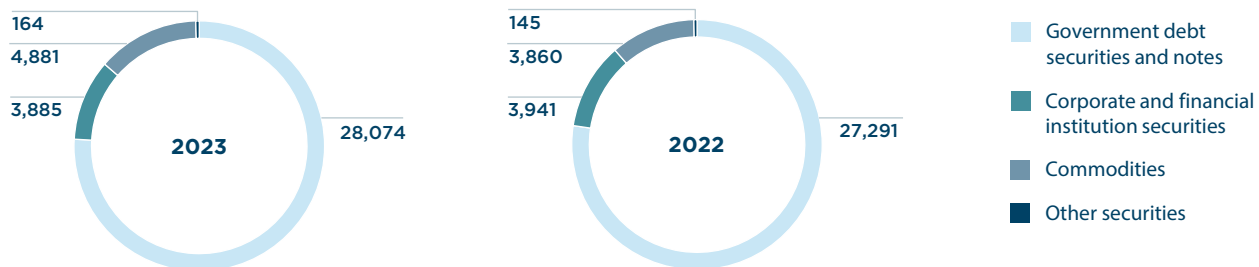
8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and other balances, as outlined below, that are convertible into cash with an insignificant risk of changes in value and with remaining maturities of three months or less, including reverse repurchase agreements.

| | Consolidated | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Coins, notes and cash at bank | 1,070 | 1,147 | 667 | 787 |
| Securities purchased under agreements to resell in less than 3 months ¹ | 31,711 | 15,996 | 31,120 | 14,372 |
| Balances with central banks | 105,689 | 127,790 | 94,389 | 118,928 |
| Settlement balances owed to ANZ within 3 months | 29,684 | 23,199 | 28,232 | 21,396 |
| Cash and cash equivalents | 168,154 | 168,132 | 154,408 | 155,483 |

¹ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

9. TRADING ASSETS



| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Government debt securities and notes | 28,074 | 27,291 | 23,144 | 21,881 |
| Corporate and financial institution securities | 3,885 | 3,941 | 2,914 | 2,700 |
| Commodities | 4,881 | 3,860 | 4,471 | 3,348 |
| Other securities | 164 | 145 | 164 | 144 |
| Total | 37,004 | 35,237 | 30,693 | 28,073 |

✓ RECOGNITION AND MEASUREMENT

Trading assets are financial instruments or other assets we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

Trading assets include commodity inventories measured at fair value less cost to sell in accordance with the broker trader exemption under AASB 102 *Inventories*.

We recognise purchases and sales of trading assets on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in profit or loss.

Assets disclosed as Trading assets are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial assets disclosures on page 101.

🗨️ KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading assets not valued using quoted market prices. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.



10. DERIVATIVE FINANCIAL INSTRUMENTS

| Consolidated | Assets 2023 \$m | Liabilities 2023 \$m | Assets 2022 \$m | Liabilities 2022 \$m |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| Fair Value | | | | |
| Derivative financial instruments - held for trading | 60,059 | (57,210) | 89,716 | (84,793) |
| Derivative financial instruments - designated in hedging relationships | 347 | (272) | 458 | (356) |
| Derivative financial instruments | 60,406 | (57,482) | 90,174 | (85,149) |

| The Company | Assets 2023 \$m | Liabilities 2023 \$m | Assets 2022 \$m | Liabilities 2022 \$m |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| Fair Value | | | | |
| Derivative financial instruments - held for trading | 59,649 | (57,256) | 87,650 | (84,200) |
| Derivative financial instruments - designated in hedging relationships | 340 | (255) | 406 | (300) |
| Derivative financial instruments | 59,989 | (57,511) | 88,056 | (84,500) |

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

| | |
|--|---|
| Trading | Derivatives held in order to: <ul style="list-style-type: none"> • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins. |
| Designated in Hedging Relationships | Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: <ul style="list-style-type: none"> • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions. |

TYPES

The Group offers or uses four different types of derivative financial instruments:

| | |
|-----------------|---|
| Forwards | A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date. |
| Futures | An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset. |
| Swaps | A contract in which two parties exchange one series of cash flows for another. |
| Options | A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a 'call option') or to sell (known as a 'put option') an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option. |

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

| | |
|-------------------------|--|
| Foreign Exchange | Currencies at current or determined rates of exchange. |
| Interest Rate | Fixed or variable interest rates applying to money lent, deposited or borrowed. |
| Commodity | Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas). |
| Credit | Risk of default by customers or third parties. |

The Group uses a number of central clearing counterparties and exchanges to settle derivative transactions. Different arrangements for posting of collateral exist with these exchanges:

- some transactions are subject to clearing arrangements which result in separate recognition of collateral assets and liabilities, with the carrying values of the associated derivative assets and liabilities held at their fair value.
- other transactions, are legally settled by the payment or receipt of collateral which reduces the carrying values of the related derivative instruments by the amount paid or received.

DERIVATIVE FINANCIAL INSTRUMENTS - HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading is:

| Consolidated | Assets 2023 \$m | Liabilities 2023 \$m | Assets 2022 \$m | Liabilities 2022 \$m |
|--|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| Fair Value | | | | |
| Interest rate contracts | | | | |
| Forward rate agreements | - | - | - | (1) |
| Futures contracts | 294 | (37) | 336 | (123) |
| Swap agreements | 10,815 | (15,194) | 10,421 | (15,031) |
| Options | 1,805 | (2,023) | 1,698 | (1,954) |
| Total | 12,914 | (17,254) | 12,455 | (17,109) |
| Foreign exchange contracts | | | | |
| Spot and forward contracts | 21,399 | (19,580) | 42,221 | (37,426) |
| Swap agreements | 23,230 | (18,172) | 32,169 | (27,548) |
| Options | 690 | (1,120) | 926 | (1,343) |
| Total | 45,319 | (38,872) | 75,316 | (66,317) |
| Commodity and other contracts | 1,812 | (1,067) | 1,927 | (1,353) |
| Credit default swaps | 14 | (17) | 18 | (14) |
| Derivative financial instruments - held for trading¹ | 60,059 | (57,210) | 89,716 | (84,793) |

¹ Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.



10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING (continued)

The majority of the Company's derivative financial instruments are held for trading. The fair value of derivative financial instruments held for trading is:

| The Company | Assets 2023 \$m | Liabilities 2023 \$m | Assets 2022 \$m | Liabilities 2022 \$m |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| Fair Value | | | | |
| Interest rate contracts | | | | |
| Forward rate agreements | 2 | (1) | 2 | (7) |
| Futures contracts | 259 | (30) | 240 | (116) |
| Swap agreements | 11,324 | (15,178) | 10,778 | (15,098) |
| Options | 1,807 | (2,016) | 1,684 | (1,947) |
| Total | 13,392 | (17,225) | 12,704 | (17,168) |
| Foreign exchange contracts | | | | |
| Spot and forward contracts | 19,229 | (17,595) | 36,576 | (33,376) |
| Swap agreements | 24,493 | (20,216) | 35,526 | (30,949) |
| Options | 684 | (1,110) | 895 | (1,331) |
| Total | 44,406 | (38,921) | 72,997 | (65,656) |
| Commodity and other contracts | 1,823 | (1,078) | 1,923 | (1,352) |
| Credit default swaps | 28 | (32) | 26 | (24) |
| Derivative financial instruments - held for trading¹ | 59,649 | (57,256) | 87,650 | (84,200) |

¹ Includes derivatives held for balance sheet management which are not designated into accounting hedge relationships.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

As set out in Note 1, under the accounting policy choice provided by AASB 9, the Group has continued to apply the hedge accounting requirements of AASB 139.

There are three types of hedge accounting relationships the Group utilises:

| | Fair value hedge | Cash flow hedge | Net investment hedge |
|---|---|---|---|
| Objective of this hedging arrangement | To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements. | To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements. | To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars. |
| Recognition of effective hedge portion | The following are recognised in profit or loss at the same time: <ul style="list-style-type: none"> all changes in the fair value of the underlying item relating to the hedged risk; and the change in the fair value of the derivatives. | We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve. | We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR). |
| Recognition of ineffective hedge portion | Recognised immediately in Other operating income. | | |
| If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting | When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity. | Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss. | The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation. |
| Hedged item sold or repaid | We recognise the unamortised fair value adjustment immediately in profit or loss. | Amounts accumulated in equity are transferred immediately to profit or loss. | The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation. |



10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS - DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The fair value of derivative financial instruments designated in hedging relationships is:

| Consolidated | 2023 | | | 2022 | | |
|---|-----------------------|---------------|--------------------|-----------------------|---------------|--------------------|
| | Nominal amount \$m | Assets \$m | Liabilities \$m | Nominal amount \$m | Assets \$m | Liabilities \$m |
| Fair value hedges | | | | | | |
| Foreign exchange spot and forward contracts | 607 | 5 | - | 604 | - | (37) |
| Interest rate swap agreements | 126,881 | 32 | (195) | 106,366 | 79 | (168) |
| Interest rate futures contracts | 11,778 | 243 | (9) | 17,361 | 264 | (3) |
| Cash flow hedges | | | | | | |
| Interest rate swap agreements | 122,704 | 17 | (48) | 125,063 | 33 | (53) |
| Foreign exchange swap agreements | 683 | 50 | (19) | 656 | 48 | (44) |
| Foreign exchange spot and forward contracts | - | - | - | 161 | - | (4) |
| Net investment hedges | | | | | | |
| Foreign exchange spot and forward contracts | 47 | - | (1) | 940 | 34 | (47) |
| Derivative financial instruments - designated in hedging relationships | 262,700 | 347 | (272) | 251,151 | 458 | (356) |

| The Company | 2023 | | | 2022 | | |
|---|-----------------------|---------------|--------------------|-----------------------|---------------|--------------------|
| | Nominal amount \$m | Assets \$m | Liabilities \$m | Nominal amount \$m | Assets \$m | Liabilities \$m |
| Fair value hedges | | | | | | |
| Foreign exchange spot and forward contracts | 607 | 5 | - | 604 | - | (37) |
| Interest rate swap agreements | 101,587 | 32 | (184) | 80,185 | 65 | (163) |
| Interest rate futures contracts | 11,778 | 243 | (9) | 17,361 | 264 | (3) |
| Cash flow hedges | | | | | | |
| Interest rate swap agreements | 89,173 | 10 | (42) | 94,928 | 28 | (49) |
| Foreign exchange swap agreements | 683 | 50 | (19) | 656 | 48 | (44) |
| Foreign exchange spot and forward contracts | - | - | - | 161 | - | (4) |
| Net investment hedges | | | | | | |
| Foreign exchange spot and forward contracts | 47 | - | (1) | 146 | 1 | - |
| Derivative financial instruments - designated in hedging relationships | 203,875 | 340 | (255) | 194,041 | 406 | (300) |

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The maturity profile of the nominal amounts of our hedging instruments held is:

Consolidated

| Nominal Amount | | Average Rate | Less than 3 months \$m | 3 to 12 months \$m | 1 to 5 years \$m | After 5 years \$m | Total \$m |
|--------------------------------|-----------------|--------------|---------------------------|-----------------------|---------------------|----------------------|--------------|
| As at 30 September 2023 | | | | | | | |
| Fair value hedges | | | | | | | |
| Interest rate | Interest Rate | 2.38% | 2,314 | 10,533 | 79,350 | 46,462 | 138,659 |
| Foreign exchange | HKD/AUD FX Rate | 5.02 | 607 | - | - | - | 607 |
| Cash flow hedges | | | | | | | |
| Interest rate | Interest Rate | 2.27% | 7,573 | 37,630 | 76,359 | 1,142 | 122,704 |
| Foreign exchange ¹ | AUD/USD FX Rate | 0.74 | - | - | - | 683 | 683 |
| | USD/EUR FX Rate | 0.91 | - | - | - | - | - |
| Net investment hedges | | | | | | | |
| Foreign exchange | NZD/AUD FX Rate | 1.09 | - | 47 | - | - | 47 |
| As at 30 September 2022 | | | | | | | |
| Fair value hedges | | | | | | | |
| Interest rate | Interest Rate | 1.65% | 10,931 | 17,322 | 65,259 | 30,215 | 123,727 |
| Foreign exchange | HKD/AUD FX Rate | 5.43 | 604 | - | - | - | 604 |
| Cash flow hedges | | | | | | | |
| Interest rate | Interest Rate | 1.59% | 3,317 | 32,145 | 88,461 | 1,140 | 125,063 |
| Foreign exchange ¹ | AUD/USD FX Rate | 0.74 | 40 | 121 | - | 656 | 817 |
| | USD/EUR FX Rate | 0.91 | - | - | - | - | - |
| Net investment hedges | | | | | | | |
| Foreign exchange | TWD/AUD FX Rate | 20.68 | 794 | 146 | - | - | 940 |
| | THB/AUD FX Rate | 25.05 | - | - | - | - | - |

¹ Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.



10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

| The Company | | Average Rate | Less than 3 months \$m | 3 to 12 months \$m | 1 to 5 years \$m | After 5 years \$m | Total \$m |
|--------------------------------|-----------------|--------------|---------------------------|-----------------------|---------------------|----------------------|--------------|
| Nominal Amount | | | | | | | |
| As at 30 September 2023 | | | | | | | |
| Fair value hedges | | | | | | | |
| Interest rate | Interest Rate | 2.49% | 1,910 | 8,025 | 61,644 | 41,786 | 113,365 |
| Foreign exchange | HKD/AUD FX Rate | 5.02 | 607 | - | - | - | 607 |
| Cash flow hedges | | | | | | | |
| Interest rate | Interest Rate | 1.78% | 3,154 | 22,353 | 62,577 | 1,089 | 89,173 |
| Foreign exchange ¹ | AUD/USD FX Rate | 0.74 | - | - | - | 683 | 683 |
| | USD/EUR FX Rate | 0.91 | - | - | - | - | - |
| Net investment hedges | | | | | | | |
| Foreign exchange | NZD/AUD FX Rate | 1.09 | - | 47 | - | - | 47 |
| As at 30 September 2022 | | | | | | | |
| Fair value hedges | | | | | | | |
| Interest rate | Interest Rate | 1.75% | 10,931 | 13,466 | 48,011 | 25,138 | 97,546 |
| Foreign exchange | HKD/AUD FX Rate | 5.43 | 604 | - | - | - | 604 |
| Cash flow hedges | | | | | | | |
| Interest rate | Interest Rate | 1.37% | 1,708 | 22,611 | 69,600 | 1,009 | 94,928 |
| Foreign exchange ¹ | AUD/USD FX Rate | 0.74 | 40 | 121 | - | 656 | 817 |
| | USD/EUR FX Rate | 0.91 | - | - | - | - | - |
| Net investment hedges | | | | | | | |
| Foreign exchange | TWD/AUD FX Rate | 20.68 | - | 146 | - | - | 146 |

¹: Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The impacts of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

| Consolidated | Ineffectiveness | | | Amount reclassified from the cash flow hedge reserve or FCTR to profit or loss ⁴ |
|--|--|--------------------------------|---|---|
| | Change in value of hedging instrument ² | Change in value of hedged item | Hedge ineffectiveness recognised in profit or loss ³ | |
| | \$m | \$m | \$m | \$m |
| As at 30 September 2023 | | | | |
| Fair value hedges¹ | | | | |
| Interest rate | (846) | 870 | 24 | - |
| Foreign exchange | (4) | 4 | - | - |
| Cash flow hedges¹ | | | | |
| Interest rate | 280 | (239) | 41 | (13) |
| Foreign exchange | - | - | - | 9 |
| Net investment hedges¹ | | | | |
| Foreign exchange | (39) | 39 | - | 79 |
| As at 30 September 2022 | | | | |
| Fair value hedges¹ | | | | |
| Interest rate | 697 | (719) | (22) | - |
| Foreign exchange | (55) | 55 | - | - |
| Cash flow hedges¹ | | | | |
| Interest rate | (3,619) | 3,453 | (166) | (13) |
| Foreign exchange | (4) | 4 | - | 1 |
| Net investment hedges¹ | | | | |
| Foreign exchange | 62 | (62) | - | - |
| The Company | | | | |
| As at 30 September 2023 | | | | |
| Fair value hedges¹ | | | | |
| Interest rate | (797) | 814 | 17 | - |
| Foreign exchange | (4) | 4 | - | - |
| Cash flow hedges¹ | | | | |
| Interest rate | 386 | (344) | 42 | (15) |
| Foreign exchange | - | - | - | 9 |
| Net investment hedges¹ | | | | |
| Foreign exchange | (4) | 4 | - | - |
| As at 30 September 2022 | | | | |
| Fair value hedges¹ | | | | |
| Interest rate | 1,570 | (1,586) | (16) | - |
| Foreign exchange | (55) | 55 | - | - |
| Cash flow hedges¹ | | | | |
| Interest rate | (3,643) | 3,477 | (166) | (13) |
| Foreign exchange | (4) | 4 | - | 1 |
| Net investment hedges¹ | | | | |
| Foreign exchange | 58 | (58) | - | - |

¹ All hedging instruments are classified as derivative financial instruments.

² Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.

³ Recognised in Other operating income.

⁴ Recognised in Net interest income and Other operating income.



10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The hedged items in relation to the Group's fair value hedges are:

| Consolidated | Balance sheet presentation | Hedged risk | Carrying amount | | Accumulated fair value hedge adjustments on the hedged item | |
|--|----------------------------|------------------|-----------------|--------------------|---|--------------------|
| | | | Assets \$m | Liabilities \$m | Assets \$m | Liabilities \$m |
| As at 30 September 2023 | | | | | | |
| Fixed rate loans and advances | Net loans and advances | Interest rate | 3,472 | - | (139) | - |
| Fixed rate debt issuance | Debt issuances | Interest rate | - | (66,190) | - | 4,163 |
| Fixed rate investment securities at FVOCI ¹ | Investment securities | Interest rate | 61,082 | - | (5,121) | - |
| Equity securities at FVOCI ¹ | Investment securities | Foreign exchange | 607 | - | 79 | - |
| Total | | | 65,161 | (66,190) | (5,181) | 4,163 |

As at 30 September 2022

| | | | | | | |
|--|------------------------|------------------|---------------|-----------------|----------------|--------------|
| Fixed rate loans and advances | Net loans and advances | Interest rate | 10,252 | - | (369) | - |
| Fixed rate debt issuance | Debt issuances | Interest rate | - | (51,531) | - | 3,721 |
| Fixed rate investment securities at FVOCI ¹ | Investment securities | Interest rate | 53,915 | - | (5,349) | - |
| Equity securities at FVOCI ¹ | Investment securities | Foreign exchange | 604 | - | 75 | - |
| Total | | | 64,771 | (51,531) | (5,643) | 3,721 |

¹ The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment. The fair value hedge adjustment is included in other comprehensive income.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -\$13 million (2022: -\$7 million).

The hedged items in relation to the Company's fair value hedges are:

| The Company | Balance sheet presentation | Hedged risk | Carrying amount | | Accumulated fair value hedge adjustments on the hedged item | |
|--|----------------------------|------------------|-----------------|--------------------|---|--------------------|
| | | | Assets \$m | Liabilities \$m | Assets \$m | Liabilities \$m |
| As at 30 September 2023 | | | | | | |
| Fixed rate loans and advances | Net loans and advances | Interest rate | 3,472 | - | (139) | - |
| Fixed rate debt issuance | Debt issuances | Interest rate | - | (51,602) | - | 3,025 |
| Fixed rate investment securities at FVOCI ¹ | Investment securities | Interest rate | 52,336 | - | (4,342) | - |
| Equity securities at FVOCI ¹ | Investment securities | Foreign exchange | 607 | - | 79 | - |
| Total | | | 56,415 | (51,602) | (4,402) | 3,025 |

As at 30 September 2022

| | | | | | | |
|--|------------------------|------------------|---------------|-----------------|----------------|--------------|
| Fixed rate loans and advances | Net loans and advances | Interest rate | 10,252 | - | (369) | - |
| Fixed rate debt issuance | Debt issuances | Interest rate | - | (37,141) | - | 2,572 |
| Fixed rate investment securities at FVOCI ¹ | Investment securities | Interest rate | 44,038 | - | (4,489) | - |
| Equity securities at FVOCI ¹ | Investment securities | Foreign exchange | 604 | - | 75 | - |
| Total | | | 54,894 | (37,141) | (4,783) | 2,572 |

¹ The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment. The fair value hedge adjustment is included in other comprehensive income.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -\$13 million (2022: -\$7 million).

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The hedged items in relation to the Group's and the Company's cash flow and net investment hedges are:

| | Hedged risk | Cash flow hedge reserve | | Foreign currency translation reserve | |
|---------------------------------------|------------------|-------------------------|---------------------|--------------------------------------|---------------------|
| | | Continuing hedges | Discontinued hedges | Continuing hedges | Discontinued hedges |
| | | \$m | \$m | \$m | \$m |
| Consolidated | | | | | |
| As at 30 September 2023 | | | | | |
| Cash flow hedges | | | | | |
| Floating rate loans and advances | Interest rate | (3,482) | 11 | - | - |
| Floating rate customer deposits | Interest rate | 794 | (1) | - | - |
| Foreign currency debt issuances | Foreign exchange | - | - | - | - |
| Highly probable forecast transactions | Foreign exchange | - | - | - | - |
| Net investment hedges | | | | | |
| Foreign operations | Foreign exchange | - | - | 12 | 49 |
| As at 30 September 2022 | | | | | |
| Cash flow hedges | | | | | |
| Floating rate loans and advances | Interest rate | (4,286) | 19 | - | - |
| Floating rate customer deposits | Interest rate | 1,357 | 5 | - | - |
| Foreign currency debt issuances | Foreign exchange | (1) | (1) | - | - |
| Highly probable forecast transactions | Foreign exchange | (7) | - | - | - |
| Net investment hedges | | | | | |
| Foreign operations | Foreign exchange | - | - | 43 | (149) |
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Cash flow hedges | | | | | |
| Floating rate loans and advances | Interest rate | (3,103) | 2 | - | - |
| Floating rate customer deposits | Interest rate | 495 | - | - | - |
| Foreign currency debt issuances | Foreign exchange | - | - | - | - |
| Highly probable forecast transactions | Foreign exchange | - | - | - | - |
| Net investment hedges | | | | | |
| Foreign operations | Foreign exchange | - | - | 12 | 49 |
| As at 30 September 2022 | | | | | |
| Cash flow hedges | | | | | |
| Floating rate loans and advances | Interest rate | (4,005) | 11 | - | - |
| Floating rate customer deposits | Interest rate | 1,053 | 6 | - | - |
| Foreign currency debt issuances | Foreign exchange | (1) | (1) | - | - |
| Highly probable forecast transactions | Foreign exchange | (7) | - | - | - |
| Net investment hedges | | | | | |
| Foreign operations | Foreign exchange | - | - | 88 | (149) |



10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The table below details the reconciliation of the Group's cash flow hedge reserve by risk type:

| | Interest rate \$m | Foreign currency \$m | Total \$m |
|-------------------------------------|----------------------|----------------------------|----------------|
| Consolidated | | | |
| Balance at 1 October 2021 | 398 | (5) | 393 |
| Fair value gains/(losses) | (3,453) | (4) | (3,457) |
| Transferred to profit or loss | (13) | 1 | (12) |
| Income taxes and others | 1,040 | - | 1,040 |
| Balance at 30 September 2022 | (2,028) | (8) | (2,036) |
| Fair value gains/(losses) | 239 | - | 239 |
| Transferred to profit or loss | (13) | 9 | (4) |
| Income taxes and others | (69) | (2) | (71) |
| Balance at 30 September 2023 | (1,871) | (1) | (1,872) |

Hedges of net investments in a foreign operation resulted in a \$40 million increase in FCTR during the year (2022: \$62 million increase).

The table below details the reconciliation of the Company's cash flow hedge reserve by risk type:

| | Interest rate \$m | Foreign currency \$m | Total \$m |
|-------------------------------------|----------------------|----------------------------|----------------|
| The Company | | | |
| Balance at 1 October 2021 | 389 | (5) | 384 |
| Fair value gains/(losses) | (3,477) | (4) | (3,481) |
| Transferred to profit or loss | (13) | 1 | (12) |
| Income taxes and others | 1,048 | - | 1,048 |
| Balance at 30 September 2022 | (2,053) | (8) | (2,061) |
| Fair value gains/(losses) | 344 | - | 344 |
| Transferred to profit or loss | (15) | 9 | (6) |
| Income taxes and others | (99) | (2) | (101) |
| Balance at 30 September 2023 | (1,823) | (1) | (1,824) |

Hedges of net investments in a foreign operation resulted in a \$4 million decrease in FCTR during the year (2022: \$58 million increase).

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)



RECOGNITION AND MEASUREMENT

Recognition

Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability.

Valuation adjustments are integral in determining the fair value of derivatives. This includes:

- a credit valuation adjustment to reflect the counterparty risk and/or event of default; and
- a funding valuation adjustment to account for funding costs and benefits in the derivatives portfolio.

Derecognition of assets and liabilities

We remove derivative assets from our Balance Sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our Balance Sheet when the Group's contractual obligations are discharged, cancelled or expired.

With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.

Impact on the Income Statement

The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedge accounting relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss.

For an instrument designated in a hedge accounting relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 106 for details of the recognition approach applied for each type of hedge accounting relationship.

Sources of hedge accounting ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.

Hedge effectiveness

To qualify for hedge accounting under AASB 139, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met:

- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and
- the actual results of the hedge are within the range of 80-125% (retrospective effectiveness).

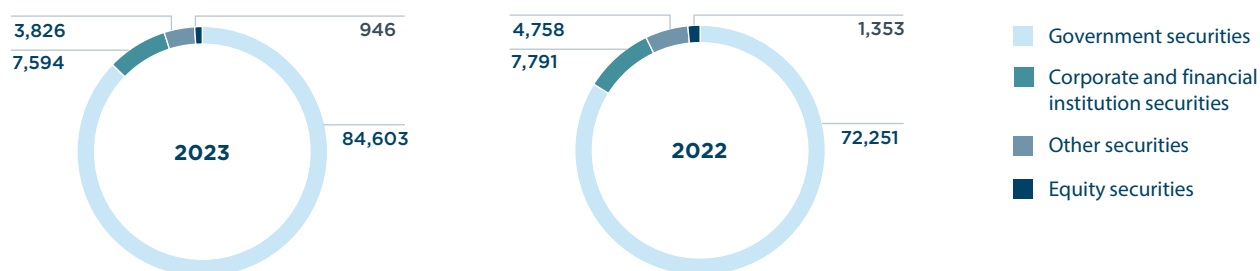
The Group monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.



KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

11. INVESTMENT SECURITIES



| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Investment securities measured at FVOCI | | | | |
| Debt securities | 88,271 | 76,817 | 76,320 | 65,257 |
| Equity securities | 946 | 1,353 | 945 | 1,027 |
| Investment securities measured at amortised cost | | | | |
| Debt securities | 7,752 | 7,943 | 5,936 | 6,115 |
| Investment Securities measured at FVTPL | | | | |
| Debt securities | - | 40 | - | - |
| Total | 96,969 | 86,153 | 83,201 | 72,399 |

During 2023, ANZBGL transferred its equity interests in the 1835i trusts, TIN and Pollination to ANZ NBH Pty Ltd as part of the Restructure.

The maturity profile of investment securities is as follows:

| Consolidated | Less than 3 months \$m | 3 to 12 months \$m | 1 to 5 years \$m | After 5 years \$m | No maturity \$m | Total \$m |
|--|---------------------------|-----------------------|---------------------|----------------------|--------------------|---------------|
| As at 30 September 2023 | | | | | | |
| Government securities | 8,807 | 10,233 | 29,482 | 36,081 | - | 84,603 |
| Corporate and financial institution securities | 358 | 1,205 | 5,973 | 58 | - | 7,594 |
| Other securities | 617 | 591 | 602 | 2,016 | - | 3,826 |
| Equity securities | - | - | - | - | 946 | 946 |
| Total | 9,782 | 12,029 | 36,057 | 38,155 | 946 | 96,969 |
| As at 30 September 2022 | | | | | | |
| Government securities | 6,544 | 14,045 | 29,806 | 21,856 | - | 72,251 |
| Corporate and financial institution securities | 324 | 2,462 | 4,906 | 97 | 2 | 7,791 |
| Other securities | 429 | 423 | 543 | 3,363 | - | 4,758 |
| Equity securities | - | - | - | - | 1,353 | 1,353 |
| Total | 7,297 | 16,930 | 35,255 | 25,316 | 1,355 | 86,153 |

During the year, the Group recognised a net gain (before tax) of \$9 million (2022: \$28 million) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.

11. INVESTMENT SECURITIES (continued)

| The Company | Less than 3 months | 3 to 12 months | 1 to 5 years | After 5 years | No maturity | Total |
|--|--------------------|----------------|---------------|---------------|--------------|---------------|
| | \$m | \$m | \$m | \$m | \$m | \$m |
| As at 30 September 2023 | | | | | | |
| Government securities | 7,665 | 8,649 | 23,140 | 33,182 | - | 72,636 |
| Corporate and financial institution securities | 280 | 634 | 4,822 | 58 | - | 5,794 |
| Other securities | 617 | 591 | 602 | 2,016 | - | 3,826 |
| Equity securities | - | - | - | - | 945 | 945 |
| Total | 8,562 | 9,874 | 28,564 | 35,256 | 945 | 83,201 |
| As at 30 September 2022 | | | | | | |
| Government securities | 5,715 | 11,647 | 23,100 | 19,853 | - | 60,315 |
| Corporate and financial institution securities | 276 | 1,972 | 3,993 | 58 | - | 6,299 |
| Other securities | 429 | 423 | 543 | 3,363 | - | 4,758 |
| Equity securities | - | - | - | - | 1,027 | 1,027 |
| Total | 6,420 | 14,042 | 27,636 | 23,274 | 1,027 | 72,399 |

During the year, the Company recognised a net loss (before tax) of \$6 million (2022: \$1 million gain) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.



RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Equity investments not held for trading purposes may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from Other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 101. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at FVOCI' are recognised and measured in accordance with the accounting policy outlined in Note 13 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at FVOCI', the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.



KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

12. NET LOANS AND ADVANCES

The following table provides details of Net loans and advances:

| | Consolidated | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Overdrafts | 5,552 | 5,266 | 4,516 | 4,262 |
| Credit cards | 6,805 | 6,755 | 5,630 | 5,664 |
| Commercial bills | 4,682 | 5,214 | 4,682 | 5,214 |
| Term loans – housing | 404,491 | 374,625 | 304,772 | 282,965 |
| Term loans – non-housing ¹ | 285,458 | 279,730 | 242,403 | 238,215 |
| Other | 1,292 | 2,035 | 1,244 | 1,929 |
| Subtotal | 708,280 | 673,625 | 563,247 | 538,249 |
| Unearned income ² | (515) | (518) | (483) | (480) |
| Capitalised brokerage and other origination costs ² | 3,475 | 2,882 | 3,048 | 2,501 |
| Gross loans and advances | 711,240 | 675,989 | 565,812 | 540,270 |
| Allowance for expected credit losses (refer to Note 13) | (3,546) | (3,582) | (2,795) | (2,925) |
| Net loans and advances | 707,694 | 672,407 | 563,017 | 537,345 |
| <i>Residual contractual maturity:</i> | | | | |
| Within one year | 152,318 | 146,142 | 128,045 | 121,513 |
| More than one year | 555,376 | 526,265 | 434,972 | 415,832 |
| Net loans and advances | 707,694 | 672,407 | 563,017 | 537,345 |
| <i>Carried on Balance Sheet at:</i> | | | | |
| Amortised cost | 685,806 | 667,732 | 541,777 | 533,082 |
| Fair value through profit or loss ¹ | 21,888 | 4,675 | 21,240 | 4,263 |
| Net loans and advances | 707,694 | 672,407 | 563,017 | 537,345 |

¹ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

² Amortised over the expected life of the loan.



RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses, or at fair value when they are specifically designated on initial recognition as FVTPL, are classified as held for sale or when held for trading. Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its Balance Sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's Balance Sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset. If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets as appropriate.

Assets disclosed as Net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 101. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 13 Allowance for Expected Credit Losses.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES

| | 2023 | | | 2022 | | |
|---|------------------------------|------------------------------|--------------|------------------------------|------------------------------|--------------|
| | Collectively assessed \$m | Individually assessed \$m | Total \$m | Collectively assessed \$m | Individually assessed \$m | Total \$m |
| Consolidated | | | | | | |
| Net loans and advances at amortised cost | 3,180 | 366 | 3,546 | 3,049 | 533 | 3,582 |
| Off-balance sheet commitments | 817 | 10 | 827 | 766 | 9 | 775 |
| Investment securities - debt securities at amortised cost | 35 | - | 35 | 38 | - | 38 |
| Total | 4,032 | 376 | 4,408 | 3,853 | 542 | 4,395 |
| Other comprehensive income | | | | | | |
| Investment securities - debt securities at FVOCI ¹ | 15 | - | 15 | 10 | - | 10 |

| | 2023 | | | 2022 | | |
|---|------------------------------|------------------------------|--------------|------------------------------|------------------------------|--------------|
| | Collectively assessed \$m | Individually assessed \$m | Total \$m | Collectively assessed \$m | Individually assessed \$m | Total \$m |
| The Company | | | | | | |
| Net loans and advances at amortised cost | 2,516 | 279 | 2,795 | 2,500 | 425 | 2,925 |
| Off-balance sheet commitments | 692 | 5 | 697 | 668 | 5 | 673 |
| Investment securities - debt securities at amortised cost | 1 | - | 1 | 1 | - | 1 |
| Total | 3,209 | 284 | 3,493 | 3,169 | 430 | 3,599 |
| Other comprehensive income | | | | | | |
| Investment securities - debt securities at FVOCI ¹ | 12 | - | 12 | 7 | - | 7 |

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

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

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

| | Stage 1 \$m | Stage 2 \$m | Stage 3 ¹ | | Total \$m |
|---|----------------|----------------|------------------------------|------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 1 October 2021 | 968 | 1,994 | 417 | 666 | 4,045 |
| Transfer between stages | 219 | (224) | (95) | 100 | - |
| New and increased provisions (net of releases) | (48) | (202) | 42 | 420 | 212 |
| Write-backs | - | - | - | (222) | (222) |
| Bad debts written off (excluding recoveries) | - | - | - | (428) | (428) |
| Foreign currency translation and other movements ² | 2 | (20) | (4) | (3) | (25) |
| As at 30 September 2022 | 1,141 | 1,548 | 360 | 533 | 3,582 |
| Transfer between stages | 148 | (138) | (94) | 84 | - |
| New and increased provisions (net of releases) | (73) | 202 | 61 | 388 | 578 |
| Write-backs | - | - | - | (212) | (212) |
| Bad debts written off (excluding recoveries) | - | - | - | (409) | (409) |
| Foreign currency translation and other movements ² | 11 | 12 | 2 | (18) | 7 |
| As at 30 September 2023 | 1,227 | 1,624 | 329 | 366 | 3,546 |

¹ The Group's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.

² Other movements include the impacts of discount unwind on individually assessed allowance for ECL or the impact of divestments completed during the year.



13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

| | Stage 3 ¹ | | | | Total \$m |
|---|----------------------|----------------|---------------------------------|---------------------------------|--------------|
| | Stage 1 \$m | Stage 2 \$m | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 1 October 2021 | 797 | 1,679 | 348 | 563 | 3,387 |
| Transfer between stages | 192 | (201) | (84) | 93 | - |
| New and increased provisions (net of releases) | (59) | (220) | 31 | 354 | 106 |
| Write-backs | - | - | - | (193) | (193) |
| Bad debts written off (excluding recoveries) | - | - | - | (386) | (386) |
| Foreign currency translation and other movements ² | 16 | 1 | - | (6) | 11 |
| As at 30 September 2022 | 946 | 1,259 | 295 | 425 | 2,925 |
| Transfer between stages | 122 | (118) | (83) | 79 | - |
| New and increased provisions (net of releases) | (43) | 98 | 39 | 295 | 389 |
| Write-backs | - | - | - | (192) | (192) |
| Bad debts written off (excluding recoveries) | - | - | - | (310) | (310) |
| Foreign currency translation and other movements ² | 1 | - | - | (18) | (17) |
| As at 30 September 2023 | 1,026 | 1,239 | 251 | 279 | 2,795 |

¹ The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.

² Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

| | Stage 3 ¹ | | | | Total \$m |
|---|----------------------|----------------|---------------------------------|---------------------------------|--------------|
| | Stage 1 \$m | Stage 2 \$m | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 1 October 2021 | 555 | 211 | 19 | 21 | 806 |
| Transfer between stages | 40 | (34) | (8) | 2 | - |
| New and increased provisions (net of releases) | 7 | (28) | 18 | (2) | (5) |
| Write-backs | - | - | - | (11) | (11) |
| Foreign currency translation and other movements ² | (9) | (5) | - | (1) | (15) |
| As at 30 September 2022 | 593 | 144 | 29 | 9 | 775 |
| Transfer between stages | 31 | (29) | (4) | 2 | - |
| New and increased provisions (net of releases) | - | 46 | (1) | 2 | 47 |
| Write-backs | - | - | - | (4) | (4) |
| Foreign currency translation and other movements ² | 6 | 1 | 1 | 1 | 9 |
| As at 30 September 2023 | 630 | 162 | 25 | 10 | 827 |

¹ The Group's credit exposures that are POCI are insignificant.

² Other movements include impact of divestments completed during the year.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

| | Stage 1 \$m | Stage 2 \$m | Stage 3 ¹ | | Total \$m |
|---|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 1 October 2021 | 484 | 171 | 12 | 7 | 674 |
| Transfer between stages | 33 | (27) | (6) | - | - |
| New and increased provisions (net of releases) | 17 | (29) | 20 | - | 8 |
| Write-backs | - | - | - | (2) | (2) |
| Foreign currency translation and other movements ² | (4) | (3) | - | - | (7) |
| As at 30 September 2022 | 530 | 112 | 26 | 5 | 673 |
| Transfer between stages | 27 | (26) | (3) | 2 | - |
| New and increased provisions (net of releases) | (10) | 35 | (2) | - | 23 |
| Write-backs | - | - | - | (2) | (2) |
| Foreign currency translation | 3 | - | - | - | 3 |
| As at 30 September 2023 | 550 | 121 | 21 | 5 | 697 |

¹ The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.

² Other movements include the impact of divestments completed during the year.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--------------------------------|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 30 September 2022 | 38 | - | - | - | 38 |
| As at 30 September 2023 | 35 | - | - | - | 35 |

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--------------------------------|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2022 | 1 | - | - | - | 1 |
| As at 30 September 2023 | 1 | - | - | - | 1 |

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other comprehensive income with a corresponding charge to profit or loss.

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--------------------------------|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 30 September 2022 | 10 | - | - | - | 10 |
| As at 30 September 2023 | 15 | - | - | - | 15 |

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--------------------------------|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2022 | 7 | - | - | - | 7 |
| As at 30 September 2023 | 12 | - | - | - | 12 |



13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

| | Consolidated | | The Company | |
|---|--------------|--------------|-------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| New and increased provisions (net of releases) ^{1,2} | | | | |
| - Collectively assessed | 152 | (311) | 41 | (333) |
| - Individually assessed | 476 | 520 | 376 | 447 |
| Write-backs ³ | (216) | (233) | (194) | (195) |
| Recoveries of amounts previously written-off | (167) | (208) | (148) | (184) |
| Total credit impairment charge | 245 | (232) | 75 | (265) |

¹ Includes the impact of transfers between collectively assessed and individually assessed.

² New and increased provisions (net of releases) includes:

| | Consolidated | | | | The Company | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | Collectively assessed \$m | Individually assessed \$m | Collectively assessed \$m | Individually assessed \$m | Collectively assessed \$m | Individually assessed \$m | Collectively assessed \$m | Individually assessed \$m |
| Net loans and advances at amortised cost | 106 | 472 | (308) | 520 | 15 | 374 | (341) | 447 |
| Off-balance sheet commitments | 43 | 4 | (5) | - | 21 | 2 | 8 | - |
| Investment securities - debt securities at amortised cost | (1) | - | 3 | - | - | - | - | - |
| Investment securities - debt securities at FVOCI | 4 | - | (1) | - | 5 | - | - | - |
| Total | 152 | 476 | (311) | 520 | 41 | 376 | (333) | 447 |

³ Consists of write-backs in Net loans and advances at amortised cost of \$212 million (2022: \$222 million) for the Group and \$192 million (2022: \$193 million) for the Company, and Off-balance sheet commitments of \$4 million (2022: \$11 million) for the Group and \$2 million (2022: \$2 million) for the Company.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is \$147 million (2022: \$143 million) for the Group, and \$133 million (2022: \$128 million) for the Company.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance for ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance for ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macroeconomic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



RECOGNITION AND MEASUREMENT (continued)

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of future macroeconomic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

To better reflect the current economic conditions and geopolitical environment, the Group altered the severe downside scenario in 2022 from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for Group-wide stress testing.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, Gross Domestic Product (GDP) growth rates, residential property price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

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

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

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

The judgements and associated assumptions have been made within the context of the uncertainty as to 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 year ended 30 September 2023 |
|---|--|---|
| Determining when a Significant Increase in Credit Risk has occurred or reversed | In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in it moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default (PD) in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis. | The determination of SICR has been applied consistent with prior periods. |

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

| Judgement/Assumption | Description | Considerations for the year ended 30 September 2023 |
|--|---|---|
| Measuring both 12-month and lifetime expected credit losses | <p>The PD, LGD and EAD factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.</p> <p>In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.</p> | <p>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.</p> <p>There were no material changes to the policy.</p> |
| Base case economic forecast | <p>The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macroeconomic conditions.</p> | <p>There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs.</p> <p>As at 30 September 2023, the base case assumptions have been updated to reflect slowing economies and reduced levels of household consumption in Australia and New Zealand associated with continuing high interest rates and elevated levels of inflation.</p> <p>The expected outcomes of key economic drivers for the base case scenario at 30 September 2023 are described below under the heading "Base case economic forecast assumptions".</p> |
| Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios) ¹ | <p>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.</p> <p>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.</p> | <p>Probability weightings in the current period have been adjusted to reflect our assessment of the downside risks from the impact of continued high interest rates and inflation on the economies in which the Group operates. Weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.</p> |
| Management temporary adjustments | <p>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, natural disasters, and natural hazards that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.</p> | <p>Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates.</p> <p>Management overlays have been made for risks particular to retail, including home loans, credit cards and small business in Australia, and for mortgages, commercial property and agri in New Zealand.</p> <p>Management has considered and concluded no temporary adjustment is required at 30 September 2023 to the ECL in relation to climate- or weather-related events during the year.</p> |

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.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

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 macroeconomic conditions used at 30 September 2023 are set out below. For the years following the near term forecasts below, the ECL models apply simplified assumptions for the economic conditions to calculate lifetime loss.

| | Forecast calendar year | | |
|--|------------------------|------|------|
| | 2023 | 2024 | 2025 |
| Australia | | | |
| GDP (annual % change) | 1.5 | 1.3 | 2.2 |
| Unemployment rate (annual average) | 3.6 | 4.4 | 4.5 |
| Residential property prices (annual % change) | 5.9 | 2.8 | 4.3 |
| Consumer price index (annual average % change) | 5.6 | 3.5 | 2.9 |
| New Zealand | | | |
| GDP (annual % change) | 0.7 | 0.3 | 1.5 |
| Unemployment rate (annual average) | 3.8 | 4.8 | 5.1 |
| Residential property prices (annual % change) | -0.6 | 2.3 | 3.2 |
| Consumer price index (annual average % change) | 6.0 | 3.8 | 2.2 |
| Rest of world | | | |
| GDP (annual % change) | 1.8 | 0.9 | 2.0 |
| Consumer price index (annual average % change) | 3.9 | 2.9 | 2.2 |

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

Probability weightings

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

The average base case weighting has increased to 45.9% (Sep 22: 45%) as the downside and severe downside scenario weightings have been revised. The average downside case weighting has increased to 41.2% (Sep 22: 40%), and the average severe downside case weighting has decreased to 12.9% (Sep 22: 15%).

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

| | Consolidated | | The Company | |
|-----------------|--------------|-------|-------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Base | 45.9% | 45.0% | 45.0% | 45.0% |
| Upside | 0.0% | 0.0% | 0.0% | 0.0% |
| Downside | 41.2% | 40.0% | 42.1% | 40.0% |
| Severe downside | 12.9% | 15.0% | 12.9% | 15.0% |

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2023:

| | Consolidated | | The Company | |
|--|--------------|---------------|-------------|---------------|
| | ECL \$m | Impact \$m | ECL \$m | Impact \$m |
| If 1% of Stage 1 facilities were included in Stage 2 | 4,116 | 84 | 3,283 | 73 |
| If 1% of Stage 2 facilities were included in Stage 1 | 4,027 | (5) | 3,206 | (4) |
| 100% upside scenario | 1,274 | (2,758) | 1,050 | (2,160) |
| 100% base scenario | 1,790 | (2,242) | 1,406 | (1,804) |
| 100% downside scenario | 3,123 | (909) | 2,484 | (726) |
| 100% severe downside scenario | 9,251 | 5,219 | 7,457 | 4,247 |

Individually assessed allowance for expected credit losses

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 uncertainties described above.

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the note disclosures that follow.



CLASSIFICATION AND MEASUREMENT

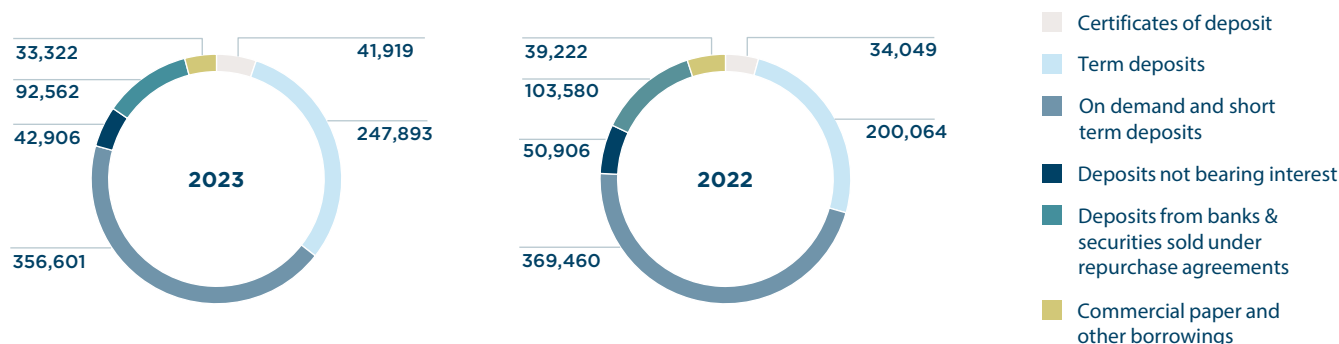
Financial liabilities

Financial liabilities are measured at amortised cost, or FVTPL when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
 - a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
 - b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in Other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

14. DEPOSITS AND OTHER BORROWINGS



| | Consolidated | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Certificates of deposit | 41,919 | 34,049 | 39,426 | 32,411 |
| Term deposits | 247,893 | 200,064 | 196,309 | 157,479 |
| On demand and short term deposits | 356,601 | 369,460 | 297,195 | 310,857 |
| Deposits not bearing interest | 42,906 | 50,906 | 24,456 | 29,416 |
| Deposits from banks & securities sold under repurchase agreements ¹ | 92,562 | 103,580 | 86,464 | 98,825 |
| Commercial paper and other borrowings | 33,322 | 39,222 | 31,225 | 36,619 |
| Deposits and other borrowings | 815,203 | 797,281 | 675,075 | 665,607 |
| <i>Residual contractual maturity:</i> | | | | |
| Within one year | 805,808 | 781,573 | 671,395 | 654,997 |
| More than one year | 9,395 | 15,708 | 3,680 | 10,610 |
| Deposits and other borrowings | 815,203 | 797,281 | 675,075 | 665,607 |
| <i>Carried on Balance Sheet at:</i> | | | | |
| Amortised cost | 781,314 | 794,621 | 643,868 | 665,567 |
| Fair value through profit or loss ¹ | 33,889 | 2,660 | 31,207 | 40 |
| Deposits and other borrowings | 815,203 | 797,281 | 675,075 | 665,607 |

¹ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at FVTPL.

Refer to Note 18 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in Other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in profit or loss.

15. PAYABLES AND OTHER LIABILITIES

| | Consolidated | | The Company | |
|--|---------------|--------------|---------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Payables and accruals | 5,811 | 2,896 | 4,582 | 2,189 |
| Liabilities at fair value ¹ | 5,267 | 3,239 | 4,922 | 2,857 |
| Lease liabilities | 1,767 | 1,040 | 1,531 | 1,628 |
| Trail commission liabilities | 1,469 | 1,320 | 1,469 | 1,320 |
| Other liabilities | 1,618 | 1,340 | 775 | 568 |
| Payables and other liabilities | 15,932 | 9,835 | 13,279 | 8,562 |

¹ Relate to securities sold short classified as held for trading and measured at FVTPL.

RECOGNITION AND MEASUREMENT

The Group recognises liabilities when there is a present obligation to transfer economic resources as a result of past events.

Below is the measurement basis for each item classified as other liabilities:

- Payables, accruals and other liabilities are measured at the contractual amount payable or the best estimate of consideration required to settle the payable.
- Liabilities at fair value relate to securities sold short, which we classify as held for trading and measure at FVTPL based on quoted prices in active markets.
- Lease liabilities are initially measured at the present value of the future lease payments using the Group's incremental borrowing rate at the lease commencement date. The carrying amount is then subsequently adjusted to reflect the interest on the lease liability, lease payments that have been made and any lease reassessments or modifications.
- Trail commission liabilities are measured based on the present value of expected future trail commission payments taking into consideration average behavioural loan life and outstanding balances of broker originated loans.



16. DEBT ISSUANCES

The Group, primarily via ANZBGL or other banking subsidiaries, uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt of a Group issuer take priority over holders of subordinated debt owed by that issuer. In the winding up of a Group issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of its depositors, other creditors and the senior debt holders of that issuer.

| | Consolidated | | The Company | |
|---|----------------|---------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Senior debt | 63,233 | 52,324 | 50,671 | 40,325 |
| Covered bonds | 18,223 | 12,967 | 15,084 | 9,371 |
| Securitisation | 880 | 1,115 | - | - |
| Total unsubordinated debt | 82,336 | 66,406 | 65,755 | 49,696 |
| Subordinated debt | | | | |
| - ANZBGL Additional Tier 1 capital | 8,232 | 7,705 | 8,287 | 7,763 |
| - ANZBGL Tier 2 capital | 23,707 | 17,907 | 23,707 | 17,907 |
| - Other subordinated debt securities | 1,739 | 1,716 | 464 | 462 |
| Total subordinated debt | 33,678 | 27,328 | 32,458 | 26,132 |
| Total debt issued | 116,014 | 93,734 | 98,213 | 75,828 |
| <i>Residual contractual maturity¹:</i> | | | | |
| Within one year | 21,746 | 25,208 | 18,499 | 21,990 |
| More than one year | 92,856 | 66,660 | 78,245 | 51,929 |
| No maturity date (instruments in perpetuity) | 1,412 | 1,866 | 1,469 | 1,909 |
| Total debt issued | 116,014 | 93,734 | 98,213 | 75,828 |
| <i>Carried on Balance Sheet at:</i> | | | | |
| Amortised cost | 114,678 | 92,623 | 95,881 | 72,757 |
| Fair value through profit or loss | 1,336 | 1,111 | 2,332 | 3,071 |
| Total debt issued | 116,014 | 93,734 | 98,213 | 75,828 |

¹ Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

| | Consolidated | | The Company | |
|--|----------------|---------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| USD United States dollars | 32,723 | 25,527 | 24,074 | 17,206 |
| EUR Euro | 26,990 | 19,923 | 21,356 | 14,049 |
| AUD Australian dollars | 47,043 | 36,398 | 46,123 | 35,259 |
| NZD New Zealand dollars | 1,575 | 1,628 | 43 | 46 |
| JPY Japanese yen | 1,993 | 2,159 | 1,993 | 2,159 |
| CHF Swiss francs | 1,039 | 954 | - | - |
| GBP Pounds sterling | 2,230 | 5,261 | 2,230 | 5,261 |
| HKD Hong Kong dollars | 1,407 | 771 | 1,407 | 771 |
| Other Chinese yuan and Singapore dollars | 1,014 | 1,113 | 987 | 1,077 |
| Total debt issued | 116,014 | 93,734 | 98,213 | 75,828 |

SUBORDINATED DEBT

At 30 September 2023, all subordinated debt issued by ANZBGL (other than its USD 300 million perpetual subordinated notes) qualifies as regulatory capital for the Group. Depending on their terms and conditions, the subordinated debt instruments issued by ANZBGL are classified as either Additional Tier 1 (AT1) capital for the Group (in the case of the ANZ Capital Notes (ANZ CN) and ANZ Capital Securities (ANZ CS)) or Tier 2 capital for the Group (in the case of the term subordinated notes) for APRA's capital adequacy purposes.

Subordinated debt issued externally by ANZ Bank New Zealand will constitute subordinated debt of both ANZ Bank New Zealand and the Group. Whilst it will constitute tier 2 capital for ANZ Bank New Zealand for the purposes of the Reserve Bank of New Zealand's (RBNZ) capital requirements, it will not constitute Tier 2 capital for the Group as the terms of the subordinated debt does not satisfy APRA's capital requirements.

16. DEBT ISSUANCES (continued)

AT1 Capital

All outstanding AT1 capital instruments issued by ANZBGL are Basel III fully compliant instruments (refer to Note 24 Capital Management for further information about Basel III) for APRA's capital adequacy purposes. Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZGHL's ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZGHL's ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZGHL's ordinary shares) if:

- The Group's or ANZBGL's Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies ANZBGL that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that ANZBGL would become non-viable – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZGHL's ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

If the AT1 capital securities convert, and the holders receive ANZGHL ordinary shares, then:

- the AT1 capital securities are transferred to ANZGHL for their face value;
- ANZBGL shall redeem the securities and simultaneously issue ordinary shares to its parent ANZ BH Limited (based on ANZBGL's share price calculated by reference to its consolidated net assets, subject to a maximum conversion number); and
- ANZ BH Limited will issue shares to ANZGHL (calculated on the same basis for ANZ BH Limited).

Preference shares issued externally by ANZ Bank New Zealand will constitute additional tier 1 capital for ANZ Bank New Zealand for the purposes of the RBNZ's capital requirements, however they will not constitute Additional Tier 1 capital for the Group as the terms of the preference shares do not satisfy APRA's capital requirements. The preference shares are included within non-controlling interests in Note 23 Shareholders' Equity.

The tables below show the key details of the ANZBGL's AT1 capital instruments on issue at 30 September in both the current and prior years:

| | | | Consolidated | | The Company | |
|---|--------|------------------------|--------------|--------------|--------------|--------------|
| | | | 2023 | 2022 | 2023 | 2022 |
| | | | \$m | \$m | \$m | \$m |
| ANZBGL's Additional Tier 1 capital (perpetual subordinated securities)¹ | | | | | | |
| ANZ Capital Notes (ANZ CN) | | | | | | |
| AUD | 970m | ANZ CN3 ² | - | 970 | - | 985 |
| AUD | 1,622m | ANZ CN4 | 1,621 | 1,619 | 1,621 | 1,619 |
| AUD | 931m | ANZ CN5 | 929 | 928 | 929 | 928 |
| AUD | 1,500m | ANZ CN6 | 1,489 | 1,487 | 1,489 | 1,487 |
| AUD | 1,310m | ANZ CN7 | 1,298 | 1,297 | 1,298 | 1,297 |
| AUD | 1,500m | ANZ CN8 | 1,483 | - | 1,481 | - |
| ANZ Capital Securities (ANZ CS) | | | | | | |
| USD | 1,000m | ANZ Capital Securities | 1,412 | 1,404 | 1,469 | 1,447 |
| Total ANZBGL Additional Tier 1 capital³ | | | 8,232 | 7,705 | 8,287 | 7,763 |

¹ Carrying values are net of issuance costs.

² All of the ANZ Capital Notes 3 were redeemed on 24 March 2023 with approximately \$502 million of the proceeds from redemption reinvested into ANZ Capital Notes 8 on the same date.

³ This forms part of the Group's qualifying Additional Tier 1 capital. Refer to Note 24 Capital Management for further details.



16. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

| | CN3 | CN4 | CN5 |
|--|---|--|--|
| Issuer | ANZBGL, acting through its New Zealand branch | ANZBGL | ANZBGL |
| Issue date | 5 March 2015 | 27 September 2016 | 28 September 2017 |
| Issue amount | \$970 million | \$1,622 million | \$931 million |
| Face value | \$100 | \$100 | \$100 |
| Distribution frequency | Semi-annually in arrears | Quarterly in arrears | Quarterly in arrears |
| Distribution rate | Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate) | Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate) | Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate) |
| Issuer's early redemption or conversion option | 24 March 2023 ¹ | 20 March 2024 | 20 March 2025 |
| Mandatory conversion date | 24 March 2025 ² | 20 March 2026 | 20 March 2027 |
| Common equity capital trigger event | Yes | Yes | Yes |
| Non-viability trigger event | Yes | Yes | Yes |
| Carrying value (net of issue costs) | nil (2022: \$970 million) | \$1,621 million (2022: \$1,619 million) | \$929 million (2022: \$928 million) |

| | CN6 | CN7 | CN8 |
|--|--|--|---|
| Issuer | ANZBGL | ANZBGL | ANZBGL |
| Issue date | 8 July 2021 | 24 March 2022 | 24 March 2023 |
| Issue amount | \$1,500 million | \$1,310 million | \$1,500 million |
| Face value | \$100 | \$100 | \$100 |
| Distribution frequency | Quarterly in arrears | Quarterly in arrears | Quarterly in arrears |
| Distribution rate | Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate) | Floating rate: (90 day Bank Bill rate +2.7%)x(1-Australian corporate tax rate) | Floating rate: (90 day Bank Bill rate +2.75%)x(1-Australian corporate tax rate) |
| Issuer's early redemption or conversion option | 20 March 2028 | 20 March 2029 | 20 March 2030 |
| Mandatory conversion date | 20 September 2030 | 20 September 2031 | 20 September 2032 |
| Common equity capital trigger event | Yes | Yes | Yes |
| Non-viability trigger event | Yes | Yes | Yes |
| Carrying value (net of issue costs) | \$1,489 million (2022: \$1,487 million) | \$1,298 million (2022: \$1,297 million) | \$1,483 million (2022: nil) |

¹ All of the ANZ Capital Notes 3 were redeemed on 24 March 2023 with approximately \$502 million of the proceeds from redemption reinvested into ANZ Capital Notes 8 on the same date.

² The mandatory conversion date is no longer applicable as all of CN3 have been redeemed.

16. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

| | |
|-------------------------------------|--|
| Issuer | ANZBGL, acting through its London branch |
| Issue date | 15 June 2016 |
| Issue amount | USD 1,000 million |
| Face value | Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that |
| Interest frequency | Semi-annually in arrears |
| Interest rate | Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168% |
| Issuer's early redemption option | 15 June 2026 and each 5 year anniversary |
| Common equity capital trigger event | Yes |
| Non-viability trigger event | Yes |
| Carrying value (net of issue costs) | \$1,412 million (2022: \$1,404 million) |



16. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

Convertible term subordinated notes issued by ANZBGL are Basel III fully compliant instruments for APRA's capital adequacy purposes. If a Non-Viability Trigger Event occurs, each of the convertible term subordinated notes will immediately convert into ANZGHL ordinary shares (based on the average market price of the ANZGHL shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

If the Tier 2 capital securities convert, and the holders receive ANZGHL ordinary shares, then ANZBGL shall issue ordinary shares to its parent ANZ BH Limited (based on ANZBGL's share price calculated by reference to its consolidated net assets, subject to a maximum conversion number) and ANZ BH Limited will issue shares to ANZGHL (calculated on the same basis).

The table below shows the Tier 2 capital subordinated debt issued by ANZBGL at 30 September in both the current and prior year:

| Currency | Face value | Maturity | Next optional call date – subject to APRA's prior approval | Interest rate | Consolidated | | The Company | |
|--|------------|----------|---|---------------|---------------|---------------|---------------|---------------|
| | | | | | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| ANZBGL Tier 2 capital (term subordinated notes) | | | | | | | | |
| USD | 800m | 2024 | N/A | Fixed | 1,220 | 1,189 | 1,220 | 1,189 |
| JPY | 20,000m | 2026 | N/A | Fixed | 207 | 213 | 207 | 213 |
| USD | 1,500m | 2026 | N/A | Fixed | 2,125 | 2,113 | 2,125 | 2,113 |
| JPY | 10,000m | 2028 | 2023 | Fixed | - | 106 | - | 106 |
| AUD | 225m | 2032 | 2027 | Fixed | 225 | 225 | 225 | 225 |
| AUD | 1,750m | 2029 | 2024 | Floating | 1,750 | 1,750 | 1,750 | 1,750 |
| EUR | 1,000m | 2029 | 2024 | Fixed | 1,555 | 1,410 | 1,555 | 1,410 |
| AUD | 265m | 2039 | N/A | Fixed | 170 | 179 | 170 | 179 |
| USD | 1,250m | 2030 | 2025 | Fixed | 1,808 | 1,785 | 1,808 | 1,785 |
| AUD | 1,250m | 2031 | 2026 | Floating | 1,250 | 1,250 | 1,250 | 1,250 |
| USD | 1,500m | 2035 | 2030 | Fixed | 1,786 | 1,830 | 1,786 | 1,830 |
| AUD | 330m | 2040 | N/A | Fixed | 202 | 214 | 202 | 214 |
| AUD | 195m | 2040 | N/A | Fixed | 117 | 124 | 117 | 124 |
| EUR | 750m | 2031 | 2026 | Fixed | 1,104 | 1,003 | 1,104 | 1,003 |
| GBP | 500m | 2031 | 2026 | Fixed | 830 | 714 | 830 | 714 |
| AUD | 1,450m | 2032 | 2027 | Fixed | 1,400 | 1,390 | 1,400 | 1,390 |
| AUD | 300m | 2032 | 2027 | Floating | 300 | 300 | 300 | 300 |
| JPY | 59,400m | 2032 | 2027 | Fixed | 606 | 627 | 606 | 627 |
| SGD | 600m | 2032 | 2027 | Fixed | 659 | 618 | 659 | 618 |
| AUD | 900m | 2034 | 2029 | Fixed | 871 | 867 | 871 | 867 |
| USD | 1,250m | 2032 | N/A | Fixed | 1,803 | - | 1,803 | - |
| EUR | 1,000m | 2033 | 2028 | Fixed | 1,594 | - | 1,594 | - |
| AUD | 1,000m | 2038 | 2033 | Fixed | 975 | - | 975 | - |
| AUD | 275m | 2033 | 2028 | Fixed | 275 | - | 275 | - |
| AUD | 875m | 2033 | 2028 | Floating | 875 | - | 875 | - |
| Total ANZBGL Tier 2 capital^{1,2} | | | | | 23,707 | 17,907 | 23,707 | 17,907 |

¹ Carrying values are net of issuance costs, and, where applicable, include fair value hedge accounting adjustments.

² This forms part of the Group's qualifying Tier 2 capital. Refer to Note 24 Capital Management for further details.

16. DEBT ISSUANCES (continued)

OTHER SUBORDINATED DEBT SECURITIES

The term subordinated notes issued by ANZ Bank New Zealand constitute tier 2 capital under RBNZ requirements. However, they do not (among other things) 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.

| Currency | Face value | Maturity | Next optional call date ¹ | Interest rate | Consolidated | | The Company | |
|--|------------|-----------|--|---------------|--------------|--------------|-------------|-------------|
| | | | | | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Non-Basel III compliant perpetual subordinated notes issued by ANZBGL² | | | | | | | | |
| USD | 300m | Perpetual | Each semi-annual interest payment date | Floating | 464 | 462 | 464 | 462 |
| Term subordinated notes issued by ANZ Bank New Zealand Limited | | | | | | | | |
| NZD | 600m | 2031 | 2026 | Fixed | 555 | 524 | - | - |
| USD | 500m | 2032 | 2027 | Fixed | 720 | 730 | - | - |
| Other subordinated debt | | | | | 1,739 | 1,716 | 464 | 462 |

¹ Subject to APRA's or RBNZ's prior approval (as applicable).

² The USD 300 million perpetual subordinated notes were redeemed by ANZBGL on 31 October 2023.



RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at FVTPL. Interest expense on debt issuances is recognised using the effective interest rate method. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedged risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at FVTPL. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.



17. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management sections of this Annual Report.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks

Credit risk

The risk of financial loss resulting from:

- a counterparty failing to fulfil its obligations; or
- a decrease in credit quality of a counterparty resulting in a financial loss.

Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change, changes to laws, regulations, or other policies adopted by governments or regulatory authorities. Climate change impacts include both physical risks (climate- or weather-related events) and transition risks resulting from the adjustment to a low emissions economy. Transition risks include resultant changes to laws, regulations and policies noted above.

Market risk

The risk to the Group's earnings arising from:

- changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or
- fluctuations in bond, commodity or equity prices.

Liquidity and funding risk

The risk that the Group is unable to meet payment obligations as they fall due, including:

- repaying depositors or maturing wholesale debt; or
- the Group having insufficient capacity to fund increases in assets.

Key sections applicable to this risk

- Credit risk overview, management and control responsibilities
- Maximum exposure to credit risk
- Credit quality
- Concentrations of credit risk
- Collateral management

- Market risk overview, management and control responsibilities
- Measurement of market risk
- Traded and non-traded market risk
- Equity securities designated at FVOCI
- Foreign currency risk – structural exposure

- Liquidity risk overview, management and control responsibilities
- Key areas of measurement for liquidity risk
- Liquidity risk outcomes
- Residual contractual maturity analysis of the Group's liabilities

17. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures*. It should be read in conjunction with the Governance and Risk Management sections of this Annual Report.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Group is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes the Group's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Group identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect the Group's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day-to-day operations.



17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

| | |
|-----------------------------|---|
| Probability of Default (PD) | Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt. |
| Exposure at Default (EAD) | The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default. |
| Loss Given Default (LGD) | Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level. |

Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom the Group has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending

Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.

Retail and some small business lending

Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

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

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

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

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

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

| | Reported | | Excluded ¹ | | Maximum exposure to credit risk | |
|--|------------------|------------------|-----------------------|---------------|---------------------------------|------------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Consolidated | | | | | | |
| On-balance sheet positions | | | | | | |
| Net loans and advances | 707,694 | 672,407 | - | - | 707,694 | 672,407 |
| Other financial assets: | | | | | | |
| Cash and cash equivalents | 168,154 | 168,132 | 1,070 | 1,147 | 167,084 | 166,985 |
| Settlement balances owed to ANZ | 9,349 | 4,762 | 9,349 | 4,762 | - | - |
| Collateral paid | 8,558 | 12,700 | - | - | 8,558 | 12,700 |
| Trading assets | 37,004 | 35,237 | 4,881 | 3,860 | 32,123 | 31,377 |
| Derivative financial instruments | 60,406 | 90,174 | - | - | 60,406 | 90,174 |
| Investment securities | | | | | | |
| - debt securities at amortised cost | 7,752 | 7,943 | - | - | 7,752 | 7,943 |
| - debt securities at FVOCI | 88,271 | 76,817 | - | - | 88,271 | 76,817 |
| - equity securities at FVOCI | 946 | 1,353 | 946 | 1,353 | - | - |
| - debt securities at FVTPL | - | 40 | - | - | - | 40 |
| Regulatory deposits | 646 | 632 | - | - | 646 | 632 |
| Other financial assets ² | 4,378 | 2,943 | - | - | 4,378 | 2,943 |
| Total other financial assets | 385,464 | 400,733 | 16,246 | 11,122 | 369,218 | 389,611 |
| Subtotal | 1,093,158 | 1,073,140 | 16,246 | 11,122 | 1,076,912 | 1,062,018 |
| Off-balance sheet positions | | | | | | |
| Undrawn and contingent facilities ³ | 290,055 | 285,041 | - | - | 290,055 | 285,041 |
| Total | 1,383,213 | 1,358,181 | 16,246 | 11,122 | 1,366,967 | 1,347,059 |

¹ Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; precious metal exposures and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.

² Other financial assets mainly comprise accrued interest and acceptances.

³ Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.



17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

| | Reported | | Excluded ¹ | | Maximum exposure to credit risk | |
|--|------------------|------------------|-----------------------|--------------|---------------------------------|------------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| The Company | | | | | | |
| On-balance sheet positions | | | | | | |
| Net loans and advances | 563,017 | 537,345 | - | - | 563,017 | 537,345 |
| Other financial assets: | | | | | | |
| Cash and cash equivalents | 154,408 | 155,483 | 667 | 787 | 153,741 | 154,696 |
| Settlement balances owed to ANZ | 8,935 | 4,024 | 8,935 | 4,024 | - | - |
| Collateral paid | 7,717 | 11,368 | - | - | 7,717 | 11,368 |
| Trading assets | 30,693 | 28,073 | 4,472 | 3,348 | 26,221 | 24,725 |
| Derivative financial instruments | 59,989 | 88,056 | - | - | 59,989 | 88,056 |
| Investment securities | | | | | | |
| - debt securities at amortised cost | 5,936 | 6,115 | - | - | 5,936 | 6,115 |
| - debt securities at FVOCI | 76,320 | 65,257 | - | - | 76,320 | 65,257 |
| - equity securities at FVOCI | 945 | 1,027 | 945 | 1,027 | - | - |
| Regulatory deposits | 284 | 249 | - | - | 284 | 249 |
| Due from controlled entities | 26,067 | 22,860 | - | - | 26,067 | 22,860 |
| Other financial assets ² | 3,024 | 1,882 | - | - | 3,024 | 1,882 |
| Total other financial assets | 374,318 | 384,394 | 15,019 | 9,186 | 359,299 | 375,208 |
| Subtotal | 937,335 | 921,739 | 15,019 | 9,186 | 922,316 | 912,553 |
| Off-balance sheet positions | | | | | | |
| Undrawn and contingent facilities ³ | 252,415 | 246,722 | - | - | 252,415 | 246,722 |
| Total | 1,189,750 | 1,168,461 | 15,019 | 9,186 | 1,174,731 | 1,159,275 |

¹ Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; precious metal exposures, and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.

² Other financial assets mainly comprise accrued interest and acceptances.

³ Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

| Consolidated | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|---|----------------|----------------|---------------------------------|---------------------------------|----------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| As at 30 September 2023 | | | | | |
| Strong | 411,583 | 17,063 | - | - | 428,646 |
| Satisfactory | 193,170 | 37,977 | - | - | 231,147 |
| Weak | 11,306 | 10,398 | - | - | 21,704 |
| Defaulted | - | - | 3,858 | 1,037 | 4,895 |
| Gross loans and advances at amortised cost | 616,059 | 65,438 | 3,858 | 1,037 | 686,392 |
| Allowance for ECL | (1,227) | (1,624) | (329) | (366) | (3,546) |
| Net loans and advances at amortised cost | 614,832 | 63,814 | 3,529 | 671 | 682,846 |
| Coverage ratio | 0.20% | 2.48% | 8.53% | 35.29% | 0.52% |
| Loans and advances at FVTPL | | | | | 21,888 |
| Unearned income | | | | | (515) |
| Capitalised brokerage and other origination costs | | | | | 3,475 |
| Net carrying amount | | | | | 707,694 |
| As at 30 September 2022 | | | | | |
| Strong | 443,571 | 15,880 | - | - | 459,451 |
| Satisfactory | 154,823 | 31,864 | - | - | 186,687 |
| Weak | 9,197 | 9,244 | - | - | 18,441 |
| Defaulted | - | - | 3,328 | 1,043 | 4,371 |
| Gross loans and advances at amortised cost | 607,591 | 56,988 | 3,328 | 1,043 | 668,950 |
| Allowance for ECL | (1,141) | (1,548) | (360) | (533) | (3,582) |
| Net loans and advances at amortised cost | 606,450 | 55,440 | 2,968 | 510 | 665,368 |
| Coverage ratio | 0.19% | 2.72% | 10.82% | 51.10% | 0.54% |
| Loans and advances at FVTPL | | | | | 4,675 |
| Unearned income | | | | | (518) |
| Capitalised brokerage and other origination costs | | | | | 2,882 |
| Net carrying amount | | | | | 672,407 |



17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Net loans and advances

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|---|----------------|----------------|---------------------------------|---------------------------------|----------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 315,206 | 11,682 | - | - | 326,888 |
| Satisfactory | 160,357 | 31,769 | - | - | 192,126 |
| Weak | 10,906 | 8,362 | - | - | 19,268 |
| Defaulted | - | - | 2,994 | 731 | 3,725 |
| Gross loans and advances at amortised cost | 486,469 | 51,813 | 2,994 | 731 | 542,007 |
| Allowance for ECL | (1,026) | (1,239) | (251) | (279) | (2,795) |
| Net loans and advances at amortised cost | 485,443 | 50,574 | 2,743 | 452 | 539,212 |
| Coverage ratio | 0.21% | 2.39% | 8.38% | 38.17% | 0.52% |
| Loans and advances at FVTPL | | | | | 21,240 |
| Unearned income | | | | | (483) |
| Capitalised brokerage and other origination costs | | | | | 3,048 |
| Net carrying amount | | | | | 563,017 |
| As at 30 September 2022 | | | | | |
| Strong | 334,850 | 9,641 | - | - | 344,491 |
| Satisfactory | 142,772 | 26,186 | - | - | 168,958 |
| Weak | 9,181 | 7,759 | - | - | 16,940 |
| Defaulted | - | - | 2,744 | 853 | 3,597 |
| Gross loans and advances at amortised cost | 486,803 | 43,586 | 2,744 | 853 | 533,986 |
| Allowance for ECL | (946) | (1,259) | (295) | (425) | (2,925) |
| Net loans and advances at amortised cost | 485,857 | 42,327 | 2,449 | 428 | 531,061 |
| Coverage ratio | 0.19% | 2.89% | 10.75% | 49.82% | 0.55% |
| Loans and advances at FVTPL | | | | | 4,263 |
| Unearned income | | | | | (480) |
| Capitalised brokerage and other origination costs | | | | | 2,501 |
| Net carrying amount | | | | | 537,345 |

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

| Consolidated | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|---|----------------|----------------|---------------------------------|---------------------------------|----------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| As at 30 September 2023 | | | | | |
| Strong | 189,980 | 1,234 | - | - | 191,214 |
| Satisfactory | 30,007 | 4,276 | - | - | 34,283 |
| Weak | 975 | 746 | - | - | 1,721 |
| Defaulted | - | - | 79 | 47 | 126 |
| Gross undrawn and contingent facilities subject to ECL | 220,962 | 6,256 | 79 | 47 | 227,344 |
| Allowance for ECL included in Other provisions (refer to Note 22) | (630) | (162) | (25) | (10) | (827) |
| Net undrawn and contingent facilities subject to ECL | 220,332 | 6,094 | 54 | 37 | 226,517 |
| Coverage ratio | 0.29% | 2.59% | 31.65% | 21.28% | 0.36% |
| Undrawn and contingent facilities not subject to ECL ¹ | | | | | 63,538 |
| Net undrawn and contingent facilities | | | | | 290,055 |
| As at 30 September 2022 | | | | | |
| Strong | 191,363 | 1,703 | - | - | 193,066 |
| Satisfactory | 18,583 | 3,078 | - | - | 21,661 |
| Weak | 774 | 706 | - | - | 1,480 |
| Defaulted | - | - | 113 | 19 | 132 |
| Gross undrawn and contingent facilities subject to ECL | 210,720 | 5,487 | 113 | 19 | 216,339 |
| Allowance for ECL included in Other provisions (refer to Note 22) | (593) | (144) | (29) | (9) | (775) |
| Net undrawn and contingent facilities subject to ECL | 210,127 | 5,343 | 84 | 10 | 215,564 |
| Coverage ratio | 0.28% | 2.62% | 25.66% | 47.37% | 0.36% |
| Undrawn and contingent facilities not subject to ECL ¹ | | | | | 69,477 |
| Net undrawn and contingent facilities | | | | | 285,041 |

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



17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|---|----------------|----------------|---------------------------------|---------------------------------|----------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 167,251 | 1,065 | - | - | 168,316 |
| Satisfactory | 25,966 | 3,554 | - | - | 29,520 |
| Weak | 753 | 466 | - | - | 1,219 |
| Defaulted | - | - | 64 | 35 | 99 |
| Gross undrawn and contingent facilities subject to ECL | 193,970 | 5,085 | 64 | 35 | 199,154 |
| Allowance for ECL included in Other provisions (refer to Note 22) | (550) | (121) | (21) | (5) | (697) |
| Net undrawn and contingent facilities subject to ECL | 193,420 | 4,964 | 43 | 30 | 198,457 |
| Coverage ratio | 0.28% | 2.38% | 32.81% | 14.29% | 0.35% |
| Undrawn and contingent facilities not subject to ECL ¹ | | | | | 53,958 |
| Net undrawn and contingent facilities | | | | | 252,415 |
| As at 30 September 2022 | | | | | |
| Strong | 185,979 | 1,725 | - | - | 187,704 |
| Satisfactory | 15,496 | 2,306 | - | - | 17,802 |
| Weak | 711 | 463 | - | - | 1,174 |
| Defaulted | - | - | 97 | 13 | 110 |
| Gross undrawn and contingent facilities subject to ECL | 202,186 | 4,494 | 97 | 13 | 206,790 |
| Allowance for ECL included in Other provisions (refer to Note 22) | (530) | (112) | (26) | (5) | (673) |
| Net undrawn and contingent facilities subject to ECL | 201,656 | 4,382 | 71 | 8 | 206,117 |
| Coverage ratio | 0.26% | 2.49% | 26.80% | 38.46% | 0.33% |
| Undrawn and contingent facilities not subject to ECL ¹ | | | | | 40,605 |
| Net undrawn and contingent facilities | | | | | 246,722 |

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

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 6,117 | - | - | - | 6,117 |
| Satisfactory | 112 | - | - | - | 112 |
| Weak | 1,558 | - | - | - | 1,558 |
| Gross investment securities - debt securities at amortised cost | 7,787 | - | - | - | 7,787 |
| Allowance for ECL | (35) | - | - | - | (35) |
| Net investment securities - debt securities at amortised cost | 7,752 | - | - | - | 7,752 |
| Coverage ratio | 0.45% | - | - | - | 0.45% |
| As at 30 September 2022 | | | | | |
| Strong | 6,279 | - | - | - | 6,279 |
| Satisfactory | 113 | - | - | - | 113 |
| Weak | 1,589 | - | - | - | 1,589 |
| Gross investment securities - debt securities at amortised cost | 7,981 | - | - | - | 7,981 |
| Allowance for ECL | (38) | - | - | - | (38) |
| Net investment securities - debt securities at amortised cost | 7,943 | - | - | - | 7,943 |
| Coverage ratio | 0.48% | - | - | - | 0.48% |

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 5,796 | - | - | - | 5,796 |
| Satisfactory | 97 | - | - | - | 97 |
| Weak | 44 | - | - | - | 44 |
| Gross investment securities - debt securities at amortised cost | 5,937 | - | - | - | 5,937 |
| Allowance for ECL | (1) | - | - | - | (1) |
| Net investment securities - debt securities at amortised cost | 5,936 | - | - | - | 5,936 |
| Coverage ratio | 0.02% | - | - | - | 0.02% |
| As at 30 September 2022 | | | | | |
| Strong | 6,032 | - | - | - | 6,032 |
| Satisfactory | 84 | - | - | - | 84 |
| Gross investment securities - debt securities at amortised cost | 6,116 | - | - | - | 6,116 |
| Allowance for ECL | (1) | - | - | - | (1) |
| Net investment securities - debt securities at amortised cost | 6,115 | - | - | - | 6,115 |
| Coverage ratio | 0.02% | - | - | - | 0.02% |



17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| Consolidated | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 88,271 | - | - | - | 88,271 |
| Satisfactory | - | - | - | - | - |
| Investment securities - debt securities at FVOCI | 88,271 | - | - | - | 88,271 |
| Allowance for ECL recognised in Other comprehensive income | (15) | - | - | - | (15) |
| Coverage ratio | 0.02% | - | - | - | 0.02% |
| As at 30 September 2022 | | | | | |
| Strong | 76,668 | - | - | - | 76,668 |
| Satisfactory | 149 | - | - | - | 149 |
| Investment securities - debt securities at FVOCI | 76,817 | - | - | - | 76,817 |
| Allowance for ECL recognised in Other comprehensive income | (10) | - | - | - | (10) |
| Coverage ratio | 0.01% | - | - | - | 0.01% |

| | Stage 1 \$m | Stage 2 \$m | Stage 3 | | Total \$m |
|--|----------------|----------------|---------------------------------|---------------------------------|--------------|
| | | | Collectively assessed \$m | Individually assessed \$m | |
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Strong | 76,320 | - | - | - | 76,320 |
| Satisfactory | - | - | - | - | - |
| Investment securities - debt securities at FVOCI | 76,320 | - | - | - | 76,320 |
| Allowance for ECL recognised in Other comprehensive income | (12) | - | - | - | (12) |
| Coverage ratio | 0.02% | - | - | - | 0.02% |
| As at 30 September 2022 | | | | | |
| Strong | 65,257 | - | - | - | 65,257 |
| Satisfactory | - | - | - | - | - |
| Investment securities - debt securities at FVOCI | 65,257 | - | - | - | 65,257 |
| Allowance for ECL recognised in Other comprehensive income | (7) | - | - | - | (7) |
| Coverage ratio | 0.01% | - | - | - | 0.01% |

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Other financial assets

| | Consolidated | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Strong | 270,012 | 301,735 | 274,741 | 301,771 |
| Satisfactory ¹ | 2,579 | 2,164 | 2,022 | 1,707 |
| Weak | 604 | 945 | 280 | 351 |
| Defaulted | - | 7 | - | 7 |
| Total carrying amount | 273,195 | 304,851 | 277,043 | 303,836 |

¹ Includes Investment Securities - debt securities at FVTPL of \$nil (2022: \$40 million) for the Group and \$nil (2022: \$nil) for the Company.

CONCENTRATIONS OF CREDIT RISK

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

Composition of financial instruments that give rise to credit risk by industry group are presented below:

| | Loans and advances | | Other financial assets | | Off-balance sheet credit related commitments | | Total | |
|---|--------------------|----------------|------------------------|----------------|--|----------------|------------------|------------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Consolidated | | | | | | | | |
| Agriculture, forestry, fishing and mining | 35,797 | 33,668 | 612 | 781 | 16,707 | 17,694 | 53,116 | 52,143 |
| Business services | 8,138 | 9,252 | 207 | 242 | 7,003 | 6,245 | 15,348 | 15,739 |
| Construction | 5,506 | 6,155 | 36 | 48 | 7,212 | 6,594 | 12,754 | 12,797 |
| Electricity, gas and water supply | 8,626 | 9,650 | 463 | 790 | 11,837 | 9,865 | 20,926 | 20,305 |
| Entertainment, leisure and tourism | 13,486 | 12,886 | 78 | 89 | 3,889 | 3,691 | 17,453 | 16,666 |
| Financial, investment and insurance | 77,454 | 75,118 | 278,218 | 305,148 | 62,409 | 58,075 | 418,081 | 438,341 |
| Government and official institutions | 8,300 | 7,280 | 80,544 | 71,139 | 1,075 | 1,592 | 89,919 | 80,011 |
| Manufacturing | 30,261 | 28,072 | 1,287 | 1,279 | 47,302 | 46,701 | 78,850 | 76,052 |
| Personal lending | 392,702 | 363,539 | 1,394 | 955 | 59,185 | 57,989 | 453,281 | 422,483 |
| Property services | 58,064 | 55,203 | 439 | 606 | 17,503 | 17,862 | 76,006 | 73,671 |
| Retail trade | 12,900 | 11,648 | 113 | 98 | 8,131 | 7,076 | 21,144 | 18,822 |
| Transport and storage | 12,110 | 12,311 | 369 | 327 | 9,215 | 8,423 | 21,694 | 21,061 |
| Wholesale trade | 12,538 | 15,215 | 660 | 1,235 | 25,783 | 28,042 | 38,981 | 44,492 |
| Other | 32,398 | 33,628 | 4,833 | 6,912 | 13,631 | 15,967 | 50,862 | 56,507 |
| Gross total | 708,280 | 673,625 | 369,253 | 389,649 | 290,882 | 285,816 | 1,368,415 | 1,349,090 |
| Allowance for ECL | (3,546) | (3,582) | (35) | (38) | (827) | (775) | (4,408) | (4,395) |
| Subtotal | 704,734 | 670,043 | 369,218 | 389,611 | 290,055 | 285,041 | 1,364,007 | 1,344,695 |
| Unearned income | (515) | (518) | - | - | - | - | (515) | (518) |
| Capitalised brokerage and other origination costs | 3,475 | 2,882 | - | - | - | - | 3,475 | 2,882 |
| Maximum exposure to credit risk | 707,694 | 672,407 | 369,218 | 389,611 | 290,055 | 285,041 | 1,366,967 | 1,347,059 |

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Composition of financial instruments that give rise to credit risk by industry group are presented below:

| | Loans and advances | | Other financial assets | | Off-balance sheet credit related commitments | | Total | |
|---|--------------------|----------------|------------------------|----------------|--|----------------|------------------|------------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| The Company | | | | | | | | |
| Agriculture, forestry, fishing and mining | 20,622 | 19,065 | 586 | 751 | 15,198 | 16,304 | 36,406 | 36,120 |
| Business services | 7,165 | 8,382 | 183 | 202 | 6,237 | 5,517 | 13,585 | 14,101 |
| Construction | 4,545 | 5,004 | 30 | 42 | 6,038 | 5,376 | 10,613 | 10,422 |
| Electricity, gas and water supply | 7,956 | 8,820 | 302 | 533 | 10,409 | 8,526 | 18,667 | 17,879 |
| Entertainment, leisure and tourism | 11,721 | 11,267 | 67 | 58 | 3,390 | 3,192 | 15,178 | 14,517 |
| Financial, investment and insurance | 74,836 | 71,889 | 282,701 | 306,318 | 58,806 | 53,970 | 416,343 | 432,177 |
| Government and official institutions | 8,294 | 7,272 | 68,361 | 58,342 | 384 | 910 | 77,039 | 66,524 |
| Manufacturing | 26,394 | 24,645 | 935 | 664 | 40,027 | 39,279 | 67,356 | 64,588 |
| Personal lending | 303,801 | 282,095 | 1,347 | 912 | 47,961 | 47,596 | 353,109 | 330,603 |
| Property services | 44,903 | 42,592 | 368 | 531 | 15,794 | 15,640 | 61,065 | 58,763 |
| Retail trade | 11,099 | 10,048 | 85 | 74 | 7,342 | 6,279 | 18,526 | 16,401 |
| Transport and storage | 10,968 | 11,231 | 288 | 270 | 8,331 | 7,252 | 19,587 | 18,753 |
| Wholesale trade | 10,320 | 13,055 | 480 | 791 | 22,385 | 24,185 | 33,185 | 38,031 |
| Other | 20,623 | 22,884 | 3,567 | 5,721 | 10,810 | 13,369 | 35,000 | 41,974 |
| Gross total | 563,247 | 538,249 | 359,300 | 375,209 | 253,112 | 247,395 | 1,175,659 | 1,160,853 |
| Allowance for ECL | (2,795) | (2,925) | (1) | (1) | (697) | (673) | (3,493) | (3,599) |
| Subtotal | 560,452 | 535,324 | 359,299 | 375,208 | 252,415 | 246,722 | 1,172,166 | 1,157,254 |
| Unearned income | (483) | (480) | - | - | - | - | (483) | (480) |
| Capitalised brokerage and other origination costs | 3,048 | 2,501 | - | - | - | - | 3,048 | 2,501 |
| Maximum exposure to credit risk | 563,017 | 537,345 | 359,299 | 375,208 | 252,415 | 246,722 | 1,174,731 | 1,159,275 |

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

17. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The nature of collateral or security held for the relevant classes of financial assets is as follows:

| Net loans and advances | |
|---|---|
| Loans - housing and personal | Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets. |
| Loans - business | Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection. |
| Other financial assets | |
| Trading assets, Investment securities, Derivatives and Other financial assets | For trading assets, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money). |
| Off-balance sheet positions | |
| Undrawn and contingent facilities | Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets. |

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

| | Maximum exposure to credit risk | | Total value of collateral | | Unsecured portion of credit exposure | |
|-----------------------------|---------------------------------|------------------|---------------------------|----------------|--------------------------------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Consolidated | | | | | | |
| Net loans and advances | 707,694 | 672,407 | 569,283 | 531,815 | 138,411 | 140,592 |
| Other financial assets | 369,218 | 389,611 | 38,612 | 24,758 | 330,606 | 364,853 |
| Off-balance sheet positions | 290,055 | 285,041 | 65,723 | 60,544 | 224,332 | 224,497 |
| Total | 1,366,967 | 1,347,059 | 673,618 | 617,117 | 693,349 | 729,942 |

| | Maximum exposure to credit risk | | Total value of collateral | | Unsecured portion of credit exposure | |
|-----------------------------|---------------------------------|------------------|---------------------------|----------------|--------------------------------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| The Company | | | | | | |
| Net loans and advances | 563,017 | 537,345 | 436,544 | 407,610 | 126,473 | 129,735 |
| Other financial assets | 359,299 | 375,208 | 35,542 | 19,492 | 323,757 | 355,716 |
| Off-balance sheet positions | 252,415 | 246,722 | 50,880 | 38,618 | 201,535 | 208,104 |
| Total | 1,174,731 | 1,159,275 | 522,966 | 465,720 | 651,765 | 693,555 |



17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads, commodities, equities and the volatility within these asset classes.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit and Market Risk Committee (CMRC) and the Group Asset and Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

| Traded Market Risk | Non-Traded Market Risk |
|---|--|
| <p>Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are:</p> <ol style="list-style-type: none"> 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices. | <p>Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.</p> |

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Group's possible daily loss based on historical market movements. The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over a 500 business day window using a one-day holding period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

| | 2023 | | | | 2022 | | | |
|--|------------|-------------------|------------------|----------------------|------------|-------------------|------------------|----------------------|
| | As at \$m | High for year \$m | Low for year \$m | Average for year \$m | As at \$m | High for year \$m | Low for year \$m | Average for year \$m |
| Consolidated | | | | | | | | |
| Traded value at risk 99% confidence | | | | | | | | |
| Foreign exchange | 2.8 | 6.2 | 1.6 | 3.0 | 1.8 | 4.8 | 1.1 | 2.4 |
| Interest rate | 6.7 | 18.3 | 5.1 | 8.5 | 7.9 | 22.7 | 5.0 | 9.5 |
| Credit | 5.9 | 7.7 | 2.5 | 4.5 | 2.6 | 11.8 | 1.6 | 4.9 |
| Commodities | 4.0 | 6.6 | 1.8 | 3.0 | 4.3 | 7.0 | 1.4 | 2.9 |
| Equity | - | - | - | - | - | - | - | - |
| Diversification benefit ¹ | (9.7) | n/a | n/a | (8.1) | (7.2) | n/a | n/a | (7.1) |
| Total VaR | 9.7 | 18.2 | 7.2 | 10.9 | 9.4 | 26.9 | 5.6 | 12.6 |

| | 2023 | | | | 2022 | | | |
|--|------------|-------------------|------------------|----------------------|------------|-------------------|------------------|----------------------|
| | As at \$m | High for year \$m | Low for year \$m | Average for year \$m | As at \$m | High for year \$m | Low for year \$m | Average for year \$m |
| The Company | | | | | | | | |
| Traded value at risk 99% confidence | | | | | | | | |
| Foreign exchange | 2.6 | 6.0 | 1.5 | 2.8 | 2.0 | 5.1 | 0.9 | 2.4 |
| Interest rate | 6.3 | 15.5 | 4.8 | 8.0 | 6.7 | 18.6 | 4.9 | 8.8 |
| Credit | 5.6 | 7.1 | 1.9 | 4.3 | 2.0 | 11.9 | 1.3 | 4.7 |
| Commodity | 2.1 | 4.5 | 1.1 | 2.7 | 1.4 | 7.2 | 0.9 | 2.8 |
| Equity | - | - | - | - | - | - | - | - |
| Diversification benefit ¹ | (8.6) | n/a | n/a | (7.8) | (4.2) | n/a | n/a | (7.4) |
| Total VaR | 8.0 | 16.2 | 6.7 | 10.0 | 7.9 | 23.4 | 5.4 | 11.3 |

¹ The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.



17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future Net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Rest of World geographies which are calculated separately.

| | 2023 | | | | 2022 | | | |
|--|-------------|-------------------|------------------|----------------------|-------------|-------------------|------------------|----------------------|
| | As at \$m | High for year \$m | Low for year \$m | Average for year \$m | As at \$m | High for year \$m | Low for year \$m | Average for year \$m |
| Consolidated | | | | | | | | |
| Non-traded value at risk 99% confidence | | | | | | | | |
| Australia | 81.2 | 93.2 | 72.0 | 82.2 | 78.5 | 93.4 | 63.0 | 76.1 |
| New Zealand | 35.3 | 35.3 | 26.1 | 31.1 | 25.4 | 27.1 | 20.2 | 23.9 |
| Rest of World | 32.2 | 32.8 | 23.2 | 27.9 | 21.7 | 38.0 | 16.8 | 25.8 |
| Diversification benefit ¹ | (52.6) | n/a | n/a | (45.6) | (38.1) | n/a | n/a | (33.7) |
| Total VaR | 96.1 | 101.5 | 86.4 | 95.6 | 87.5 | 104.9 | 66.8 | 92.1 |

| | 2023 | | | | 2022 | | | |
|--|-------------|-------------------|------------------|----------------------|-------------|-------------------|------------------|----------------------|
| | As at \$m | High for year \$m | Low for year \$m | Average for year \$m | As at \$m | High for year \$m | Low for year \$m | Average for year \$m |
| The Company | | | | | | | | |
| Non-traded value at risk 99% confidence | | | | | | | | |
| Australia | 81.2 | 93.2 | 72.0 | 82.2 | 78.5 | 93.4 | 63.0 | 76.1 |
| New Zealand | - | 0.1 | - | - | 0.0 | 0.1 | 0.0 | 0.0 |
| Rest of World | 34.0 | 34.5 | 23.7 | 28.4 | 22.1 | 37.7 | 16.7 | 25.6 |
| Diversification benefit ¹ | (30.5) | n/a | n/a | (26.6) | (17.1) | n/a | n/a | (20.2) |
| Total VaR | 84.7 | 92.4 | 76.4 | 84.0 | 83.5 | 94.5 | 62.9 | 81.5 |

¹ The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

17. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our Net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported Net interest income.

| | Consolidated | | The Company | |
|---|--------------|-------|-------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Impact of 1% rate shock on the next 12 months' net interest income | | | | |
| As at period end | 0.96% | 1.29% | 0.73% | 0.90% |
| Maximum exposure | 1.17% | 2.08% | 0.90% | 1.65% |
| Minimum exposure | 0.38% | 1.15% | 0.02% | 0.71% |
| Average exposure (in absolute terms) | 0.80% | 1.56% | 0.56% | 1.11% |

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprises Bank of Tianjin. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 11 Investment Securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. Where considered appropriate, the Group enters into hedges of the foreign exchange exposures from its foreign operations.

Similarly, the Group may enter into economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.



17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at a country and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

Following the Restructure on 3 January 2023, the Group has operated under a non-operating holding company structure whereby:

- ANZBGL's liquidity risk management framework remains unchanged and continues to operate its own liquidity and funding program, governance frameworks and reporting regime reflecting its authorised deposit-taking institution (ADI) operations;
- ANZGHL (parent entity) has no material liquidity risk given the structure and nature of the balance sheet; and
- ANZ Non-Bank Group is not expected to have separate funding arrangements and will rely on ANZGHL for funding.

A separate liquidity policy has been established for ANZGHL and ANZ Bank Group to reflect the differing nature of liquidity risk inherent in each business model. ANZGHL will ensure that the parent entity and ANZ Non-Bank Group holds sufficient cash reserves to meet operating and financing requirements.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

Group's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the ANZBGL Board. The metrics cover a range of scenarios of varying duration and level of severity.

The objective of this framework is to:

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

Key components of this framework are the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario and Net Stable Funding Ratio (NSFR) a longer term structural liquidity measure, both of which are mandated by banking regulators including APRA.

Liquid assets

Group holds a portfolio of high quality (unencumbered) liquid assets to protect Group's liquidity position in a severely stressed environment and to meet regulatory requirements. High quality liquid assets comprise three categories consistent with Basel III LCR requirements:

- Highest-quality liquid assets - cash and 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 - 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) - eligible securities that the RBNZ will accept in its domestic market operations and asset qualifying as collateral for the CLF.

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

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

LIQUIDITY RISK OUTCOMES¹

Liquidity Coverage Ratio - ANZBGL's Liquidity Coverage Ratio (LCR) averaged 130% for 2023, (2022: 131%) and above the regulatory minimum of 100%.

Net Stable Funding Ratio - ANZBGL's Net Stable Funding Ratio (NSFR) as at 30 September 2023 was 116% (2022: 119%), above the regulatory minimum of 100%.

¹ This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings*.

Liquidity crisis contingency planning

Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

| Ongoing business management | Early signs/ mild stress | Severe stress |
|--|--|---|
| <ul style="list-style-type: none"> establish crisis/severity levels liquidity limits early warning indicators | <ul style="list-style-type: none"> monitoring and review management actions not requiring business rationalisation | <ul style="list-style-type: none"> activate contingency funding plans management actions for altering asset and liability behaviour |
| Assigned responsibility for internal and external communications and the appropriate timing to communicate | | |

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

| Funding plans prepared | Considerations in preparing funding plans |
|--|--|
| <ul style="list-style-type: none"> 3 year strategic plan prepared annually annual funding plan as part of the Group's planning process forecasting in light of actual results as a calibration to the annual plan | <ul style="list-style-type: none"> customer balance sheet growth changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions |

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a Term Funding Facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25% for drawdowns up to 4 November 2020, and reduced to 0.10% for new drawdowns from 4 November 2020 onwards. The TFF was closed to drawdowns on 30 June 2021.

As at 30 September 2023, \$8.1 billion remains drawn under the RBA's TFF (2022: \$20.1 billion).

RBNZ Funding for Lending Programme and Term Lending Facility

Between May 2020 and July 2021, the RBNZ made funds available under a Term Lending Facility (TLF) to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.

In November 2020 the RBNZ announced a Funding for Lending Programme (FLP) which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks were able to obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). The initial allocation closed on 6 June 2022. An additional allocation of up to 2% of eligible loans was available, subject to certain conditions until 6 December 2022.

As at 30 September 2023, ANZ Bank New Zealand had drawn \$0.3 billion under the TLF (2022: \$0.3 billion) and \$3.2 billion under the FLP (2022: \$2.3 billion).



17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities as at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the 'Less than 3 months' category unless there is a longer minimum notice period. The amounts represent principal and interest cash flows and therefore may differ from equivalent amounts reported on balance sheet.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 155.

| | Less than 3 months \$m | 3 to 12 months \$m | 1 to 5 years \$m | After 5 years \$m | Total \$m |
|---|------------------------------|--------------------------|------------------------|-------------------------|--------------|
| As at 30 September 2023 | | | | | |
| Settlement balances owed by ANZ | 19,267 | - | - | - | 19,267 |
| Collateral received | 10,382 | - | - | - | 10,382 |
| Deposits and other borrowings | 674,762 | 137,488 | 9,762 | 241 | 822,253 |
| Liability for acceptances | 646 | - | - | - | 646 |
| Debt issuances ¹ | 4,738 | 23,908 | 88,270 | 16,017 | 132,933 |
| Derivative liabilities (excluding those held for balance sheet management) ² | 48,150 | - | - | - | 48,150 |
| Lease liabilities | 100 | 264 | 872 | 743 | 1,979 |
| Derivative assets and liabilities (balance sheet management) ³ | | | | | |
| - Funding: | | | | | |
| Receive leg | (29,459) | (40,907) | (90,906) | (14,001) | (175,273) |
| Pay leg | 28,852 | 41,385 | 90,230 | 13,986 | 174,453 |
| - Other balance sheet management: | | | | | |
| Receive leg | (142,289) | (44,586) | (35,720) | (19,866) | (242,461) |
| Pay leg | 138,899 | 42,867 | 34,198 | 19,872 | 235,836 |
| As at 30 September 2022 | | | | | |
| Settlement balances owed by ANZ | 13,766 | - | - | - | 13,766 |
| Collateral received | 16,230 | - | - | - | 16,230 |
| Deposits and other borrowings | 667,568 | 117,166 | 15,960 | 160 | 800,854 |
| Liability for acceptances | 352 | - | - | - | 352 |
| Debt issuances ¹ | 7,591 | 22,315 | 60,716 | 13,667 | 104,289 |
| Derivative liabilities (excluding those held for balance sheet management) ² | 71,073 | - | - | - | 71,073 |
| Lease liabilities | 81 | 210 | 654 | 168 | 1,113 |
| Derivative assets and liabilities (balance sheet management) ³ | | | | | |
| - Funding: | | | | | |
| Receive leg | (33,155) | (49,030) | (66,661) | (12,851) | (161,697) |
| Pay leg | 30,845 | 49,191 | 68,211 | 12,913 | 161,160 |
| - Other balance sheet management: | | | | | |
| Receive leg | (125,122) | (44,835) | (29,188) | (10,063) | (209,208) |
| Pay leg | 120,959 | 44,126 | 31,026 | 15,170 | 211,281 |

¹ Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group and subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not qualify as the APRA Tier 2 requirements.

² The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.

³ Includes derivatives designated into hedging relationships of \$272 million (2022: \$356 million) and \$9,060 million (2022: \$13,720 million) categorised as held for trading but form part of the Group's balance sheet managed activities.

At 30 September 2023, \$240,711 million (2022: \$236,051 million) of the Group's undrawn facilities and \$50,171 million (2022: \$49,765 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

17. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

| | Less than 3 months \$m | 3 to 12 months \$m | 1 to 5 years \$m | After 5 years \$m | Total \$m |
|---|------------------------------|--------------------------|------------------------|-------------------------|--------------|
| The Company | | | | | |
| As at 30 September 2023 | | | | | |
| Settlement balances owed by ANZ | 16,574 | - | - | - | 16,574 |
| Collateral received | 9,452 | - | - | - | 9,452 |
| Deposits and other borrowings | 567,239 | 109,010 | 3,718 | 232 | 680,199 |
| Liability for acceptances | 391 | - | - | - | 391 |
| Debt issuances ¹ | 4,321 | 20,669 | 75,192 | 13,297 | 113,479 |
| Derivative liabilities (excluding those held for balance sheet management) ² | 53,111 | - | - | - | 53,111 |
| Lease liabilities | 80 | 207 | 715 | 725 | 1,727 |
| Derivative assets and liabilities (balance sheet management) ³ | | | | | |
| - Funding: | | | | | |
| Receive leg | (26,321) | (31,549) | (70,627) | (10,871) | (139,368) |
| Pay leg | 25,602 | 31,952 | 69,816 | 10,860 | 138,230 |
| - Other balance sheet management: | | | | | |
| Receive leg | (136,668) | (38,700) | (27,047) | (18,876) | (221,291) |
| Pay leg | 133,496 | 37,540 | 26,247 | 18,914 | 216,197 |
| As at 30 September 2022 | | | | | |
| Settlement balances owed by ANZ | 10,224 | - | - | - | 10,224 |
| Collateral received | 14,425 | - | - | - | 14,425 |
| Deposits and other borrowings | 564,147 | 93,197 | 10,639 | 157 | 668,140 |
| Liability for acceptances | 144 | - | - | - | 144 |
| Debt issuances ¹ | 7,648 | 18,951 | 48,323 | 9,970 | 84,892 |
| Derivative liabilities (excluding those held for balance sheet management) ² | 75,810 | - | - | - | 75,810 |
| Lease liabilities | 76 | 202 | 744 | 826 | 1,848 |
| Derivative assets and liabilities (balance sheet management) ³ | | | | | |
| - Funding: | | | | | |
| Receive leg | (29,397) | (39,350) | (46,997) | (8,857) | (124,601) |
| Pay leg | 27,413 | 40,237 | 48,281 | 9,064 | 124,995 |
| - Other balance sheet management: | | | | | |
| Receive leg | (121,112) | (40,061) | (21,417) | (9,498) | (192,088) |
| Pay leg | 116,992 | 39,921 | 24,081 | 14,666 | 195,660 |

¹ Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company.

² The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.

³ Includes derivatives designated into hedging relationships of \$255 million (2022: \$300 million) and \$4,145 million (2022: \$8,390 million) categorised as held for trading but form part of the Company's balance sheet managed activities.

At 30 September 2023, \$206,405 million (2022: \$201,204 million) of the Company's undrawn facilities and \$46,707 million (2022: \$46,191 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.



18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial asset and liabilities according to their measurement bases together with their carrying amounts as recognised on the balance sheet.

| | Note | 2023 | | | 2022 | | |
|--|------|--------------------------|----------------------|------------------|--------------------------|----------------------|------------------|
| | | At amortised cost \$m | At fair value \$m | Total \$m | At amortised cost \$m | At fair value \$m | Total \$m |
| Consolidated | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents ¹ | 8 | 140,588 | 27,566 | 168,154 | 168,132 | - | 168,132 |
| Settlement balances owed to ANZ | | 9,349 | - | 9,349 | 4,762 | - | 4,762 |
| Collateral paid | | 8,558 | - | 8,558 | 12,700 | - | 12,700 |
| Trading assets | 9 | - | 37,004 | 37,004 | - | 35,237 | 35,237 |
| Derivative financial instruments | 10 | - | 60,406 | 60,406 | - | 90,174 | 90,174 |
| Investment securities | 11 | 7,752 | 89,217 | 96,969 | 7,943 | 78,210 | 86,153 |
| Net loans and advances ¹ | 12 | 685,806 | 21,888 | 707,694 | 667,732 | 4,675 | 672,407 |
| Regulatory deposits | | 646 | - | 646 | 632 | - | 632 |
| Other financial assets | | 4,378 | - | 4,378 | 2,943 | - | 2,943 |
| Total | | 857,077 | 236,081 | 1,093,158 | 864,844 | 208,296 | 1,073,140 |
| Financial liabilities | | | | | | | |
| Settlement balances owed by ANZ | | 19,267 | - | 19,267 | 13,766 | - | 13,766 |
| Collateral received | | 10,382 | - | 10,382 | 16,230 | - | 16,230 |
| Deposits and other borrowings ¹ | 14 | 781,314 | 33,889 | 815,203 | 794,621 | 2,660 | 797,281 |
| Derivative financial instruments | 10 | - | 57,482 | 57,482 | - | 85,149 | 85,149 |
| Payables and other liabilities | 15 | 10,665 | 5,267 | 15,932 | 6,596 | 3,239 | 9,835 |
| Debt issuances | 16 | 114,678 | 1,336 | 116,014 | 92,623 | 1,111 | 93,734 |
| Total | | 936,306 | 97,974 | 1,034,280 | 923,836 | 92,159 | 1,015,995 |

¹ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES** (continued)

| | Note | 2023 | | | 2022 | | |
|--|------|--------------------------|----------------------|----------------|--------------------------|----------------------|----------------|
| | | At amortised cost \$m | At fair value \$m | Total \$m | At amortised cost \$m | At fair value \$m | Total \$m |
| The Company | | | | | | | |
| Financial assets | | | | | | | |
| Cash and cash equivalents ¹ | 8 | 127,309 | 27,099 | 154,408 | 155,483 | - | 155,483 |
| Settlement balances owed to ANZ | | 8,935 | - | 8,935 | 4,024 | - | 4,024 |
| Collateral paid | | 7,717 | - | 7,717 | 11,368 | - | 11,368 |
| Trading assets | 9 | - | 30,693 | 30,693 | - | 28,073 | 28,073 |
| Derivative financial instruments | 10 | - | 59,989 | 59,989 | - | 88,056 | 88,056 |
| Investment securities | 11 | 5,936 | 77,265 | 83,201 | 6,115 | 66,284 | 72,399 |
| Net loans and advances ¹ | 12 | 541,777 | 21,240 | 563,017 | 533,082 | 4,263 | 537,345 |
| Regulatory deposits | | 284 | - | 284 | 249 | - | 249 |
| Due from controlled entities | | 24,173 | 1,894 | 26,067 | 20,360 | 2,500 | 22,860 |
| Other financial assets | | 3,024 | - | 3,024 | 1,882 | - | 1,882 |
| Total | | 719,155 | 218,180 | 937,335 | 732,563 | 189,176 | 921,739 |
| Financial liabilities | | | | | | | |
| Settlement balances owed by ANZ | | 16,574 | - | 16,574 | 10,224 | - | 10,224 |
| Collateral received | | 9,452 | - | 9,452 | 14,425 | - | 14,425 |
| Deposits and other borrowings ¹ | 14 | 643,868 | 31,207 | 675,075 | 665,567 | 40 | 665,607 |
| Derivative financial instruments | 10 | - | 57,511 | 57,511 | - | 84,500 | 84,500 |
| Due to controlled entities | | 26,737 | 157 | 26,894 | 25,305 | - | 25,305 |
| Payables and other liabilities | 15 | 8,357 | 4,922 | 13,279 | 5,705 | 2,857 | 8,562 |
| Debt issuances | 16 | 95,881 | 2,332 | 98,213 | 72,757 | 3,071 | 75,828 |
| Total | | 800,869 | 96,129 | 896,998 | 793,983 | 90,468 | 884,451 |

¹ During 2023, within the trading book in its Markets business, the Company commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at FVTPL.



18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

If the Group holds offsetting risk positions, then we use 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. The Group measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

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

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow ensuring we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated hedging instruments; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (which we use to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

The Group may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

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

| Asset or Liability | Fair Value Approach |
|---|--|
| Financial instruments classified as: <ul style="list-style-type: none"> - Derivative financial assets and financial liabilities (including trading and non-trading) - Repurchase agreements < 90 days - Net loans and advances - Deposits and other borrowings - Debt issuances | Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curve appropriate for the remaining term to maturity. |
| Other financial instruments held for trading: <ul style="list-style-type: none"> - Securities sold short - Debt and equity securities | Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity securities where an active market does not exist are measured using comparable company valuation multiples (such as price-to-book ratios). |
| Financial instruments classified as: <ul style="list-style-type: none"> - Investment securities – debt or equity | Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics. |

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

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with AASB 13 based on the observability of inputs used to measure the fair value:

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

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

| | Fair value measurements | | | | | | | |
|---|--|---------------|-----------------------------------|----------------|-------------------------------------|--------------|----------------|----------------|
| | Quoted price in active markets (Level 1) | | Using observable inputs (Level 2) | | Using unobservable inputs (Level 3) | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Consolidated | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | | | | |
| Cash and cash equivalents (measured at fair value) ¹ | - | - | 27,566 | - | - | - | 27,566 | - |
| Trading assets ² | 26,388 | 28,455 | 10,614 | 6,782 | 2 | - | 37,004 | 35,237 |
| Derivative financial instruments | 935 | 944 | 59,448 | 89,185 | 23 | 45 | 60,406 | 90,174 |
| Investment securities ^{2,3} | 71,355 | 68,211 | 16,924 | 8,614 | 938 | 1,385 | 89,217 | 78,210 |
| Net loans and advances ¹ | - | - | 21,159 | 4,272 | 729 | 403 | 21,888 | 4,675 |
| Total | 98,678 | 97,610 | 135,711 | 108,853 | 1,692 | 1,833 | 236,081 | 208,296 |
| Liabilities | | | | | | | | |
| Deposits and other borrowings (designated at fair value) ¹ | - | - | 33,889 | 2,660 | - | - | 33,889 | 2,660 |
| Derivative financial instruments | 218 | 309 | 57,241 | 84,809 | 23 | 31 | 57,482 | 85,149 |
| Payables and other liabilities | 4,841 | 2,842 | 426 | 397 | - | - | 5,267 | 3,239 |
| Debt issuances (designated at fair value) | - | - | 1,336 | 1,111 | - | - | 1,336 | 1,111 |
| Total | 5,059 | 3,151 | 92,892 | 88,977 | 23 | 31 | 97,974 | 92,159 |

¹ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

² During 2023, \$3,624 million of assets were transferred from Level 1 to Level 2 (2022: \$1,043 million transferred from Level 1 to Level 2), and \$1,452 million of assets were transferred from Level 2 to Level 1 (2022: \$1,677 million transferred from Level 2 to Level 1) due to a change of the observability of valuation inputs. There were no other material transfers between Level 1 and Level 2 during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

³ During 2023, ANZBGL sold its equity interests in the 1835i trusts, TIN and Pollination to ANZ NBH Pty Ltd as part of the Restructure. These investments were classified as Level 3 assets in the fair value hierarchy in September 2022, with a fair valuation of \$402 million.



18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY (continued)

| | Fair value measurements | | | | | | | |
|---|--|---------------|-----------------------------------|----------------|-------------------------------------|--------------|----------------|----------------|
| | Quoted price in active markets (Level 1) | | Using observable inputs (Level 2) | | Using unobservable inputs (Level 3) | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| The Company | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | | | | |
| Cash and cash equivalents (measured at fair value) ¹ | - | - | 27,099 | - | - | - | 27,099 | - |
| Trading assets ² | 22,264 | 23,037 | 8,427 | 5,036 | 2 | - | 30,693 | 28,073 |
| Derivative financial instruments | 900 | 848 | 59,066 | 87,181 | 23 | 27 | 59,989 | 88,056 |
| Investment securities ^{2,3} | 63,879 | 58,259 | 12,449 | 7,006 | 937 | 1,019 | 77,265 | 66,284 |
| Net loans and advances ¹ | - | - | 20,511 | 3,860 | 729 | 403 | 21,240 | 4,263 |
| Due from controlled entities | - | - | 1,894 | 2,500 | - | - | 1,894 | 2,500 |
| Total | 87,043 | 82,144 | 129,446 | 105,583 | 1,691 | 1,449 | 218,180 | 189,176 |
| Liabilities | | | | | | | | |
| Deposits and other borrowings (designated at fair value) ¹ | - | - | 31,207 | 40 | - | - | 31,207 | 40 |
| Derivative financial instruments | 210 | 301 | 57,287 | 84,179 | 14 | 20 | 57,511 | 84,500 |
| Payables and other liabilities | 4,500 | 2,510 | 422 | 347 | - | - | 4,922 | 2,857 |
| Debt issuances (designated at fair value) | - | 985 | 2,332 | 2,086 | - | - | 2,332 | 3,071 |
| Due to controlled entities | - | - | 157 | - | - | - | 157 | - |
| Total | 4,710 | 3,796 | 91,405 | 86,652 | 14 | 20 | 96,129 | 90,468 |

¹ During 2023, within the trading book in its Markets business, the Company commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognized and measured at FVTPL.

² During 2023, \$2,139 million of assets were transferred from Level 1 to Level 2 (2022: \$1,043 million transferred from Level 1 to Level 2), and \$1,155 million of assets were transferred from Level 2 to Level 1 (2022: \$1,677 million transferred from Level 2 to Level 1) due to a change of the observability of valuation inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

³ During 2023, ANZBGL sold its equity interests in the 1835i trusts, TIN and Pollination to ANZ NBH Pty Ltd as part of the Restructure. These investments were classified as Level 3 assets in the fair value hierarchy in September 2022, with a fair valuation of \$402 million.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

Level 3 financial instruments are a net asset of \$1,669 million (2022: \$1,802 million) for the Group and \$1,676 million (2022: \$1,429 million) for the Company.

The assets and liabilities which incorporate significant unobservable inputs are:

- equity and debt securities for which there is no active market or traded prices cannot be observed;
- loans and advances measured at fair value for which there is no observable market data; and
- derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Level 3 Transfers

During the year, the Group and the Company transferred \$218 million (2022: \$312 million) of Loan and advances measured at fair value from Level 2 to Level 3, as a result of valuation parameters becoming unobservable during the year. There were no other material transfers into or out of Level 3 during the period.

The material Level 3 financial instruments as at 30 September 2023 are listed as below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the Bank of Tianjin. The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived resulted in the Level 3 classification. As at September 2023, the BoT equity holding balance was \$849 million (2022: \$854 million). The decrease in the BoT fair valuation was due to a decrease in the P/B multiple used in the valuation.

Other equity investments

The Group holds \$89 million (2022: \$491 million) and the Company holds \$87 million (2022: \$165 million) of unlisted equities classified as FVOCI for which there are no active markets or traded prices available, resulting in Level 3 classification. The decrease in unlisted equity holdings balance was due to the sale of equity securities to the ANZ Non-Bank Group as part of the establishment of the new Group organisational structure.

ii) Net loans and advances - classified as FVTPL

Syndication Loans

The Group holds \$729 million (2022: \$403 million) of syndication loans for sale which are measured at FVTPL for which there is no observable market data available for the valuation. The increase in the Level 3 loan balances during the financial year was mainly due to increased syndication loans for sale as at reporting date, and loans and advances transferred from Level 2 to Level 3.

Sensitivity to Level 3 data inputs

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

Investment Securities - equity holdings

The valuation of the equity investments are sensitive to variations in select unobservable inputs, with valuation techniques used including P/B multiples and discounted cashflow techniques. If for example, a 10% increase or decrease to the primary input into the valuations were to occur (such as the P/B multiple), it would result in a \$94 million increase or decrease in the fair value of the portfolio, which would be recognised in shareholders' equity in the Group (\$93 million for the Company), with no impact to net profit or loss.

Net Loans and Advances

Syndicated loan valuations are sensitive to credit spreads in determining their fair valuation. However as these are primarily investment-grade loans, an increase or decrease in credit spreads and or interest yield would have an immaterial impact on net profit or net assets of the Group.

Other

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

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight-line basis over the life of the transaction or until all inputs become observable. Day one gains and losses which have been deferred are not material.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the tables below.

Fair values of financial assets and liabilities carried at amortised cost not included in the table below approximate their carrying values. These financial assets and liabilities are either short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

| | Categorised into fair value hierarchy | | | | | | | | | |
|------------------------------------|---------------------------------------|----------------|---------------------------------------|---------------|-----------------------------------|----------------|--|----------------|------------------|----------------|
| | At amortised cost | | Quoted price active markets (Level 1) | | Using observable inputs (Level 2) | | With significant non-observable inputs (Level 3) | | Total fair value | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Consolidated | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Financial assets | | | | | | | | | | |
| Investment securities ¹ | 7,752 | 7,943 | - | - | 7,712 | 7,918 | - | - | 7,712 | 7,918 |
| Net loans and advances | 685,806 | 667,732 | - | - | 19,619 | 29,460 | 664,120 | 634,272 | 683,739 | 663,732 |
| Total | 693,558 | 675,675 | - | - | 27,331 | 37,378 | 664,120 | 634,272 | 691,451 | 671,650 |
| Financial liabilities | | | | | | | | | | |
| Deposits and other borrowings | 781,314 | 794,621 | - | - | 781,106 | 794,124 | - | - | 781,106 | 794,124 |
| Debt issuances | 114,678 | 92,623 | 30,786 | 22,982 | 83,867 | 69,028 | - | - | 114,653 | 92,010 |
| Total | 895,992 | 887,244 | 30,786 | 22,982 | 864,973 | 863,152 | - | - | 895,759 | 886,134 |

| | Categorised into fair value hierarchy | | | | | | | | | |
|------------------------------------|---------------------------------------|----------------|---------------------------------------|---------------|-----------------------------------|----------------|--|----------------|------------------|----------------|
| | At amortised cost | | Quoted price active markets (Level 1) | | Using observable inputs (Level 2) | | With significant non-observable inputs (Level 3) | | Total fair value | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| The Company | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Financial assets | | | | | | | | | | |
| Investment securities ¹ | 5,936 | 6,115 | - | - | 5,896 | 6,092 | - | - | 5,896 | 6,092 |
| Net loans and advances | 541,777 | 533,082 | - | - | 19,224 | 28,708 | 521,474 | 501,795 | 540,698 | 530,503 |
| Total | 547,713 | 539,197 | - | - | 25,120 | 34,800 | 521,474 | 501,795 | 546,594 | 536,595 |
| Financial liabilities | | | | | | | | | | |
| Deposits and other borrowings | 643,868 | 665,567 | - | - | 643,755 | 665,242 | - | - | 643,755 | 665,242 |
| Debt issuances | 95,881 | 72,757 | 28,496 | 19,741 | 67,309 | 52,453 | - | - | 95,805 | 72,194 |
| Total | 739,749 | 738,324 | 28,496 | 19,741 | 711,064 | 717,695 | - | - | 739,560 | 737,436 |

¹ Investment securities at amortised cost includes \$4,558 million of assets that are part of the Group's liquidity portfolio for the Group (2022: \$3,976 million) and \$2,917 million of assets for the Company (2022: \$2,304 million) that are part of the Group's and Company's liquidity portfolio. These are all short tenor (<1 year) instruments primarily in the Group's Rest of World geography and represent <2% of the Group's total liquid assets at 30 September 2023.

18. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

The following table sets out the Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

| Financial Asset and Liability | Fair Value Approach |
|--|---|
| Investment securities - debt securities at amortised cost | Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument. |
| Net loans and advances to banks | Discounted cash flows using prevailing market rates for loans with similar credit quality. |
| Net loans and advances to customers | Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate. |
| Deposit liability without a specified maturity or at call | The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period. |
| Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates | Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value. |
| Debt issuances | Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument. |



KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on the balance sheet at fair value. The Group therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance date.

In determining the fair valuation of financial instruments, the Group has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models the Group uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, the Group also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer to Note 10 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.



19. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

| | Consolidated | | The Company | |
|---|--------------|-------------|-------------|-------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Securities sold under arrangements to repurchase ¹ | 47,552 | 52,757 | 42,002 | 47,846 |
| Residential mortgages provided as security for covered bonds | 31,188 | 27,575 | 21,017 | 17,953 |
| Other | 6,152 | 5,601 | 6,077 | 5,527 |

- ¹ The amounts disclosed as securities sold under arrangements to repurchase include both:
- assets pledged as security which continue to be recognised on the Group's balance sheet; and
 - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial transactions. Under certain arrangements ANZ has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

| | Consolidated | | The Company | |
|---|--------------|-------------|-------------|-------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Fair value of assets which can be sold or repledged | 52,184 | 32,389 | 51,519 | 30,647 |
| Fair value of assets sold or repledged | 33,493 | 21,269 | 33,218 | 20,359 |

20. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

| | Total amounts recognised in the Balance Sheet \$m | Amounts not subject to master netting agreement or similar \$m | Amount subject to master netting agreement or similar | | | |
|--|--|---|---|---|---|-------------------|
| | | | Total \$m | Financial instruments ⁵ \$m | Financial collateral (received)/pledged ⁵ \$m | Net amount \$m |
| Consolidated | | | | | | |
| As at 30 September 2023 | | | | | | |
| Derivative financial assets ¹ | 60,406 | (3,290) | 57,116 | (38,070) | (13,049) | 5,997 |
| Reverse repurchase, securities borrowing and similar agreements ² | | | | | | |
| - at amortised cost | 4,145 | (124) | 4,021 | - | (4,021) | - |
| - at fair value through profit or loss ³ | 44,088 | (10,505) | 33,583 | (2,401) | (31,182) | - |
| Total financial assets | 108,639 | (13,919) | 94,720 | (40,471) | (48,252) | 5,997 |
| Derivative financial liabilities ¹ | (57,482) | 5,096 | (52,386) | 38,070 | 6,547 | (7,769) |
| Repurchase, securities lending and similar agreements ⁴ | | | | | | |
| - at amortised cost | (12,744) | 1,117 | (11,627) | - | 11,627 | - |
| - at fair value through profit or loss ³ | (31,710) | 13,304 | (18,406) | 2,401 | 16,005 | - |
| Total financial liabilities | (101,936) | 19,517 | (82,419) | 40,471 | 34,179 | (7,769) |
| As at 30 September 2022 | | | | | | |
| Derivative financial assets ¹ | 90,174 | (6,983) | 83,191 | (56,491) | (16,951) | 9,749 |
| Reverse repurchase, securities borrowing and similar agreements ² | | | | | | |
| - at amortised cost | 29,776 | (6,697) | 23,079 | (1,985) | (21,094) | - |
| Total financial assets | 119,950 | (13,680) | 106,270 | (58,476) | (38,045) | 9,749 |
| Derivative financial liabilities ¹ | (85,149) | 9,936 | (75,213) | 56,491 | 9,964 | (8,758) |
| Repurchase, securities lending and similar agreements ⁴ | | | | | | |
| - at amortised cost | (47,229) | 12,497 | (34,732) | 1,985 | 32,747 | - |
| Total financial liabilities | (132,378) | 22,433 | (109,945) | 58,476 | 42,711 | (8,758) |

¹ Derivative assets and liabilities recognised in the Balance Sheet reflect the impact of certain central clearing collateral arrangements, whereby collateral that qualifies as legal settlement has reduced the carrying value of those associated derivative balances.

² Reverse repurchase agreements:

- with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
- with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.

³ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

⁴ Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

⁵ The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure of the relevant financial assets or liabilities, and any over-collateralisation is excluded from the tables.



20. OFFSETTING (continued)

| | Total amounts recognised in the Balance Sheet \$m | Amounts not subject to master netting agreement or similar \$m | Amount subject to master netting agreement or similar | | | |
|--|--|---|---|---|---|-------------------|
| | | | Total \$m | Financial instruments ⁵ \$m | Financial collateral (received)/pledged ⁵ \$m | Net amount \$m |
| The Company | | | | | | |
| As at 30 September 2023 | | | | | | |
| Derivative financial assets ¹ | 59,989 | (1,096) | 58,893 | (41,574) | (11,716) | 5,603 |
| Reverse repurchase, securities borrowing and similar agreements ² | | | | | | |
| - at amortised cost | 4,021 | - | 4,021 | - | (4,021) | - |
| - at fair value through profit or loss ³ | 43,553 | (10,143) | 33,410 | (2,248) | (31,162) | - |
| Total financial assets | 107,563 | (11,239) | 96,324 | (43,822) | (46,899) | 5,603 |
| Derivative financial liabilities ¹ | (57,511) | 2,760 | (54,751) | 41,574 | 6,356 | (6,821) |
| Repurchase, securities lending and similar agreements ⁴ | | | | | | |
| - at amortised cost | (8,955) | 865 | (8,090) | - | 8,090 | - |
| - at fair value through profit or loss ³ | (31,125) | 12,872 | (18,253) | 2,248 | 16,005 | - |
| Total financial liabilities | (97,591) | 16,497 | (81,094) | 43,822 | 30,451 | (6,821) |
| As at 30 September 2022 | | | | | | |
| Derivative financial assets ¹ | 88,056 | (4,242) | 83,814 | (61,038) | (14,876) | 7,900 |
| Reverse repurchase, securities borrowing and similar agreements ² | | | | | | |
| - at amortised cost | 28,045 | (5,323) | 22,722 | (1,629) | (21,093) | - |
| Total financial assets | 116,101 | (9,565) | 106,536 | (62,667) | (35,969) | 7,900 |
| Derivative financial liabilities ¹ | (84,500) | 6,839 | (77,661) | 61,038 | 8,548 | (8,075) |
| Repurchase, securities lending and similar agreements ⁴ | | | | | | |
| - at amortised cost | (42,940) | 11,021 | (31,919) | 1,629 | 30,290 | - |
| Total financial liabilities | (127,440) | 17,860 | (109,580) | 62,667 | 38,838 | (8,075) |

¹ Derivative assets and liabilities recognised in the Balance Sheet reflect the impact of certain central clearing collateral arrangements, whereby collateral that qualifies as legal settlement has reduced the carrying value of those associated derivative balances.

² Reverse repurchase agreements:

- with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
- with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.

³ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

⁴ Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

⁵ The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure of the relevant financial assets or liabilities, and any over-collateralisation is excluded from the tables.

21. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill ¹ | | Software | | Other Intangibles | | Total | |
|---|-----------------------|--------------|------------|------------|-------------------|-----------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Consolidated | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Balance at start of year | 2,906 | 3,089 | 896 | 960 | 75 | 75 | 3,877 | 4,124 |
| Additions ² | - | 78 | 332 | 315 | - | 10 | 332 | 403 |
| Amortisation expense | - | - | (316) | (375) | (2) | (4) | (318) | (379) |
| Impairment expense | - | - | - | (3) | - | - | - | (3) |
| Written-off on disposal/exit ³ | (78) | (40) | - | - | (7) | - | (85) | (40) |
| Foreign currency exchange difference | 150 | (221) | 1 | (1) | 4 | (6) | 155 | (228) |
| Balance at end of year | 2,978 | 2,906 | 913 | 896 | 70 | 75 | 3,961 | 3,877 |
| Cost ⁴ | 2,978 | 2,906 | 8,127 | 7,843 | 78 | 83 | 11,183 | 10,832 |
| Accumulated amortisation | n/a | n/a | (7,214) | (6,947) | (8) | (8) | (7,222) | (6,955) |
| Carrying amount | 2,978 | 2,906 | 913 | 896 | 70 | 75 | 3,961 | 3,877 |

| | Goodwill ¹ | | Software | | Other Intangibles | | Total | |
|--------------------------------------|-----------------------|-----------|------------|------------|-------------------|----------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| The Company | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Balance at start of year | 62 | 62 | 872 | 952 | 1 | 3 | 935 | 1,017 |
| Additions | - | - | 310 | 287 | - | - | 310 | 287 |
| Amortisation expense | - | - | (310) | (363) | (1) | (3) | (311) | (366) |
| Impairment expense | - | - | - | (3) | - | - | - | (3) |
| Foreign currency exchange difference | - | - | 1 | (1) | - | 1 | 1 | - |
| Balance at end of year | 62 | 62 | 873 | 872 | - | 1 | 935 | 935 |
| Cost ⁴ | 62 | 62 | 7,800 | 7,544 | 7 | 7 | 7,869 | 7,613 |
| Accumulated amortisation | n/a | n/a | (6,927) | (6,672) | (7) | (6) | (6,934) | (6,678) |
| Carrying amount | 62 | 62 | 873 | 872 | - | 1 | 935 | 935 |

1- Goodwill excludes notional goodwill in equity accounted investments.

2- 2022 goodwill addition relates to acquisition of Cashrewards.

3- 2023 goodwill written-off on disposal/exit relates to the disposal of Cashrewards to ANZ NBH Pty Ltd. 2022 goodwill written-off on disposal/exit relates to the exit of the financial planning and advice business.

4- Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

Goodwill acquired in a business combination is tested for impairment annually and whenever there are indicators of potential impairment. Goodwill is allocated at the date of acquisition to the cash generating unit (CGU) or group of CGUs that are expected to benefit from the synergies of the related business combination.

Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVL COD) approach, with a value-in-use (VIU) assessment performed where the FVL COD is less than the carrying amount.

Goodwill is allocated to the following CGUs based on the lowest level at which goodwill is monitored.

| Cash generating units: | 2023 | 2022 |
|------------------------|-------|-------|
| | \$m | \$m |
| Australia Retail | 100 | 178 |
| New Zealand | 1,617 | 1,530 |
| Institutional | 1,261 | 1,198 |



21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

We estimate the FVL COD of each CGU to which goodwill is allocated by applying observable price earnings multiples of comparable companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management's approach and the key assumptions used in determining FVL COD are as follows:

| Key assumption | Approach to determining the value (or values) for each key assumption |
|-------------------------------|---|
| Future maintainable earnings | <p>Future maintainable earnings for each CGU is estimated as the sum of:</p> <ul style="list-style-type: none"> • The Group's 2024 financial plan for each CGU; and • An allocation of the central costs recorded outside of the CGUs to which goodwill is allocated. <p>Where relevant, adjustments are made to the Group's financial plan to reflect the long-term expectations for items such as expected credit losses and investment spend.</p> |
| Price/Earnings (P/E) multiple | <p>P/E multiples applicable to each CGU have been derived from a comparator group of publicly traded companies, and include a 30% control premium, discussed below.</p> <p>In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to P/E multiples to address specific factors relevant to those CGUs.</p> <p>A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.</p> |
| Costs of disposal | <p>Costs of disposal have been estimated as 2% of the fair value of the CGU based on those observed from historical and recent transactions.</p> |

As noted above, our impairment testing did not result in the identification of any material impairment of goodwill as at 30 September 2023.

The FVL COD estimates for each CGU are sensitive to assumptions about P/E multiples, future maintainable earnings and control premium (30%). However, each CGU would continue to show a surplus in recoverable amount over carrying amount even where other reasonably possible alternative estimates were used.

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

| | Goodwill | Software | Other Intangibles |
|----------------------------|--|---|---|
| Definition | Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired. | <p>Purchased software owned by the Group is capitalised.</p> <p>Internal and external costs incurred in building software and computer systems costing greater than \$20 million are capitalised as assets. Those less than \$20 million are expensed in the year in which the costs are incurred.</p> <p>Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.</p> | Management fee rights arising from acquisition of funds management business and other intangible assets arising from contractual rights. |
| Carrying value | <p>Cost less any accumulated impairment losses.</p> <p>Allocated to the cash generating unit to which the acquisition relates.</p> | <p>Initially, measured at cost.</p> <p>Subsequently, carried at cost less accumulated amortisation and impairment losses.</p> | <p>Initially, measured at fair value at acquisition.</p> <p>Subsequently, carried at cost less accumulated amortisation and impairment losses.</p> |
| Useful life | <p>Indefinite.</p> <p>Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.</p> | <p>Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised over 7 years subject to approval by the Audit Committee.</p> <p>Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.</p> | Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. Other intangible assets are amortised over 3 years. |
| Depreciation method | Not applicable. | Straight-line method. | Not applicable to indefinite life intangible assets. Straight-line method for assets with a finite life. |

21. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)



KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU including:
 - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
 - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

Software and other intangible assets

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the pace of technological change.

22. OTHER PROVISIONS

| | Consolidated | | The Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| ECL allowance on undrawn and contingent facilities ¹ | 827 | 775 | 697 | 673 |
| Customer remediation | 459 | 662 | 425 | 600 |
| Restructuring costs | 98 | 68 | 83 | 47 |
| Non-lending losses, frauds and forgeries | 73 | 105 | 62 | 93 |
| Other | 257 | 262 | 232 | 235 |
| Total other provisions | 1,714 | 1,872 | 1,499 | 1,648 |

| Consolidated | Customer remediation | Restructuring costs | Non-lending losses, frauds and forgeries | Other |
|---|----------------------|---------------------|--|------------|
| | \$m | \$m | \$m | \$m |
| Balance at 1 October 2022 | 662 | 68 | 105 | 262 |
| New and increased provisions made during the year | 147 | 91 | 11 | 66 |
| Provisions used during the year | (321) | (40) | (32) | (61) |
| Unused amounts reversed during the year | (29) | (21) | (11) | (10) |
| Balance at 30 September 2023 | 459 | 98 | 73 | 257 |

| The Company | Customer remediation | Restructuring costs | Non-lending losses, frauds and forgeries | Other |
|---|----------------------|---------------------|--|------------|
| | \$m | \$m | \$m | \$m |
| Balance at 1 October 2022 | 600 | 47 | 93 | 235 |
| New and increased provisions made during the year | 146 | 83 | 9 | 63 |
| Provisions used during the year | (295) | (27) | (29) | (59) |
| Unused amounts reversed during the year | (26) | (20) | (11) | (7) |
| Balance at 30 September 2023 | 425 | 83 | 62 | 232 |

¹ Refer to Note 13 Allowance for Expected Credit Losses for movement analysis.

22. OTHER PROVISIONS (continued)

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation 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 provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.



RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.



KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, frauds and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. 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.

23. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Ordinary share capital | 29,082 | 28,797 | 29,005 | 28,720 |
| Reserves | | | | |
| Foreign currency translation reserve ¹ | 570 | (148) | 58 | (6) |
| Share option reserve | 82 | 78 | 82 | 78 |
| FVOCI reserve | (554) | (478) | (538) | (557) |
| Cash flow hedge reserve | (1,872) | (2,036) | (1,824) | (2,061) |
| Transactions with non-controlling interests reserve | (22) | (22) | - | - |
| Total reserves | (1,796) | (2,606) | (2,222) | (2,546) |
| Retained earnings | 41,306 | 39,716 | 34,195 | 32,859 |
| Share capital and reserves attributable to shareholders of the Company | 68,592 | 65,907 | 60,978 | 59,033 |
| Non-controlling interests ² | 522 | 494 | - | - |
| Total shareholders' equity | 69,114 | 66,401 | 60,978 | 59,033 |

¹ As a result of the closure of ANZ (Thai) Public Company Limited, ANZ International (Hong Kong) Limited and ANZ Singapore Limited, the associated foreign currency translation reserve was recycled from Other comprehensive income to profit or loss, resulting in a \$43 million gain recognised in Other operating income in 2023 (2022: \$65 million loss from the dissolution of Minerva Holdings Limited and ANZ Asia Limited).

² ANZ Bank New Zealand issued \$484 million of perpetual preference shares in 2022 that are considered non-controlling interests to the Group.

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the year.

| Consolidated | 2023 | | 2022 | |
|--------------------------------------|----------------------|---------------|----------------------|---------------|
| | Number of shares | \$m | Number of shares | \$m |
| Balance at start of the year | 2,989,923,751 | 28,797 | 2,823,563,652 | 25,984 |
| Dividend reinvestment plan issuances | 8,406,978 | 206 | 7,195,108 | 183 |
| Bonus option plan | 1,657,422 | - | 2,890,268 | - |
| Employee share and option plans | 3,378,631 | 79 | - | (21) |
| Share buy-back ¹ | - | - | (30,831,227) | (846) |
| Share entitlement issue ² | - | - | 187,105,950 | 3,497 |
| Balance at end of year | 3,003,366,782 | 29,082 | 2,989,923,751 | 28,797 |
| Less: Treasury Shares | - | - | (4,209,150) | - |
| Balance at end of year | 3,003,366,782 | 29,082 | 2,985,714,601 | 28,797 |

| The Company | 2023 | | 2022 | |
|--------------------------------------|----------------------|---------------|----------------------|---------------|
| | Number of shares | \$m | Number of shares | \$m |
| Balance at start of the year | 2,989,923,751 | 28,720 | 2,823,563,652 | 25,907 |
| Dividend reinvestment plan issuances | 8,406,978 | 206 | 7,195,108 | 183 |
| Bonus option plan | 1,657,422 | - | 2,890,268 | - |
| Employee share and option plans | 3,378,631 | 79 | - | (21) |
| Share buy-back ¹ | - | - | (30,831,227) | (846) |
| Share entitlement issue ² | - | - | 187,105,950 | 3,497 |
| Balance at end of year | 3,003,366,782 | 29,005 | 2,989,923,751 | 28,720 |

¹ The Group completed its \$1.5 billion on-market share buy-back of ANZ ordinary shares in 2022, purchasing \$846 million worth of shares resulting in 31 million shares being cancelled in 2022.

² On 18 July 2022, the Group announced a fully underwritten pro rata accelerated renounceable entitlement offer of new ANZ ordinary shares to help fund the Group's anticipated acquisition of Suncorp Bank. All eligible shareholders were invited to purchase one new ordinary share for every 15 existing ordinary shares held on 21 July 2022 at an issue price of \$18.90 per share. The Group issued a total of 187.1 million ordinary shares under the offer, raising \$3,497 million of new share capital (net of issue costs).



23. SHAREHOLDERS' EQUITY (continued)

NON-CONTROLLING INTERESTS

| | Profit attributable to non-controlling interests | | Equity attributable to non-controlling interests | | Dividend paid to non-controlling interests | |
|--------------------------|--|-------------|--|-------------|--|-------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Consolidated | | | | | | |
| ANZ Bank New Zealand PPS | 26 | - | 512 | 484 | 26 | - |
| Other | 2 | 1 | 10 | 10 | 1 | 2 |
| Total | 28 | 1 | 522 | 494 | 27 | 2 |

ANZ Bank New Zealand Preference Shares

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

The key terms of the PPS are as follows:

PPS dividends

PPS dividends are payable at the discretion of the Directors of ANZ Bank New Zealand and are non-cumulative. ANZ Bank New Zealand must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares until the next PPS dividend payment date if a PPS dividend is not paid.

Should ANZ Bank New Zealand elect to pay a PPS dividend, the PPS dividend is 6.95% per annum until 18 July 2028, and a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed) thereafter, with PPS dividend payments scheduled to be paid on 18 January, 18 April, 18 July and 18 October each year.

Redemption features

Holders of PPS have no right to require that the PPS be redeemed. ANZ Bank New Zealand may at its option redeem all of the PPS on an optional redemption date (each PPS dividend date from 18 July 2028); or at any time following the occurrence of a tax event or regulatory event, in each case subject to prior written approval of RBNZ and other conditions being met.

23. SHAREHOLDERS' EQUITY (continued)



RECOGNITION AND MEASUREMENT

Ordinary shares

Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting of the Company in person, or by proxy, is entitled to:

- on a show of hands, one vote; and
- on a poll, one vote, for each share held.

Treasury shares

Treasury shares are shares in the Company which:

- the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or
- the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed.

Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.

Reserves:

Foreign currency translation reserve

Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.

Cash flow hedge reserve

Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.

FVOCI reserve

Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect.

In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in other operating income.

In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.

Share option reserve

Includes amounts which arise on the recognition of share-based compensation expense.

Transactions with non-controlling interests reserve

Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.

Non-controlling interests

Share in the net assets of controlled entities attributable to equity interests which the Group does not own directly or indirectly.



24. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT FRAMEWORK

ANZ's capital management framework includes managing capital at Level 1 and Level 2.

ANZ's framework includes managing to Board approved risk appetite settings and maintaining all regulatory requirements. APRA requirements at Level 1 and Level 2 include ANZ operating at or above APRA's expectation for Domestic Systemically Important Banks (D-SIBs) following the implementation of APRA's Capital Reform which was effective January 2023.

All requirements were satisfied at 30 September 2023.

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.

The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital (stress capital buffer) needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

24. CAPITAL MANAGEMENT (continued)

REGULATORY ENVIRONMENT

Australia

As the ANZ Bank Group is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ Bank Group must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision. APRA minimum requirements are summarised below:

| Regulatory Capital Definition | | | |
|---|--|--|-----------------------------|
| Common Equity Tier 1 (CET1) Capital | Tier 1 Capital | Tier 2 Capital | Total Capital |
| Shareholders' equity adjusted for specific items. | CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital. | Subordinated debt instruments which have a minimum term of 5 years at issue date. | Tier 1 plus Tier 2 Capital. |
| Minimum Prudential Capital Ratios (PCRs) | | | |
| CET1 Ratio | Tier 1 Ratio | Total Capital Ratio | |
| CET1 Capital divided by total risk weighted assets must be at least 4.5%. | Tier 1 Capital divided by total risk weighted assets must be at least 6.0%. | Total Capital divided by total risk weighted assets must be at least 8.0%. For D-SIBs, Total Capital Ratio must be of at least 11% from 1st Jan 2024. Refer below for details. | |
| Reporting Levels | | | |
| Level 1 | Level 2 | Level 3 | |
| The ADI on a stand-alone basis (that is ANZBGL and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity). | The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards. | A conglomerate ANZGHL Group at the widest level. | |

As at 30 September 2023, APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 4.75% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set at 1% for Australia.

Additionally in December 2021, APRA announced that it requires all D-SIBs including ANZ to increase its minimum total capital ratio requirement by 3% of RWA by January 2024, and a further 1.5% of RWA by January 2026 (total increase of 4.5%). APRA expects this to be predominantly met by Tier 2 Capital, with an equivalent decrease in other senior funding. ANZ is on track to meet these requirements at reporting date.

Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk-based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the ANZ Bank Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted.

Outside Australia

In addition to APRA, ANZ's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.



24. CAPITAL MANAGEMENT (continued)

APRA Capital Reform

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

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

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

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

The application of APRA Capital Reform in January 2023 reduced RWA by \$34.5 billion, equivalent to a 100 bps CET1 ratio benefit. This was partially offset by APRA's expectations that ADIs operate a higher capital ratio to maintain an unquestionably strong level.

ANZ BANK GROUP¹

The following table provides details of ANZ Bank Group's capital adequacy ratios at 30 September:

| | Consolidated | |
|--|----------------|----------------|
| | 2023 \$m | 2022 \$m |
| Qualifying capital | | |
| Tier 1 | | |
| Shareholders' equity and non-controlling interests | 69,114 | 66,401 |
| Prudential adjustments to shareholders' equity | (425) | (175) |
| Gross Common Equity Tier 1 capital | 68,689 | 66,226 |
| Deductions | (10,895) | (10,354) |
| Common Equity Tier 1 capital | 57,794 | 55,872 |
| Additional Tier 1 capital ² | 8,232 | 7,686 |
| Tier 1 capital | 66,026 | 63,558 |
| Tier 2 capital³ | 24,959 | 19,277 |
| Total qualifying capital | 90,985 | 82,835 |
| Capital adequacy ratios (Level 2) | | |
| Common Equity Tier 1 | 13.3% | 12.3% |
| Tier 1 | 15.2% | 14.0% |
| Tier 2 | 5.8% | 4.2% |
| Total capital ratio | 21.0% | 18.2% |
| Risk weighted assets | 433,327 | 454,718 |

¹ This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.

² This includes Additional Tier 1 capital of \$8,232 million (2022: \$7,705 million) (refer to Note 16 Debt Issuances), regulatory adjustments and deductions of nil (2022: -\$19 million).

³ This includes Tier 2 capital of \$23,707 million (2022: \$17,907 million) (refer to Note 16 Debt Issuances), general reserve for impairment of financial assets of \$1,776 million (2022: \$1,233 million) and regulatory adjustments and deductions of -\$525 million (2022: \$137 million).

25. CONTROLLED ENTITIES

| | Incorporated in | Nature of Business |
|--|------------------|------------------------|
| The ultimate parent of the Group is ANZ Group Holdings Limited | Australia | Banking |
| The Group holds 100% of the voting interests in all controlled entities, unless noted otherwise. | | |
| The material controlled entities of the Group are: | | |
| ANZ Bank (Vietnam) Limited¹ | Vietnam | Banking |
| ANZ Funds Pty. Ltd. | Australia | Holding Company |
| ANZ Bank (Kiribati) Limited ¹ (75% ownership) | Kiribati | Banking |
| ANZ Bank (Samoa) Limited ¹ | Samoa | Banking |
| ANZ Bank (Vanuatu) Limited ² | Vanuatu | Banking |
| ANZ Holdings (New Zealand) Limited ¹ | New Zealand | Holding Company |
| ANZ Bank New Zealand Limited ¹ | New Zealand | Banking |
| ANZ Investment Services (New Zealand) Limited ¹ | New Zealand | Funds Management |
| ANZ New Zealand (Int'l) Limited ¹ | New Zealand | Finance |
| ANZ New Zealand Investments Holdings Limited ¹ | New Zealand | Holding Company |
| ANZ New Zealand Investments Limited ¹ | New Zealand | Funds Management |
| ANZNZ Covered Bond Trust ^{1,4} | New Zealand | Finance |
| ANZ International Private Limited ¹ | Singapore | Holding Company |
| ANZcover Insurance Private Ltd ¹ | Singapore | Captive-Insurance |
| ANZ Lenders Mortgage Insurance Pty. Limited | Australia | Mortgage Insurance |
| ANZ Residential Covered Bond Trust⁴ | Australia | Finance |
| Australia and New Zealand Bank (China) Company Limited¹ | China | Banking |
| Australia and New Zealand Banking Group (PNG) Limited¹ | Papua New Guinea | Banking |
| Citizens Bancorp³ | Guam | Holding Company |
| ANZ Guam Inc ³ | Guam | Banking |
| Institutional Securitisation Services Limited | Australia | Securitisation Manager |
| PT Bank ANZ Indonesia¹ (99% ownership) | Indonesia | Banking |

¹. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.

². Audited by Law Partners.

³. Audited by Deloitte Guam.

⁴. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

CHANGES TO MATERIAL CONTROLLED ENTITIES

ANZ Singapore Limited was deregistered on 18 August 2023. ANZ International (Hong Kong) Limited, ANZ (Thai) Public Company Limited (formerly ANZ Bank (Thai) Public Company Limited), and Chongqing Liangping ANZ Rural Bank Company Limited are in liquidation as at 30 September 2023.

SIGNIFICANT RESTRICTIONS

Controlled entities that are subject to prudential regulation may be required to maintain minimum capital or other regulatory requirements which may, from time to time, limit the entity's ability to transfer assets, pay dividends or make other capital distributions to the parent entity or to other entities in the Group. The Group manages such restrictions within our risk management framework, as outlined in Note 17 Financial Risk Management and our capital management strategy, as outlined in Note 24 Capital Management.

As at 30 September 2023, restrictions on the ability of an entity within the Group to transfer assets, pay dividends or make other capital distributions to other entities in the Group were not material to the liquidity or capital management of the Group.

25. CONTROLLED ENTITIES (continued)



RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

26. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

| Name of entity | Principal activity | Ordinary share interest | | Carrying amount \$m | |
|---|------------------------------------|-------------------------|------|---------------------|--------------|
| | | 2023 | 2022 | 2023 | 2022 |
| AMMB Holdings Berhad (AmBank) | Banking and insurance | 22% | 22% | 881 | 790 |
| PT Bank Pan Indonesia (PT Panin) | Consumer and business bank | 39% | 39% | 1,440 | 1,318 |
| Worldline Australia Pty Ltd (Worldline) ¹ | Payment and transactional services | - | 49% | - | 47 |
| Aggregate other individually immaterial associates | | - | n/a | - | 26 |
| Total carrying value of associates² | | | | 2,321 | 2,181 |

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

² Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as each associate has a different financial year to the Group (PT Panin 31 December, AmBank 31 March, Worldline 31 December).

| Principal place of business and country of incorporation | AMMB Holdings Berhad | | PT Bank Pan Indonesia | | Worldline Australia Pty Ltd ¹ | |
|---|----------------------|--------------|-----------------------|--------------|--|-------------|
| | Malaysia | | Indonesia | | Australia | |
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Summarised results | | | | | | |
| Operating income | 1,517 | 1,511 | 1,273 | 1,206 | - | 57 |
| Profit/(Loss) for the year | 545 | 529 | 372 | 198 | - | (21) |
| Other comprehensive income/(loss) | 87 | (128) | 24 | 6 | - | - |
| Total comprehensive income/(loss) | 632 | 401 | 396 | 204 | - | (21) |
| Less: Total comprehensive (income)/loss attributable to non-controlling interests | (8) | (18) | (69) | 25 | - | - |
| Total comprehensive income/(loss) attributable to owners of associate | 624 | 383 | 327 | 229 | - | (21) |
| Summarised financial position | | | | | | |
| Total assets ² | 62,057 | 57,220 | 20,498 | 20,537 | - | 203 |
| Total liabilities ² | 58,015 | 53,234 | 16,928 | 17,234 | - | 90 |
| Total net assets ² | 4,042 | 3,986 | 3,570 | 3,303 | - | 113 |
| Less: Non-controlling interests of associate | (301) | (402) | (348) | (315) | - | - |
| Net assets attributable to owners of associate | 3,741 | 3,584 | 3,222 | 2,988 | - | 113 |
| Reconciliation to carrying amount of Group's interest in associate | | | | | | |
| Carrying amount at the beginning of the year | 790 | 719 | 1,318 | 1,210 | - | - |
| Acquired | - | - | - | - | - | 57 |
| Group's share of total comprehensive income/(loss) | 138 | 81 | 138 | 71 | - | (10) |
| Dividends received from associate | (42) | (12) | - | (18) | - | - |
| Foreign currency translation reserve adjustments | (5) | 2 | (16) | 55 | - | - |
| Carrying amount at the end of the year | 881 | 790 | 1,440 | 1,318 | - | 47 |
| Market value of Group's investment in associate³ | 875 | 929 | 1,167 | 2,016 | n/a | n/a |

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

² Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).

26. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

The Group assesses the carrying value of its associates investments for impairment indicators.

At 30 September 2023, the impairment assessment of non-lending assets identified that one of the Group's associated investments PT Panin had indicators of impairment. No impairment was recognised as its carrying value is supported by its VIU calculations.



RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill recognised by the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount when determining a VIU.



KEY JUDGEMENTS AND ESTIMATES

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. In addition, the Group is required to assess at each reporting date whether the recoverable amount of the Group's investment has increased to such a level as to support the reversal of prior period impairments.

Significant management judgment is required to determine the key assumptions underpinning the VIU calculation. Factors that may change in subsequent periods and lead to potential future impairments include lower than forecast earnings levels in the near term and/or a decrease in the long term growth forecasts, increases to required levels of regulatory capital and an increase in the post-tax discount rate arising from an increase in the risk premium or risk-free rates.

The key assumptions used in the VIU calculation are outlined below:

| As at 30 September 2023 | PT Panin |
|--|----------|
| Post-tax discount rate | 12.2% |
| Terminal growth rate | 5.0% |
| Expected earnings growth (compound annual growth rate – 5 years) | 5.4% |
| Common Equity Tier 1 ratio (5 year average) | 12.8% |

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

- A change in the September 2023 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by \$(91 million)/\$105 million.
- A change in the September 2023 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by \$55 million/(\$51 million).

The investment would not be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

27. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

| Type | Details |
|--|---|
| Securitisation | <p>The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks.</p> <p>The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.</p> <p>The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.</p> |
| Covered bond issuances | <p>Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.</p> |
| Structured finance arrangements | <p>The Group is involved with SEs established:</p> <ul style="list-style-type: none"> • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. <p>The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.</p> |
| Funds management activities | <p>The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.</p> |

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below.

| | |
|--|--|
| Securitisation and covered bond issuances | <p>The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments they have issued.</p> |
| Structured finance arrangements | <p>The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.</p> |

The Group did not provide any non-contractual support to consolidated SEs during the year (2022: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.



27. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE, lending, loan commitments, financial guarantees, and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

| | Securitisation | | Structured finance | | Total | |
|------------------------------------|----------------|---------------|--------------------|-------------|---------------|---------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| On-balance sheet interests | | | | | | |
| Investment securities | 2,070 | 3,352 | - | - | 2,070 | 3,352 |
| Gross loans and advances | 10,367 | 9,433 | 24 | 43 | 10,391 | 9,476 |
| Total on-balance sheet | 12,437 | 12,785 | 24 | 43 | 12,461 | 12,828 |
| Off-balance sheet interests | | | | | | |
| Commitments (facilities undrawn) | 3,270 | 2,078 | - | - | 3,270 | 2,078 |
| Guarantees | 50 | 50 | - | - | 50 | 50 |
| Total off-balance sheet | 3,320 | 2,128 | - | - | 3,320 | 2,128 |
| Maximum exposure to loss | 15,757 | 14,913 | 24 | 43 | 15,781 | 14,956 |

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of \$177 million (2022: \$181 million) during the year.

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place - regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with the largest single SE having a value of approximately \$4.3 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2022: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

27. STRUCTURED ENTITIES (continued)

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.



KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

28. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may result in the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Group is also the holder of the securitised notes issued by the SEs. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. In respect of each program, a covered bond guarantor has guaranteed payments of interest and principal pursuant to a guarantee which is secured over its assets, including these residential mortgages. Substantially all of the assets of each covered bond guarantor consist of that covered bond guarantor's equitable interests in mortgage loans secured by residential real estate.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs (after all payments to the covered bond holders and external parties) and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.



28. TRANSFERS OF FINANCIAL ASSETS (continued)

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The tables below set out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities.

| | Securitisations ^{1,2} | | Covered bonds | | Repurchase agreements | | Structured finance arrangements | |
|---|--------------------------------|-------|---------------|--------|-----------------------|--------|---------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Consolidated | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Current carrying amount of assets transferred | 886 | 1,121 | 31,188 | 27,575 | 47,552 | 52,757 | 27 | 36 |
| Carrying amount of associated liabilities | 880 | 1,115 | 18,223 | 12,967 | 44,454 | 47,229 | 27 | 36 |

| | Securitisations ^{1,2} | | Covered bonds | | Repurchase agreements | | Structured finance arrangements | |
|---|--------------------------------|-------|---------------|--------|-----------------------|--------|---------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| The Company | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Current carrying amount of assets transferred | 886 | 1,121 | 21,017 | 17,953 | 42,002 | 47,846 | - | - |
| Carrying amount of associated liabilities | 886 | 1,121 | 21,017 | 17,953 | 40,080 | 42,940 | - | - |

¹. Does not include transfers to internal structured entities where there are no external investors.

². The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

29. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

| | Consolidated | | The Company | |
|---|--------------|-------------|-------------|-------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Defined benefit obligation and scheme assets | | | | |
| Present value of funded defined benefit obligation | (959) | (930) | (839) | (809) |
| Fair value of scheme assets | 1,131 | 1,123 | 991 | 988 |
| Net defined benefit asset | 172 | 193 | 152 | 179 |
| As represented in the Balance Sheet | | | | |
| Net liabilities arising from defined benefit obligations included in Payables and other liabilities | (4) | (6) | (4) | (6) |
| Net assets arising from defined benefit obligations included in Other assets | 176 | 199 | 156 | 185 |
| Net defined benefit asset | 172 | 193 | 152 | 179 |
| Weighted average duration of the benefit payments reflected in the defined benefit obligation (years) | 11.4 | 14.8 | 10.9 | 14.9 |

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was \$53 million (2022: \$69 million surplus). In 2023, the Group made defined benefit contributions totalling \$2 million (2022: \$2 million). It expects to make contributions of approximately \$2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.



RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

29. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)



KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an effect on the Statement of Other Comprehensive Income and Balance Sheet.

| Consolidated | 2023 | 2022 | Sensitivity analysis change in significant assumptions | Increase/(decrease) in defined benefit obligation | |
|--|-----------|-------------|--|---|-------------|
| | | | | 2023 \$m | 2022 \$m |
| Discount rate (% p.a.) | 1.15-5.6 | 1.35-5.45 | 0.5% increase | (43) | (49) |
| Future salary increases (% p.a.) | 2.0-3.5 | 1.5-3.8 | | | |
| Future pension indexation | | | | | |
| In payment (% p.a.)/In deferment (% p.a.) | 2.9-3.4 | 3.1-3.5/3.0 | 0.5% increase | 34 | 32 |
| Life expectancy at age 60 for current pensioners | | | 1 year increase | 33 | 40 |
| – Males (years) | 26.3-28.3 | 26.2-28.3 | | | |
| – Females (years) | 29.2-30.2 | 29.1-30.2 | | | |

| The Company | 2023 | 2022 | Sensitivity analysis change in significant assumptions | Increase/(decrease) in defined benefit obligation | |
|--|-------------|-------------|--|---|-------------|
| | | | | 2023 \$m | 2022 \$m |
| Discount rate (% p.a.) | 5.5-5.6 | 5.1-5.45 | 0.5% increase | (38) | (43) |
| Future salary increases (% p.a.) | 3.5 | 3.8 | | | |
| Future pension indexation | | | | | |
| In payment (% p.a.)/In deferment (% p.a.) | 2.9-3.3/2.8 | 3.1-3.5/3.0 | 0.5% increase | 29 | 26 |
| Life expectancy at age 60 for current pensioners | | | 1 year increase | 29 | 35 |
| – Males (years) | 26.3-28.3 | 26.2-28.3 | | | |
| – Females (years) | 29.2-30.2 | 29.1-30.2 | | | |

30. EMPLOYEE SHARE AND OPTION PLANS

On 3 January 2023, ANZBGL established, by a scheme of arrangement, a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group. There is no impact to employee equity (deferred shares, deferred share rights, restricted rights and performance rights) as a result of the Restructure.

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan which are operated by the Company's ultimate parent, ANZGHL. These are Group share based payment arrangements under which shares in ANZGHL (ANZ shares) are allocated or granted to employees of the Group.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during 2023 and 2022 were the Deferred Share Plan and the Variable Pay to Shares (VPS) Offer. The ANZ Incentive Plan (ANZIP) (the variable remuneration plan operating across ANZ) has Short Term Variable Remuneration or Variable Remuneration delivered under the Deferred Share Plan or ANZ Share Option Plan for eligible employees.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) – Short term Variable Remuneration (STVR) and Variable Remuneration (VR) – deferred shares

| Award Type | STVR (deferred shares) | STVR/VR historical (deferred shares) | VR (deferred shares) |
|-------------------------------------|---|--|--|
| Eligibility | Chief Executive Officer (CEO), Group Executive Committee (ExCo) and Group General Manager Internal Audit (GGM IA) ¹ . | | All other employees (excluding select roles in the United Kingdom (UK)/China ²) |
| Financial Year (FY) of grant | 2022 Performance and Remuneration Review (PRR): granted in FY23 | 2021 PRR: granted in FY22 Historical grants: on foot during FY23 & FY22 | 2022 and 2021 PRR: granted in FY23 & FY22 Historical grants: on foot during FY23 & FY22 |
| Grant approach | 50% of the CEO, ExCo and GGM IA's Short Term Variable Remuneration (STVR) deferred as shares. | 50% of the CEO's STVR, 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, deferred as shares. | If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares. |
| Conditions | Deferred over years two and three, where year 1 includes the performance period (i.e., 1 October to 30 September). Granted in late November. | | Deferred over years two, three and four, where year 1 includes the performance period. Granted in late November. |
| Allocation value | Deferred shares granted based on the Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the five trading days leading up to and including 1 October. | Deferred shares granted based on the VWAP of ANZ shares traded on the ASX in the five trading days leading up to and including the date of grant. | |

¹ All Banking Executive Accountability Regime (BEAR) Accountable Executives.

² Specific deferral arrangements also exist under ANZIP for roles defined as UK Material Risk Takers (MRTs) and China MRTs, in line with local regulatory requirements.

ii) Exceptional circumstances

| | |
|------------------------------|--|
| Remuneration foregone | In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have forgone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have forgone, and therefore varies between grants. |
| Retention | We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ. |



30. EMPLOYEE SHARE AND OPTION PLANS (continued)

iii) Further information

| | |
|-------------------------------------|--|
| Cessation | Unless the Board ¹ decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period. |
| Dividends | Dividends are reinvested in the Dividend Reinvestment Plan. |
| Instrument | Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section). |
| Expensing value (fair value) | We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity. Deferred shares are expensed based on the one-day VWAP at the date of grant. |
| 2023 and 2022 grants | During the 2023 year, we granted 2,244,181 deferred shares (2022: 1,971,715) with a weighted average allocation value of \$24.37 (2022: \$27.52). |
| Downward adjustment | Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date (malus), and limited to select employees ² , recovery post vesting (i.e., clawback). ANZ's downward adjustment provisions are detailed in section 7.3 of the 2023 Remuneration Report. Board discretion was not exercised to apply malus or clawback to any deferred shares in 2023 (2022: nil). |

¹ References to 'the Board' throughout this note means the Boards of ANZGHL and ANZBGL.

² Clawback applies to the CEO, ExCo and GGM IA (for awards granted in 2023 financial year), and to select senior employees in jurisdictions where clawback regulations apply.

Variable Pay to Shares (VPS) Offer

| | |
|---|---|
| Eligibility, grant approach and conditions | VPS provides employees in Australia the opportunity to receive up to \$1,000 worth of ANZ shares with concessional tax treatment (where criteria are met). All ANZ shares are held by a custodian or nominee appointed by the Trustee on the Trustee's behalf and are restricted for 3 years. During this time employees benefit from dividend payments which are reinvested through the Dividend Reinvestment Plan (DRP) and have voting entitlements. After the restriction period has been reached the shares can sold or transferred. |
| Allocation value | Granted based on the VWAP of ANZ shares traded on the ASX in the five trading days leading up to and including the date of grant. |
| Expensing value (fair value) | Expensed based on the one-day VWAP at the date of grant. |
| 2023 grants | During the 2023 year, we granted 55,600 shares on 22 November 2022 at an issue price of \$24.46 (no grants were made in relation to the VPS Offer in the 2022 year). |

Expensing of the ANZ Employee Share Acquisition Plan

| | |
|-------------------------------------|---|
| Expensing value (fair value) | The fair value of shares we granted during 2023 under the Deferred Share Plan and VPS Offer, measured as at the date of grant of the shares, is \$56.5 million (2022: \$52.6 million Deferred Share Plan only) based on 2,299,781 shares (2022: 1,971,715 Deferred Share Plan only) at VWAP of \$24.57 (2022: \$26.69). |
|-------------------------------------|---|

30. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

| | |
|-------------------------------------|--|
| Allocation | <p>We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights.</p> <p>Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.</p> |
| Rules | <p>Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required:</p> <ul style="list-style-type: none"> • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. <p>Holders otherwise have no other entitlements to participate:</p> <ul style="list-style-type: none"> • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). <p>Any portion of the award which vests may, at the Boards discretion, be satisfied by a cash equivalent payment rather than shares.</p> |
| Expensing value (fair value) | <p>We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity. Factors considered in determining the fair value include: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.</p> |
| Satisfying vesting | <p>Any portion of the award of options/rights (that have met the applicable time and performance conditions) may be satisfied by a cash equivalent payment rather than shares at Board discretion.</p> <p>In financial year 2023, all deferred share rights were satisfied through a share allocation, other than 70,231 deferred share rights (2022: 55,977) for which a cash payment was made.</p> <p>There were no performance rights (PR) due to vest in financial year 2023, as a result of a change in the performance period from three years to four years. In financial year 2022, the PR that vested (previously granted in November/December 2018) were satisfied through a share allocation, other than 24,011 PR for which a cash payment was made.</p> |
| Cessation | <p>The provisions that apply if the employee's employment ends are in section 10.2.3 of the 2023 Remuneration Report.</p> |
| Downward adjustment | <p>As per Deferred Share Plan.</p> |



30. EMPLOYEE SHARE AND OPTION PLANS (continued)

Option Plans that operated during 2023 and 2022

i) Long Term Variable Remuneration (LTVR) and Variable Remuneration (VR) - restricted rights (RR), performance rights (PR), and deferred share rights (DSR)

| Award Type | LTVR (RR & PR) | LTVR / VR historical (PR) | ANZIP VR (DSR) |
|------------------|---|---|--|
| Eligibility | CEO, ExCo and GGM IA ¹ | CEO and ExCo ¹ | All other employees (excluding select roles in the UK/China ²) in countries where DSR may be granted instead of deferred shares |
| FY of grant | 2022 PRR: granted in FY23 | 2021 PRR: granted in FY22 Historical grants: on foot during FY23 & FY22 | 2022 and 2021 PRR: granted in FY23 & FY22 Historical grants: on foot during FY23 & FY22 |
| Grant approach | 50% of the CEO and ExCo's (except for the CRO) LTVR was received as RR and 50% as PR. 100% of the CRO and GGM IA's LTVR was received as RR. | 100% of the CEO's LTVR and 50% of ExCo's VR (except for the CRO who received 50% VR as DSR instead) was received as PR. | If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred. |
| Conditions | <p>RR and PR provide a right to acquire one ordinary ANZ share at nil cost – subject to time and performance conditions.</p> <p>Awarded subject to:</p> <ul style="list-style-type: none"> RR: pre-grant assessment (risk-based measures) RR and PR: shareholder approval at Annual General Meeting (AGM) for CEO award <p>Performance condition tested at end of four-year performance period:</p> <ul style="list-style-type: none"> RR: pre-vest assessment (risk-based measures) PR: relative and absolute Total Shareholder Return (TSR) hurdles <p>Deferral period³ = four-year performance period (commencing 1 October) + holding period (which commences the day after end of performance period and finishes on the 4th, 5th or 6th anniversary of grants (CEO only for year 6)).</p> <p>Further details provided in section 7.2 of the 2023 Remuneration Report.</p> | <p>Awarded at the end of the year subject to shareholder approval at AGM for CEO award.</p> <p>PR performance condition tested (relative and absolute TSR hurdles) at the end of four-year performance period.</p> <p>The four-year performance period commenced on 22 November to 21 November four years later.</p> <p>The deferral period is four years.</p> <p>Further details are provided in section 5.2.3a of the 2021 Remuneration Report.</p> | <p>DSR provide a right to acquire one ordinary ANZ share at nil cost after a specified vesting period.</p> <p>Deferred over years two, three and four, where year 1 includes the performance period.</p> |
| Allocation value | Face value of ANZ shares traded on the ASX in the five trading days leading up to and including 1 October (beginning of the financial year). | | The fair value at the date of grant is used to determine the number of DSR to be allocated and is also used for expensing purposes. The fair value is adjusted for the absence of dividends during the vesting period. |

¹ All BEAR Accountable Executives.

² Specific deferral arrangements also exist under ANZIP for roles defined as UK MRTs and China MRTs, in line with local regulatory requirements.

³ A dividend equivalent payment (DEP) is paid in cash at the end of the relevant deferral period, but is only made to the extent that all or part of the underlying rights meet the relevant performance condition and vest to the individual. Dividend equivalents accrue over the full deferral period for RR, and only during the holding period for PR.

30. EMPLOYEE SHARE AND OPTION PLANS (continued)

| Award Type | LTVR (RR & PR) | LTVR / VR historical (PR) | ANZIP VR (DSR) |
|---------------------|---|---------------------------|---|
| Allocation timing | LTVR awarded around late November/December (subject to shareholder approval for CEO). Start of FY | End of FY | Granted in late November. |
| 2023 grants | During 2023, we granted 393,419 RR and 325,880 PR (2022: 542,747 PR). | | During 2023, we granted 2,386,278 DSR (no performance hurdles) (2022: 2,576,907). |
| Downward adjustment | Board discretion was not exercised to apply malus or clawback to any RR or PR in 2023 (2022: nil PR). | | Board discretion was not exercised to apply malus or clawback to any deferred share rights in 2023 (2022: nil). |

ii) Exceptional circumstances

| | |
|----------------------|--|
| Remuneration forgone | As per Deferred Share Plan in countries where DSR may be granted instead of deferred shares. |
| Retention | |

Options, Deferred Share Rights, Restricted Rights and Performance Rights on Issue

As at 10 November 2023, there were 396 holders of 4,839,042 DSR on issue, 10 holders of 362,991 RR on issue and 10 holders of 1,510,080 PR on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2023 and the movements during 2023:

| | Opening balance 1 Oct 2022 | Granted | Forfeited ¹ | Expired | Exercised | Closing balance 30 Sep 2023 |
|---|-------------------------------|-----------|------------------------|---------|-------------|--------------------------------|
| Number of options/rights | 6,209,040 | 3,105,577 | (428,483) | 0 | (2,166,618) | 6,719,516 |
| WA exercise price | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| WA closing share price | | | | | | \$24.30 |
| WA remaining contractual life | | | | | | 1.9 years |
| WA exercise price of all exercisable options/rights outstanding | | | | | | \$0.00 |
| Outstanding exercisable options/rights | | | | | | 124,377 |

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2022 and the movements during 2022:

| | Opening balance 1 Oct 2021 | Granted | Forfeited ¹ | Expired | Exercised | Closing balance 30 Sep 2022 |
|---|-------------------------------|-----------|------------------------|---------|-------------|--------------------------------|
| Number of options/rights | 6,307,778 | 3,119,654 | (747,744) | 0 | (2,470,648) | 6,209,040 |
| WA exercise price | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| WA closing share price | | | | | | \$25.56 |
| WA remaining contractual life | | | | | | 1.9 years |
| WA exercise price of all exercisable options/rights outstanding | | | | | | \$0.00 |
| Outstanding exercisable options/rights | | | | | | 141,633 |

¹ Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2023 and 2022, were issued at a nil exercise price.



30. EMPLOYEE SHARE AND OPTION PLANS (continued)

As at the date of the signing of the Directors' Report on 10 November 2023:

- no options/rights over ordinary shares have been granted since the end of 2023; and
- no shares issued as a result of the exercise of options/rights since the end of 2023.

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

| | 2023 | | | 2022 | |
|---|-----------------------|-------------------|--------------------|-----------------------|--------------------|
| | Deferred share rights | Restricted rights | Performance rights | Deferred share rights | Performance rights |
| Exercise price (\$) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share closing price at grant date (\$) | 24.67 | 24.54 | 24.51 | 26.62 | 26.92 |
| Expected volatility of ANZ share price (%) ¹ | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Equity term (years) | 2.1 | 6.6 | 6.6 | 2.2 | 6.0 |
| Vesting period (years) | 2.0 | 4.6 | 4.6 | 2.1 | 4.0 |
| Expected life (years) | 2.0 | 4.6 | 4.6 | 2.1 | 4.0 |
| Expected dividend yield (%) | 6.25 | 6.25 | 6.25 | 5.50 | 5.50 |
| Risk free interest rate (%) | 3.20 | 3.36 | 3.36 | 0.80 | 1.25 |
| Fair value (\$) | 21.81 | 18.61 | 9.85 | 23.71 | 10.38 |

¹ Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2023 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 816,023 shares at an average price of \$24.35 per share (2022: 4,230,962 shares at an average price of \$27.57 per share).

31. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are Directors of ANZBGL (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e., members of the Group Executive Committee (ExCo)) who have Banking Executive Accountability Regime (BEAR) accountability and who report to the Chief Executive Officer (CEO). KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

| | Consolidated | |
|--------------------------|-----------------------------|----------------|
| | 2023 ¹ \$'000 | 2022 \$'000 |
| Short-term benefits | 21,072 | 18,294 |
| Post-employment benefits | 483 | 394 |
| Other long-term benefits | 212 | 160 |
| Termination benefits | 31 | - |
| Share-based payments | 8,303 | 7,368 |
| Total | 30,101 | 26,216 |

¹ Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provisions raised in respect of these balances. Details of the terms and conditions of lending products can be found on anz.com. The aggregate balance of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

| | Consolidated | | The Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Loans advanced ¹ | 31,068 | 30,679 | 21,824 | 17,610 |
| Undrawn facilities ¹ | 1,582 | 2,020 | 1,373 | 1,822 |
| Interest charged ² | 1,346 | 790 | 523 | 293 |

¹ Balances are as at the balance date (for KMP in office at balance date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.

² Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held the Company's subordinated debt and following the Restructure, shares, share rights and options over shares in the ultimate controlling entity, ANZ Group Holdings Limited directly, indirectly or beneficially as shown below:

| | Consolidated | |
|---|----------------|----------------|
| | 2023 Number | 2022 Number |
| Shares, options and rights ¹ | 3,478,840 | 2,842,789 |
| Subordinated debt ¹ | 26,140 | 26,140 |

¹ Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.



31. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were \$41 million (2022: \$30 million) and with the Company were \$27 million (2022: \$21 million).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts were provided to KMP on retirement amounting to \$2,476 during the year (2022: \$4,944).

ASSOCIATES

We disclose significant associates in Note 26 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

| | Consolidated | | The Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Amounts receivable from associates | 13 | 86,469 | - | 18,572 |
| Amounts payable to associates | 990 | 102,042 | - | 101,198 |
| Interest revenue from associates | 9,391 | 5,570 | 7,860 | 4,477 |
| Interest expense to associates | 353 | 34 | 307 | 26 |
| Other revenue from associates | 5,816 | 14,296 | 5,816 | 14,296 |
| Other expenses paid to associates | 3,088 | 11,159 | 704 | 8,592 |
| Guarantees given to associates | - | 72 | - | 72 |
| Dividend income from associates | 42,316 | 38,692 | - | - |
| Undrawn facilities | - | 94,097 | - | 94,097 |

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 25 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As at 30 September 2023, we consider all outstanding amounts on these transactions to be fully collectible.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of premises and equipment. The Company also issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business.

31. RELATED PARTY DISCLOSURES (continued)

RELATED ENTITIES

Following the Restructure of the Group on 3 January 2023, ANZ Group Holdings Limited became the ultimate controlling entity of the Group and ANZ Bank HoldCo became the immediate parent entity of ANZBGL. Since the Restructure, a number of transactions have occurred between the Group and related parties within the ANZ Group. These transactions include leasing arrangements, funding activities, deposits and tax funding arrangements.

Additionally, as part of the Restructure, certain associate entities of the Group were transferred to ANZ NBH Pty Ltd. Following the transfer, these investments ceased being associates of the Group and became other related parties of the Group.

These transactions are conducted on terms equivalent to those on an arm's length basis. As at 30 September 2023, we consider all outstanding amounts on these transactions to be fully recoverable.

The following balances with related ANZ Group entities were outstanding at 30 September 2023:

| | 2023 \$m |
|---|-------------|
| Amounts due from ultimate controlling entity | 85 |
| Amounts due from other related entities | 696 |
| Amounts due to ultimate controlling entity | 1 |
| Amounts due to other related entities | 270 |
| Deposits from ultimate controlling entity | 183 |
| Deposits from other related entities | 111 |
| Undrawn facilities for other related entities | 31 |

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

| | 2023 \$m |
|--|-------------|
| Dividend paid to parent entity | 4,387 |
| Interest paid to ultimate controlling entity | 6 |
| Interest paid to other related entities | 26 |
| Interest received from other related entities | 42 |
| Other revenue received from other related entities | 18 |

In addition, ANZBGL has right-of-use assets of \$689 million and lease liabilities of \$815 million with ANZ Group Services Pty Ltd at 30 September 2023. For the year ended 30 September 2023, the associated depreciation on the right-of-use assets was \$36 million and interest paid on the lease liabilities was \$15 million (the interest paid on lease liabilities has been included in the table above within interest paid to other related entities).



32. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

| | Consolidated | | The Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$m | 2022 \$m | 2023 \$m | 2022 \$m |
| Contract amount of: | | | | |
| Undrawn facilities | 240,711 | 236,051 | 206,405 | 201,204 |
| Guarantees and letters of credit | 23,556 | 23,729 | 20,816 | 21,557 |
| Performance related contingencies | 26,615 | 26,036 | 25,891 | 24,634 |
| Total | 290,882 | 285,816 | 253,112 | 247,395 |

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of undrawn facilities for the Group and the Company mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

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

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

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

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of guarantees and letters of credit and performance-related contingencies for the Group and the Company mature within 12 months.

OTHER CONTINGENT LIABILITIES

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 22 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

A description of contingent liabilities and contingent assets as at 30 September 2023 is set out below.

REGULATORY AND CUSTOMER EXPOSURES

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

32. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

SOUTH AFRICAN RATE ACTION

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

CAPITAL RAISING ACTION

In September 2018, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional share placement. In October 2023, the Federal Court of Australia found that the Company should have notified the ASX of the joint lead managers' take-up of placement shares. No order has yet been made in respect of payment of legal costs or the amount of a civil penalty. The maximum penalty is \$1 million.

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.

ROYAL COMMISSION

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

SECURITY RECOVERY ACTIONS

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

WARRANTIES, INDEMNITIES AND PERFORMANCE MANAGEMENT FEES

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

The Group has entered an arrangement to pay performance management fees to external fund managers in the event predetermined performance criteria are satisfied in relation to certain Group investments. The satisfaction of the performance criteria and associated performance management fee remains uncertain.



32. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

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

Certain group companies have issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the issuing entity undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the subsidiary remains a controlled entity.

SALE OF GRINDLAYS BUSINESS

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the *Foreign Exchange Regulation Act, 1973*. Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

33. AUDITOR FEES

| | Consolidated | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| KPMG Australia | | | | |
| Audit or review of financial reports ¹ | 9,567 | 8,217 | 9,134 | 7,726 |
| Audit-related services ² | 3,882 | 6,037 | 3,808 | 5,956 |
| Non-audit services ³ | 10 | 8 | 10 | 8 |
| Total⁴ | 13,459 | 14,262 | 12,952 | 13,690 |
| Overseas related practices of KPMG Australia | | | | |
| Audit or review of financial reports | 6,157 | 5,808 | 1,994 | 2,033 |
| Audit-related services ² | 1,933 | 1,459 | 911 | 831 |
| Non-audit services ³ | 95 | - | - | - |
| Total | 8,185 | 7,267 | 2,905 | 2,864 |
| Total auditor fees | 21,644 | 21,529 | 15,857 | 16,554 |

¹ Includes audit fees paid on behalf of other entities outside the Group.

² Group audit-related services comprise prudential and regulatory services of \$4.11 million (2022: \$6.26 million), comfort letters \$0.57 million (2022: \$0.52 million) and other services \$1.14 million (2022: \$0.71 million). Company audit-related services comprise prudential and regulatory services of \$3.69 million (2022: \$5.90 million), comfort letters \$0.53 million (2022: \$0.48 million) and other services \$0.50 million (2022: \$0.41 million).

³ The nature of non-audit services for the Group and the Company includes methodology, procedural and administrative reviews. Further details are provided in the Directors' Report.

⁴ Inclusive of goods and services tax.

The Group's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.



34. PENDING ORGANISATIONAL CHANGES IMPACTING FUTURE REPORTING PERIODS

Suncorp Bank Acquisition

On 18 July 2022, the ANZ Group announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition was subject to Australian Competition and Consumer Commission (ACCC) authorisation or approval. The ACCC declined to grant authorisation for this acquisition in August 2023 and this decision is currently subject to review by the Australian Competition Tribunal. In addition, the acquisition remains subject to satisfaction of certain conditions, including Federal Treasurer approval and certain amendments to the *State Financial Institutions and Metway Merger Act 1996 (QLD)*. ANZBGL will also have a termination right under the Suncorp Bank Sale Agreement if APRA issues a written communication to ANZBGL under or in connection with APS 222 *Associations with Related Entities* to the effect that ANZBGL must not proceed with completion of the acquisition. Assuming these conditions are satisfied, and merger approval is granted, it is expected to occur in mid-calendar year 2024.

35. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2023 to the date of signing this report.

Directors' Declaration

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

- a) in the Directors' opinion, the financial statements and notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and
 - ii) section 297, that they give a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 September 2023 and of their performance for the year ended on that date; and
- b) the notes to the financial statements of the Company and the Consolidated Entity include a statement that the financial statements and notes of the Company and the Consolidated Entity comply with International Financial Reporting Standards; and
- c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Paul D O'Sullivan
Chairman

10 November 2023



Shayne C Elliott
Managing Director



TO THE SHAREHOLDER OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDITS OF THE FINANCIAL REPORTS

OPINIONS

We have audited the consolidated **Financial Report** of Australia and New Zealand Banking Group Limited (the Group Financial Report). We have also audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** and of the **Company's** financial position as at 30 September 2023 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Report** comprises:

- Balance sheets as at 30 September 2023
- Income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Australia and New Zealand Banking Group Limited and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINIONS

We conducted our audits 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 audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ((including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KEY AUDIT MATTERS

The **Key Audit Matters** we identified for the Group and Company are:

- Allowance for expected credit losses
- Subjective and complex valuation of financial instruments held at fair value
- Organisational restructure
- IT systems and controls.

The additional **Key Audit Matter** we identified for the Group is:

- Carrying value of investment in PT Bank Pan Indonesia (PT Panin).

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

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

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (Group \$4,408m; Company \$3,493m)

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

The key audit matter

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

AASB 9 *Financial Instruments* requires the Group and Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are considered to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios and the judgmental post-model adjustments.

Additional subjectivity and judgement is required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.

SICR identification, such as a decrease in customer credit rating (CCR), is a key judgement within the ECL methodology, as this criterion determines if a forward-looking 12 month or lifetime allowance is recorded.

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

How the matter was addressed in our audits

Our audit procedures for the allowance for ECL included assessing significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included testing key controls 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 internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Customer credit rating (CCR) for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against lending policies, monitoring of counterparty credit quality against exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of CCR and security indicator (SI) assessments against lending policies and regulatory requirements;
- 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 oversight of the portfolios, with a focus on controls over delinquency monitoring.

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

In addition to controls testing, our procedures included:

- Reperforming a sample of credit assessments for wholesale loans controlled by workout and recovery teams assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Group and Company as showing signs of deterioration, or in areas of emerging risk.
- For each loan sampled, we challenged the Group and Company's assessment of CCR and SI using the customer's financial position, the valuation of security, and, where relevant, the risk of stranded assets, to inform our overall assessment of loan recoverability and the impact on the credit allowance. To do this, we used the information on the Group and Company's loan file and discussed the facts and circumstances of the case with the loan officer.
- Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group and Company in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant, we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Group and Company's processes to determine ECL allowances, evaluating the ECL model methodologies against established market practices and criteria in the accounting standards;
- Working with our credit risk specialists, we assessed the accuracy of the ECL model estimates by re-performing, for a sample of loans, the calculation of the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Group and



KEY AUDIT MATTERS (continued)

- Working with our economic specialists, we challenged the forward-looking macroeconomic assumptions and scenarios incorporated in the ECL models. We compared the forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macroeconomic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination and comparing our result to actual staging applied on an individual account level in the ECL model;
- Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions used in post-model adjustments. This included:

- Assessing post-model adjustments against ECL model and data deficiencies identified in model validation processes, particularly in light of the significant volatility in economic scenarios;
- Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks in the loan portfolios;
- Assessing certain post-model adjustments identified against internal and external information;
- Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Group and Company's assessment.
- Assessing the appropriateness of the Group and Company's disclosures in the Financial Reports using our understanding obtained from our testing and against the requirements of the accounting standards.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:

GROUP

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS \$1,692m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS \$135,711m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS \$23m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS \$92,892m

COMPANY

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS \$1,691m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS \$129,446m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS \$14m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS \$91,405m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 18 to the Group and Company Financial Reports.

The key audit matter

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

In assessing this Key Audit Matter, we involved our valuation specialists to supplement our senior team members who understand the methods, assumptions and data relevant to their valuation of Financial Instruments.

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

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable.
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments including credit valuation adjustment (CVA) and funding valuation adjustment (FVA) leading to an increase in subjectivity and estimation uncertainty.

These factors increased the level of judgement applied by us and our audit effort thereon.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audits

Our audit procedures in relation to the valuation of financial instruments held at fair value included:

- Performing an assessment of the population of financial instruments held at fair value by the Group and Company to identify portfolios with a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including those in relation to:
 - Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
 - model validation at inception and periodically, including assessment of model limitation and assumptions;
 - review, approval and challenge of daily profit and loss by a control function;
 - collateral management process, including review and approval of margin reconciliations with clearing houses; and
 - review and approval of CVA and FVA, including exit price and portfolio level adjustments.
- In relation to the subjective valuation of complex Level 2 and Level 3 financial instruments, with our valuation specialists:
 - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives;
 - Comparing the Group and Company's valuation methodology to industry practice and the criteria in the accounting standards; and
 - Independently revaluing a selection of financial instruments and CVA/FVA. This involved sourcing independent inputs from comparable data in the market and available alternatives. We challenged and assessed any differences.
- Assessing the appropriateness of the Group and Company's disclosures in the Financial Reports using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN PT PANIN (\$1,440m)

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

The key audit matter

The carrying value of the Group's investment in PT Panin is a key audit matter due to the impairment indicators identified at the reporting date and the assessment of the investment's recoverable amount involving judgement and the consideration of valuation models given historical volatility in the market price of the shares. Impairment has been recognised in prior periods. We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the recoverable amount assessment used to conclude the carrying value of the investment is supportable;
- Considering the appropriateness of the value in use valuation method applied against the requirements of the accounting standards. This included:
 - Assessing the integrity of the models used, including the accuracy of the underlying calculation formulas;
 - Assessing the key assumptions used in the models, such as, discount rates, forecast earnings and terminal growth rates by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
 - Independently developing discount rates range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the investments and the markets and industry they operate in;
 - Comparing the forecast earnings contained in the model to broker consensus reports and released financial results;
 - Assessing the accuracy of previous forecasts to inform our evaluation of current forecasts incorporated in the model;
 - Considering the sensitivity of the models by varying key assumptions, such as, discount rates, forecast cash flows and terminal growth rates, within a reasonable possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- Assessing the recoverable amount at the reporting date against the recoverable amount of the investment when it was last impaired to critically assess potential reversal of previous impairment losses;
- Assessing the Group's disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.



KEY AUDIT MATTERS (continued)

ORGANISATIONAL RESTRUCTURE

Refer to Note 1 to the Group and Company Financial Reports.

The key audit matter

On 3 January 2023, Australia and New Zealand Banking Group Limited (ANZBGL) established a non-operating holding company, ANZ Group Holdings Limited (ANZGHL). ANZGHL became the newly listed parent company of the Group. The Group also implemented a restructure to separate the banking and certain non-banking businesses into two distinct groups: ANZ Bank Group and ANZ Non-Bank Group.

The organisational restructure is a key audit matter due to:

- The complexities involved in the implementation of the restructure steps plan as outlined in the Restructure Deed;
- Evaluating the accounting treatment associated with the establishment of ANZGHL as the newly listed parent entity in accordance with AASB 3 *Business Combinations*, and
- The various considerations and implications arising from the transfer of assets out of ANZ Bank Group and into ANZ Non-Bank Group and the service company, including the evaluation of the accounting policy choice available under common control transactions.

How the matter was addressed in our audits

Our audit procedures in relation to the organisational restructure included:

- Assessing the accounting considerations involved in the establishment of ANZGHL and the acquisition of ANZBGL shares from existing shareholders to create the newly listed parent entity, in accordance with AASB 3 *Business Combinations*;
- Evaluating, with the assistance of our transaction services specialists, the Restructure Deed and identifying and assessing the accounting implications inherent in each restructure step;
- Testing the transfer of business assets from ANZ Bank Group to ANZ Non-Bank Group and the separate service company for completeness and accuracy by comparing transfers to the Restructure Deed. This included challenging and evaluating recognition and measurement criteria in accordance with accounting policies selected;
- Checking the gain or loss on transfer and its basis of presentation against the Group's selected accounting policy choice;
- Working with our tax specialists to evaluate the taxation considerations of the formation of a new tax consolidated group and potential stamp duty implications of the restructure steps; and
- Assessing 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 standards.

IT SYSTEMS AND CONTROLS

The key audit matter

As a major Australian bank, the businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial reports which provide a true and fair view of the Group and Company's financial positions 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 approaches could significantly differ depending on the effective operation of the IT controls. We work with our IT specialists as a core part of our audit team.

How the matter was addressed in our audits

Our testing focused on the technology control environments for key IT applications (systems) used in processing significant transactions and recording balances in the general ledgers, and the automated controls embedded within these systems which link the technology-enabled business processes. Our audit procedures included:

- Assessing the governance and higher-level controls across the IT environments, including those regarding policy design, policy review and awareness, and IT Risk and cyber security management practices;
- Design and operating effectiveness testing of key controls across the user access management lifecycle, including how users are on-boarded, reviewed for access levels assigned, and removed on a timely basis from key IT applications and supporting infrastructure. We also examined the management of privileged roles and functions across relevant IT application and the supporting infrastructure;
- Design and operating effectiveness testing of key controls for IT change management including authorisation of changes prior to development, testing performed and approvals prior to migration into the production environment of key IT applications. We assessed user access to release changes to IT application production environments and whether access was commensurate with their job responsibilities;

KEY AUDIT MATTERS (continued)

- Design and operating effectiveness testing of key controls used by the technology teams to restrict access to and monitor system batch job schedules;
- Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Our testing included:
 - Configurations to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
 - Data integrity of key system reporting used by us in our audit to select samples and analyse data used to generate financial reporting.
- Where our testing identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audits, we performed alternative audit procedures, including consideration of mitigating controls.

OTHER INFORMATION

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

Our opinions on the Financial Reports do 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 audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports 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 THE DIRECTORS FOR THE FINANCIAL REPORTS

The Directors are responsible for:

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL REPORTS

Our objective is:

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

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 Reports.

A further description of our responsibilities for the audits of the Financial Reports 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

OPINION

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2023 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 2023.

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

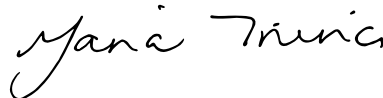


KPMG



Martin McGrath
Partner

Melbourne
10 November 2023



Maria Trinci
Partner

GLOSSARY

AASs means Australian Accounting Standards.

AASB means Australian Accounting Standards Board. The term 'AASB' is commonly used when identifying AASs issued by the AASB.

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

ANZ Bank Group means all businesses and entities owned by ANZ BH Pty Ltd, including ANZBGL and ANZ Bank New Zealand.

ANZ Bank New Zealand means ANZ Bank New Zealand Limited.

ANZBGL means Australia and New Zealand Banking Group Limited.

ANZBGL Group means ANZBGL and each of its subsidiaries.

ANZEST means ANZ Employee Share Trust.

ANZGHL means ANZ Group Holdings Limited.

ANZGHL Group means all businesses owned by ANZGHL after the Restructure (including ANZ BH Pty Ltd, ANZBGL, ANZ Group Services Pty Ltd and ANZ NBH Pty Ltd).

ANZ Group means the ANZBGL Group pre Restructure or the ANZGHL Group post Restructure.

ANZ Non-Bank Group means all businesses and entities owned by ANZ NBH Pty Ltd, including ANZ's beneficial interests in the 1835i trusts, non-controlling interests in the Worldline merchant acquiring joint venture, and ANZ Group Services Pty Ltd.

ANZ Research – Economics, a business unit within ANZ, which conducts analysis of key economic inputs and developments and assessment of the potential impacts on the local, regional and global economies.

APRA means Australian Prudential Regulation Authority.

APS means ADI Prudential Standard.

ASX means Australian Securities Exchange.

AT1 means Additional Tier 1 capital.

Board means ANZBGL Board of Directors.

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.

Cash profit is an additional measure of profit which is prepared on a basis other than in accordance with accounting standards. Cash profit represents ANZ's preferred measure of the result of the core business activities of the Group, enabling readers to assess Group and Divisional performance against prior periods and against peer institutions. To calculate cash profit, the Group excludes non-core items from statutory profit as noted below. These items are calculated consistently period on period so as not to discriminate between positive and negative adjustments.

Gains and losses are adjusted where they are significant, or have the potential to be significant in any one period, and fall into one of three categories:

1. gains or losses included in earnings arising from changes in tax, legal or accounting legislation or other non-core items not associated with the core operations of the Group;
2. economic hedging impacts and similar accounting items that represent timing differences that will reverse through earnings in the future; and
3. accounting reclassifications between individual line items that do not impact reported results, such as credit risk on impaired derivatives.

Cash profit is not a measure of cash flow or profit determined on a cash accounting basis.

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

Committed Liquidity Facility (CLF) The RBA established a CLF to offset the shortage of High-Quality Liquid Assets in Australia. 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 calendar year 2022.

Company means ANZBGL.

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.

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.

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



Group means ANZBGL and each of its subsidiaries.

Impaired assets are those financial assets where doubt exists as to whether the full contractual amount will be received in a timely manner, or where concessional terms have been provided because of the financial difficulties of the customer.

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

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

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

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

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 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).

NZX means New Zealand's Exchange.

OECD means Organisation for Economic Co-operation and Development.

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

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

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

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

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.



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Principal risks and uncertainties faced by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (“**ANZBGL**” and, together with its subsidiaries, “**ANZBGL Group**” or the “**Group**”) (DTR 4.1.8 R (2)) (“**Principal Risks and Uncertainties**”)

Introduction

The Group’s activities are subject to risks and uncertainties that can materially and adversely impact its business, business model, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, the “**Group’s Position**”). These risks and uncertainties may be financial or non-financial and may result from external factors over which the Group may have little or no control. 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 does not consider material, may also become important factors that affect it. If any of the specified or unspecified risks and uncertainties actually occur (individually or collectively), the Group’s Position may be materially and adversely affected, with the result that the trading price or value of the Group’s equity or debt securities could decline and investors could lose all or part of their investment.

Risks related to the Group's business activities and industry

1. Changes in political and economic conditions, particularly in Australia, New Zealand, the Asia Pacific region, the United Kingdom (“UK”), Europe and the United States (the “Relevant Jurisdictions”), may adversely affect the Group’s Position

The Group’s financial performance is influenced by the political, economic and financial conditions in the countries and regions in which the Group, its customers and its counterparties carry on business. The Group can give no assurances as to the likely future conditions in the economies of the Relevant Jurisdictions where the Group has its main operations, or other jurisdictions in which the Group operates or obtains funding.

The political, economic and financial conditions in the Relevant Jurisdictions may be impacted by a range of factors including, but not limited to, domestic and international economic events, the stability of the banking system and any related implications for funding and capital markets, other changes in financial markets, global supply chain developments, political developments, pandemics and natural disasters.

Instability in political conditions may result in uncertainty, declines in market liquidity, increases in volatility in global financial markets and adversely impact economic activity in the Relevant Jurisdictions, which could adversely affect the Group’s Position. Recent examples include the conflict in Ukraine, the Israel-Hamas war and the associated implementation of economic security-related legislation, sanctions and trade restrictions in various markets, and heightened tensions between the United States and China.

Although the Group does not operate in and does not currently have any material direct exposure to Israel, Gaza, Russia or Ukraine, any prolonged market volatility or economic uncertainty could adversely affect the Group’s Position. Tensions between the United States and China also have the potential to adversely impact the markets in which the Group operates and the Group’s Position. These geopolitical issues have led to the implementation of economic security-related legislation and trade restrictions in many markets, including enhanced inbound and outbound investment screening mechanisms, anti-coercion instruments, sanctions, export controls and security-related industrial policy.

Inflationary pressure is high in many economies, including in the Relevant Jurisdictions. Excessively strong demand for goods and services, geopolitical tensions, and global economic challenges such as supply chain issues, weather conditions in agricultural regions, high energy prices, high food prices and tight labour markets, have contributed to high inflation. The risk of persistent inflation may exacerbate market volatility, further slow economic growth and increase unemployment, each of which may cause further declines in

business and investor confidence and increase the risk of customer defaults, which could adversely affect the Group's Position.

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 or economic security-related trade policies, including sanctions, could adversely affect Australian or New Zealand economic activity, and as a result, could adversely affect the Group's Position. Furthermore, if there was a broad-based and sustained economic slowdown in China, the health of the Chinese financial system may be adversely impacted, which could have negative effects on the global financial system and economy. This could result in an economic downturn, counterparties defaulting on their obligations, and countries introducing capital controls, and could adversely affect the Group's Position. Refer to risk factor 5 "*Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position*".

The stability of banking systems has come under scrutiny in recent times as a result of the failure of certain banking institutions in the United States. The risk of contagion from the failure of a bank or other financial institution could materially impact the Group's ability to replace maturing liabilities and access funding in a timely and cost effective manner, which could adversely affect the Group's Position. Refer to risk factor 13 "*Liquidity and funding risk events may adversely affect the Group's Position*".

There has been a rise in investor caution across global commercial real estate markets as investors are reallocating to other investment classes or waiting for greater certainty with respect to inflation and interest rates, particularly as a result of weakening sentiment in the United States and Europe. A global liquidity constraint could compound the effects of weakening fundamentals on valuations and refinance risk in commercial real estate markets. 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. Negative developments in commercial real estate markets could lead to increased credit losses from business insolvencies, increased mortgage stress and defaults from higher leveraged borrowers, which could adversely affect the Group's Position. Refer to risk factor 5 "*Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position*".

If economic conditions deteriorate in the Relevant Jurisdictions, asset values in housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could decline. 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. This may impact the Group's ability to recover loans and other credit exposures. Should any of these occur, the Group's Position could be adversely affected. Refer to risk factor 10 "*Credit risk may adversely affect the Group's Position*".

2. The COVID-19 pandemic and future pandemics may adversely affect the Group's Position

The effects of the COVID-19 pandemic continue to impact the Group's Position, and the domestic and global economy. The future impacts of the COVID-19 pandemic remain uncertain. Further variants may develop that impact the Group's customers and businesses and could lead to government having to take action which could adversely impact the Group's Position. COVID-19 related supply chain disruption and mobility constraints could result in a decline in the Group's profit margins, and could impact customers' cash flows, capital, liquidity and financing needs. Substantially reduced global economic activity during the COVID-19 pandemic caused substantial volatility in global financial markets. This is expected to continue to have a significant impact on the Relevant Jurisdictions. Customers enduring hardship may suffer detriment if the Group cannot provide tailored support and

sustainable arrangements based on individual circumstances. Political and economic conditions following the COVID-19 pandemic or other pandemics may cause a reduction in demand for the Group's products and services, an increase in loan and other credit defaults, bad debts, and impairments and an increase in the cost of the Group's operations. If any of these occur, the Group's Position could be adversely affected.

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

The markets in which the Group operates are highly competitive. Competition is expected to continue to increase. Competitors include non-Australian financial service providers who expand in Australia, new non-bank entrants and smaller providers. Examples of factors that may affect competition and negatively impact the Group's Position include:

- entities that the Group competes with, including those outside of Australia and New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, 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. Competitors are increasingly utilising new technologies including artificial intelligence ("AI") and disrupting existing business models in the financial services sector;
- companies from outside of the financial services sector are directly competing with the Group by offering products and services traditionally provided by banks. This includes competitors obtaining banking licenses and partnering with existing competitors;
- 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 be able, to provide financial services, competitively. A new form of currency could change how financial intermediation and markets operate and, with that, may adversely impact the competitive and commercial position of the Group;
- 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"); and
- the Australian and New Zealand Governments may consider implementing policies that further increase competition in the banking market. Recent examples include the Australian Parliament's inquiry into economic dynamism, competition and business formation and the Australian Competition and Consumer Commission's ("ACCC") inquiry into the market for the supply of retail deposit products. The Australian Government has also recently commenced a review of its competition laws and institutions. In New Zealand, the Commerce Commission has also recently commenced a market study into any factors that may affect competition for the supply or acquisition of personal banking services. Whilst these inquiries and reviews may result in the implementation of policies that increase competition in the banking market, the exact impact of inquiries and reviews on the Group remains unclear.

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 may be forced to rely on less stable and/or more expensive forms of funding, or to reduce lending. This may adversely affect the Group's Position. Geopolitical and economic disruptions could have a significant impact on competition and profitability in the financial services sector due to funding cost and credit provision increases, changes in interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and regulatory safe harbours. A low-growth environment may lead to heightened competitive intensity and margin

compression, particularly amongst traditional competitors with strong business models.

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

The Group implemented a restructure ("**Restructure**") that resulted in ANZ Group Holdings Limited ("**ANZGHL**") becoming the new listed parent company of the Group in place of ANZBGL in 2023. ANZGHL is a non-operating holding company ("**NOHC**") and is authorised as such for the purposes of the Australian Banking Act. The Australian Prudential Regulation Authority's ("**APRA**") prudential framework for NOHCs is expected to become effective from 2025, following a period of industry consultation. There is a risk that APRA's final regulatory framework for NOHCs of Authorised Deposit-Taking Institutions ("**ADI**") and the regulation of ANZGHL over time will differ from the existing regulatory framework and increase the regulatory risk of the Group. This may have negative consequences for the Group and require further changes to be made to its structure. A number of Restructure implementation steps remain outstanding and need to be implemented. The failure to execute the implementation steps may have an adverse impact on the Group's Position. The post Restructure operating model may fail to function as expected and/or may fail to realise the anticipated benefits and further changes may therefore be required to the Group structure. To the extent this occurs, this may adversely affect the Group's Position.

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

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

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

The scale and pace of interest rate rises have resulted in property prices declining in Australia and New Zealand. The extent of property price changes will ultimately depend on any further future interest rate rises or persistently high interest rates and the impact on the economy.

APRA included credit-based macroprudential policy measures within its Prudential Standard APS 220 Credit Risk Management ("**APS 220**") with effect from 1 January 2023. These may be used by APRA to address systemic risks if needed. Future changes to these measures by APRA could restrict the Group's flexibility and impact the profitability of one or more businesses. (Refer to 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, median prices for residential property peaked in November 2021, before declining in the 2022 calendar year and early 2023. More recently, prices appear to have levelled out. Higher interest rates and rising costs of living have put pressure on households and there has been a material reduction in demand for residential and commercial property.

Increases in interest rates may affect debt serviceability, increase loan defaults experienced by the Group's borrowers, place pressure on loan covenants and reduce demand for commercial and residential property and the Group's associated lending products in both Australia and New Zealand. To address the current high inflation levels, there may be further interest rate increases. Any future interest rate rises or persistently high interest rates could also lead to increased credit losses from business insolvencies, increased mortgage stress and defaults from higher leveraged borrowers, a potential adverse impact on markets, and a potential downturn in the Australian and New Zealand economies. This may in turn impact the ability of tenants to pay rent and in turn decrease the quality of real estate earnings of the Group's borrowers.

Recent interest rate increases, asset price inflation and yield compression, may cause declines in interest coverage ratios and asset values. Valuations are presently lagging market

sentiment. The Group has been observing declining values for existing security and expects further declines in some segments in the next 12 months. Dated valuations benefit from a buffer created following asset price inflation until the middle of 2022. This may result in increased refinance risk and require equity contributions from borrowers towards debt reduction and/or a restructure of facilities. Secondary grade assets may be more susceptible to a decline in prices. This may be the case if investors have overlooked “fundamentals” in a highly competitive and liquid market (debt and equity). Refinance risk could be increased if there are liquidity constraints in the banking sector. The Group has observed some signs of change in sentiment in non-bank debt markets as investors re-balance portfolios and change expectations in the face of greater uncertainty and volatility. This has resulted in an increased cost of financing rather than reduction in liquidity and the non-bank debt market remains an available source of refinancing. Non-bank financiers have supported the pre-development land and property development sector in recent years, so the number of new project starts may decline given higher cost of funding or if non-bank financiers begin to withdraw support from weaker sponsors.

Construction risk, including contractor stability, supply chain constraints, the cost of materials and high labour costs may impact commercial and larger residential project (land and apartments) developments and land values in the short to medium term.

The COVID-19 pandemic has triggered a change in the demand and supply dynamics in the office sector as flexible working arrangements have become a trend, which may impact investor demand and yield expectations, given a more modest demand and rental growth outlook, particularly for secondary grade assets.

Institutional investor clients may see their real estate investment portfolios in various geographies diminish in value as a result of changes in the real estate market, which could potentially lead to a reduction in their willingness and/or ability to repay related loan facilities owed to the Group.

Separately, the general downturn and current reduced growth in the Chinese economy resulting from the slowdown of property development and downturn in the real estate market may result in future reduced demand for commodities (such as iron ore) resulting in a reduction in commodity prices and adversely impact demand for some Australian and New Zealand exports. Additionally, a slowdown of Chinese output may result in disruption to supply chains across a range of industry segments including discretionary retail, wholesale, manufacturing, packaging, and automotive segments.

Each of the factors outlined above may adversely affect the Group’s Position.

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

Sovereign risk is the risk that governments will default on their debt obligations, be unable to refinance their debts as and when they fall due, thereby destabilising parts of their economy. Sovereign risk 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 the Relevant Jurisdictions. If a sovereign defaults, it could impact other markets and countries, the consequences of which may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises.

7. Market risk events may adversely affect the Group’s Position

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the Group’s trading

operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded market risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations and non-traded equity risk. Losses arising from the occurrence of such market risk events may adversely affect the Group's Position.

8. Changes in exchange rates may adversely affect the Group's Position

The Group conducts business in several different currencies. Accordingly, its businesses may be affected by movements in currency exchange rates. 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 capital ratios. The Group currently hedges to partially mitigate the impact of currency changes. There is 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 on the Group's Position.

9. Acquisitions and divestments may adversely affect the Group's Position

The Group regularly examines a range of corporate opportunities, including acquisitions and divestments, to determine 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. It sometimes includes combining (or separating) accounting and data processing systems, technology platforms and management controls, as well as managing relationships and contracts with employees, customers, regulators, counterparties, suppliers and other business partners. The loss of key relationships and personnel from an acquisition or divestment could have an adverse effect on the Group's Position.

There is no assurance that any acquisition (or divestment) will have the anticipated positive results around synergies, cost or cost savings, time to integrate (or separate) and overall performance, as the underlying assumptions for the acquisition (or divestment) may not prove to be accurate or achievable. Any acquisition (or divestment) may also impact the Group's credit ratings, cost of funds and access to further funding, which could in turn adversely affect the Group's funding and liquidity positions.

Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. There is a 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. There is 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 completion conditions or because other completion conditions such as regulatory, shareholder or other approvals are not satisfied. Should any of these integration or separation risks occur, this could adversely affect the Group's Position.

Transactions that the Group has announced but not completed include an agreement with Suncorp Group Limited ("**SGL**") to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The ACCC declined to grant authorization for this acquisition in August 2023, but this decision is currently subject to review by the Australian Competition Tribunal. This acquisition is subject to the satisfaction of certain conditions, including those described below and assuming those conditions are satisfied, and merger approval is granted, it is expected to occur in mid calendar year 2024.

The acquisition of Suncorp Bank from SGL is subject to satisfaction of certain conditions.

These include Federal Treasurer approval, ACCC authorisation or approval (see above) and certain amendments to the Queensland State Financial Institutions and Metway Merger Act. ANZBGL will also have a termination right under the Suncorp Bank Sale Agreement if APRA issues a written communication to ANZBGL under or in connection with APS 222 (Associations with Related Entities) to the effect that ANZBGL must not proceed with completion of the acquisition. The terms and conditions of the approvals that are granted may impose conditions, limitations, obligations or costs, or place restrictions on the conduct of the Group or its business following the acquisition or require changes to the terms of the transaction. There can be no assurance that the regulators will not impose any such conditions, obligations or restrictions, and that such conditions, limitations, obligations or restrictions will not have the effect of delaying or preventing completion of the transaction, imposing additional material costs on or materially limiting the revenues of the Group following the acquisition or otherwise reducing the anticipated benefits of the acquisition to the Group, any of which might have an adverse effect on the Group.

ANZBGL undertook a due diligence process in relation to the proposed acquisition of Suncorp Bank which relied in part on a review of financial, technology, legal and other information provided in respect of Suncorp Bank or was otherwise provided at meetings with Suncorp Bank management. Despite making reasonable efforts as part of the due diligence investigations, ANZBGL has not been able to verify the accuracy, reliability or completeness of all the information provided to it. If any information provided or relied upon by ANZBGL in its due diligence proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of Suncorp Bank may be different to the expectations. There is also no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the proposed acquisition have been identified and avoided or mitigated, therefore, there is a risk that issues or risks may arise that may adversely impact the Group. SGL has provided ANZBGL with certain indemnities relating to certain pre-completion matters as well as certain representations and warranties in favour of ANZBGL. There is a risk that these protections may be insufficient to cover liabilities relating to these matters, which may have an adverse impact on the Group's financial performance and position. As is usual, the warranties and indemnities are also subject to certain financial claims thresholds and other limitations.

If for any reason any announced acquisition or divestment, including the acquisition of Suncorp Bank, is not completed, the Group's ongoing business may be adversely impacted and the Group may be subject to a number of risks. These risks include:

- financial markets may react negatively, resulting in negative impacts on the Group's securities and other adverse impacts;
- the Group may experience negative reactions from its customers, vendors, and employees;
- the Group will have incurred expenses and will be required to pay certain costs relating to the acquisition, whether or not the acquisition is completed, such as legal, accounting, investment banking, and other professional and administrative fees; and
- matters relating to the acquisition may require substantial commitments of time and resources by the Group's management, which could otherwise have been devoted to other opportunities that may have benefited the Group.

Risks related to the Group's financial situation

10. Credit risk may adversely affect the Group's Position

As a financial institution, the Group is exposed to the risks resulting from or associated with extending credit, 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.

The risk of credit-related losses continues to be impacted by conditions relating to increased interest rates, high inflation, global supply chain disruptions and heightened political tensions, particularly those referred to in risk factor 1 "*Changes in political and economic*

conditions, particularly in Australia, New Zealand, the Asia Pacific region, the United Kingdom ("UK"), Europe and the United States (the "Relevant Jurisdictions"), may adversely affect the Group's Position". The risk of credit-related losses has increased due to the factors described above and may further increase as a result of less favourable conditions, whether generally or in a specific industry sector or geographic region which could cause customers or counterparties to fail to meet their obligations. These conditions include but are not limited to, weakened confidence in the stability of the banking system generally or particular financial institutions that may impact the Group, its customers or counterparties, a sustained high level of unemployment, continued increase in interest rates and inflationary conditions, and a reduction in the value of assets the Group holds as collateral or the market value of the counterparty instruments and obligations it holds.

Some of the Group's customers and counterparties with exposures to these sectors may be vulnerable:

- industries exposed to the unwinding of government stimulus packages and increasing interest rates;
- industries reliant on consumer discretionary spending;
- industries that are exposed to fuel supply shortages and rising costs including aviation, road transport, shipping and agriculture, particularly given the Ukraine conflict and its impact on oil and gas prices, production and supply;
- participants in energy or commodity markets that are exposed to rising margin requirements under derivatives that arise due to price volatility;
- industries at risk of sanctions, geopolitical tensions or trade disputes (these include technology, agriculture, communications and financial institutions);
- industries exposed to declining global growth and disruption to global supply chains. These include but are not limited to the retail, wholesale, automotive, manufacturing and packaging industries;
- the commercial property sector (including construction and contractors) which is exposed to rising interest rates impacting serviceability and downward pressure on valuations, particularly in the office sector given occupancy levels have not returned to pre-COVID-19 levels and in the retail sector given an expectation for a reduction in discretionary household spending resulting in a reduction in base rental, turnover rental and rental growth expectations. In some markets, commercial contractors and sub-contractors may face cash flow and liquidity issues over the next 12 to 24 months as current projects run off and the volume of forward looking projects are diminished. Whilst supply chain constraints and building material cost increases have somewhat stabilized, labour availability and mobility issues have increased given competing demand from Australian Government infrastructure projects in major capital cities;
- industries facing labour supply shortages and who are reliant on access to both skilled and unskilled migrant workers, including tourism and hospitality, technology, agriculture, retail, health, construction and services;
- customers and industries exposed to disruption from physical climate risk (e.g. bushfires, floods, storms and drought) and transition risk (e.g. industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on climate-related risks, see risk factor 30 *"Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"*;
- industries exposed to the volatility in exchange rates and foreign exchange markets generally; and
- banks and financial services companies, as they may experience pressure on liquidity due to impacts of rapidly rising interest rates and the flow on impacts to asset values, which could result in the deterioration of credit ratings, the need for restructuring and

recapitalisation, losses of confidence in financial institutions or a financial default.

The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which may result in credit losses. Should material credit losses occur to the Group's credit exposures, this may adversely affect the Group's Position.

Credit risk may also arise from certain derivative, clearing and settlement contracts that the Group enters into, and from the Group's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies where the financial conditions of such entities are affected by economic conditions in global financial markets.

In assessing whether to extend credit or enter into other transactions with customers and counterparties, the Group relies on information provided by or on behalf of customers and 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 is inaccurate or 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 Reserve Bank of New Zealand ("**RBNZ**") and regulators in the United States, the UK and the countries in the Asia Pacific region. The Group is required to maintain adequate regulatory capital by its primary regulator APRA and the RBNZ for ANZ Bank New Zealand Limited and its subsidiaries (the "**ANZ New Zealand Group**").

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 is 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 including (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 issued a discussion paper in September 2023 to explore options for, and seek feedback from stakeholders on, improving the effectiveness of Additional Tier 1 Capital in Australia. APRA has indicated that it intends to discuss its paper with relevant stakeholders and may formally consult in 2024 on any proposed amendments to prudential standards. At this stage, it is not possible to confirm what impact (if any) the options proposed by APRA may have on the Group.

APRA and the RBNZ have implemented prudential standards to accommodate Basel III. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel III, that seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities,

though there is no assurance that these regulations have had or will have their intended effect. The recent collapse of certain financial institutions in the United States and Europe may raise the likelihood of changes to capital and other regulatory requirements applicable to the Group, which may impact the Group's Position. For more information on recent prudential regulation changes that have impacted, or that may impact the Group, see risk factor 16 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position". An inability of the Group to maintain its regulatory capital may adversely affect 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 its access to, and cost of, capital and wholesale funding. The Group's credit ratings may also be important to customers or counterparties 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 section, a change in ratings methodologies or by other events or factors, including volatility in the banking sector. As a result, downgrades in the Group's credit ratings or rating outlooks could occur that do not reflect changes in the general economic conditions or the Group's financial condition. 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 by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies.

Any 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, 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 and wholesale creditors) or that the Group has insufficient capacity to fund increases in assets. Liquidity and funding risk is inherent in 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 a decline in investor confidence in the Group may materially impact the Group's ability to replace maturing liabilities and access funding in a timely and cost effective manner, which may adversely impact the Group's Position. Advances in technology allow customers to withdraw funds deposited with the Group faster and may accelerate the risks associated with on-demand liabilities, such as deposits.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in domestic and offshore markets to meet its funding requirements and to maintain or grow its business. 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 equity and 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, assets and liabilities classified as fair value through profit or loss, and certain other assets and liabilities (as per Note 18 of the consolidated financial statements for the financial year ended 30 September 2023 as set out in the Group's 2023 Annual Report ("**2023 Financial Statements**") are measured at fair value with changes in fair value recognised in earnings or equity.

Generally, to measure the fair value of these instruments, the Group relies on quoted market prices, present value estimates or other valuation techniques that incorporate the impact of factors that a market participant would take into account when pricing the asset or liability. Certain other assets, including some unlisted equity investments, are valued using discounted cash flow techniques. The fair value of these instruments is impacted by changes in market prices or valuation inputs that may adversely affect the Group's earnings and/or equity.

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 must test at least annually the recoverability of goodwill balances and intangible assets with indefinite useful lives or not available for use 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.

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

In respect of other non-lending related assets, if an asset is no longer in use, or 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. This is so that the Group complies with the applicable accounting standards or interpretations and reflects the most appropriate manner in which to record and report on the Group's financial position and results of operations. These accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position. The application of new or revised accounting standards or interpretations may also adversely affect the Group's Position. The Group discloses the impact of new accounting standards that are effective for the first time in any reporting period, in the notes to the condensed consolidated financial statements for that period. In some cases, management must select an accounting policy from two or more alternatives, any of which would comply with the relevant accounting standard or interpretation and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under the alternative.

Legal and regulatory risk

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 Group is subject to laws, regulations and policies, including industry self-regulation in the Relevant Jurisdictions ("**Regulations**"). Regulations continue to change and generally increase in scope, scale, complexity, cost and speed of required compliance ("**Regulatory Change**"). A failure by the Group to comply with Regulations or manage Regulatory Change 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 regulatory licences or other enforcement or administrative action or agreements (such as enforceable undertakings) any of which may adversely affect the Group's Position. Such failures may also result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and 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 32 of the 2023 Financial Statements.

Regulations can also affect the operating environment of, and impose significant compliance costs on, the Group. Changes to the Group's operating environment and the Regulations to which the Group is subject to may affect the profitability of the Group, change the level of competition that the Group faces or impact the ability of the Group to conduct one or more elements of its business. Increases in compliance costs could also decrease profitability and divert resources away from other priorities of the Group, thereby impacting the Group's ability to innovate and compete.

Prudential regulation

Prudential regulation is a type of Regulation and is subject to Regulatory Change. Developments in APRA and RBNZ prudential regulation may materially impact the Group. There are typically a number of prudential regulatory proposals open for consultation with APRA and the RBNZ at any time. Changes to prudential regulation can 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 impact the profitability of one or more business lines, any of which may adversely affect the Group's Position.

Recent prudential regulation changes that have impacted, or that may impact the Group, include:

- Market risk and counterparty credit risk: APRA is consulting on revisions to prudential standards and guidance relating to market risk, being Interest Rate Risk in the Banking Book ("**IRRBB**"), Market Risk and Counterparty Credit Risk.
- Unquestionably strong capital framework: APRA implemented its final requirements in relation to capital adequacy and credit risk for ADIs on 1 January 2023. However, APRA continues to consult and finalise revisions to a number of remaining prudential standards, being IRRBB, Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalised by APRA, the aggregate outcome from all changes to APRA's prudential standards relating to their review of ADIs 'unquestionably strong' capital framework remains uncertain.
- Macroprudential policy framework: APRA finalised its macroprudential policy framework in June 2022. To support the implementation of the framework, APRA formalised and embedded credit-based macroprudential policy measures within its prudential standards, within a new attachment to APS 220. APRA's objective is to strengthen the transparency, implementation and enforceability of macroprudential policy. The updates to APS 220 which became effective from 1 January 2023 included a set of credit-based macroprudential measures to be used to address systemic risks if needed. The updates to APS 220 include two main types of credit-based macroprudential measures: (i) 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 (ii) lending standards, where APRA may also set minimum requirements for lending standards, including measures such as the serviceability buffer for residential mortgages. APRA confirmed the current settings of (i) for lending limits, no limit restrictions in place on higher-risk lending but APRA continues to monitor higher risk lending at outlier banks for commercial property lending and (ii) for lending standards, the serviceability buffer is maintained at 3.0% above the loan rate. Future changes to these settings could restrict the Group's flexibility and impact the profitability of one or more business lines. For further information, see risk factor 5 "*Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position*".

- **Operational risk management:** APRA finalised prudential standard CPS 230 Operational Risk Management ("**CPS 230**") in July 2023, which sets out minimum standards for managing operational risk, including updated requirements for business continuity planning and service provider risk management. The new standard incorporates updated requirements for service provider management (currently outsourcing) and business continuity management that are currently contained in prudential standards CPS 231 Outsourcing and CPS 232 Business Continuity Management. The effective date of compliance moved from 1 January 2024 to 1 July 2025. APRA will provide for transitional arrangements for pre-existing contractual arrangements with service providers. The requirements in the standard will apply from the earlier of the next contract renewal date or 1 July 2026. A project team has been formed and the Group will continue to work through the implementation process which is complex, and requires changes to systems, operations, and contractual arrangements with third parties.
- **Recovery and exit planning:** APRA finalised Prudential Standard CPS 190 Recovery and Exit Planning ("**CPS 190**") in December 2022. CPS 190 is aimed at reinforcing the resilience of the financial system. It is designed to ensure that APRA regulated entities are better prepared to manage periods of severe financial stress. Under CPS 190, entities will be required to develop and maintain credible plans for managing periods of severe financial stress, including actions that could be taken to stabilise and restore financial resilience and actions that effect an orderly and solvent exit from regulated activity. These requirements will apply across all APRA regulated industries. CPS 190 will come into effect from 1 January 2024 for banks and insurers.
- **Resolution planning:** APRA finalised Prudential Standard CPS 900 Resolution Planning ("**CPS 900**") in May 2023. CPS 900 requires entities that are significant financial institutions or those that provide critical functions, to support APRA in the development and implementation of a resolution plan so the entity can be managed by APRA in an orderly manner where the entity is unable to, or is likely to be unable to, meet its obligations or suspends, or is likely to suspend, payments. CPS 900 sets out certain requirements for entities to cooperate with APRA in resolution planning. Under CPS 900, APRA will develop a resolution plan, which sets out APRA's strategy for resolving an entity in the event of its failure. This could include, for example, plans to recapitalise, wind-down or transfer operations. It is an important complement to a financial contingency plan, which sets out an entity's plan for managing risks to its financial viability. The standard will come into effect on 1 January 2024.
- **ADI capital framework:** APRA issued a discussion paper in September 2023 to explore options for, and seek feedback from stakeholders on, improving the effectiveness of Additional Tier 1 Capital in Australia. APRA has indicated that it intends to discuss its paper with relevant stakeholders and may formally consult in 2024 on any proposed amendments to prudential standards. At this stage, it is not possible to confirm what impact (if any) the options proposed by APRA may have on the Group.
- **Loss absorbing capacity:** APRA announced its decision on loss-absorbing capacity requiring Australian D-SIBs in July 2019, 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 had finalised its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of RWA by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of RWA. APRA expects the requirement to be satisfied

predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on the Group's actual RWA as at January 2026.

- **RBNZ revisions to capital adequacy:** The RBNZ's revised capital adequacy requirements for New Zealand banks, which are set out in the Banking Prudential Requirements documents, are being implemented in stages during a transition period from October 2021 to July 2028. The net impact on ANZBGL's Level 1 CET1 capital is expected to be an increase in capital requirements of approximately A\$1 billion to A\$1.5 billion between 30 September 2023 and the end of the transition period in 2028 (based on the Group's 30 September 2023 balance sheet). The amount could also 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).
- **NZ contingent capital instruments:** ANZ New Zealand's contingent capital instruments will no longer be treated as eligible regulatory capital. The contingent capital Additional Tier 1 instruments will progressively lose eligible regulatory capital treatment over the transition period to 1 July 2028.

ASIC regulation

The Australian Securities and Investments Commission's ("**ASIC**") current enforcement priorities focus on the need to reduce the risk of financial harm to consumers and uphold the integrity of Australia's financial markets. Specifically, ASIC has identified the following priority areas: enforcement action targeting poor design, distribution and marketing of financial products; misleading conduct in relation to sustainable finance including greenwashing and climate-related financial disclosures; misconduct involving high risk retail products including Contracts For Difference (CFDs) and crypto-assets; combating and disrupting investment scams and phishing websites; taking enforcement action where there are egregious failures to mitigate the risks of cyber-attacks and governance failures relating to cyber resilience; misleading and deceptive conduct relating to investment products; manipulation in energy and commodities derivatives markets; and unfair contract terms. A failure by the Group to comply with applicable laws may have a negative impact on consumers or market integrity, or 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 regulation

Competition in the Australian and New Zealand financial services sectors continues to be an important driver for Regulation and Regulatory Change. On 14 February 2023 the Australian Treasurer directed the ACCC to conduct an inquiry into the market for retail deposit products supplied by ADIs. It includes how banks set interest rates, as well as other terms and conditions. On 21 April 2023, the ACCC published an issues paper for the inquiry. The ACCC must provide the Australian Treasurer with a report on the inquiry by 1 December 2023. (refer to risk factor 3 "*Competition in the markets in which the Group operates may adversely affect the Group's Position*"). The ACCC announced its compliance and enforcement priorities for the year in March 2023. The ACCC announced that it will continue to focus on competition issues in the financial services sector, particularly with payment services and also 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.

The New Zealand Government directed the Commerce Commission to commence a market study into competition in the New Zealand retail banking sector in June 2023. The market study is focused on the nature of competition in personal banking services, particularly deposit accounts and home loans. The study is considering consumer behaviours and preferences, barriers to new competitors entering or expanding in the personal banking market, barriers to new or innovative products and services, and barriers that limit a consumer's ability to switch banks. As part of the study, the Commerce Commission will examine bank profitability and other financial measures to assess competition in the sector. The study is focused on personal banking services such as home loans and deposit accounts (including current savings and

overdraft facilities). The Commerce Commission released a preliminary issues paper on 10 August 2023, in which the Commerce Commission indicated that its initial view of the existing research was that New Zealand banks appeared more profitable than in comparable economies over the past decade, raising questions about the intensity of competition, including for personal banking services. The Commerce Commission is expected to issue its final report after the market study's completion in August 2024. Whilst it is currently uncertain what impact (if any) the market study will have on the Group's Position, there is no guarantee that any recommendations or policy initiatives adopted by the New Zealand Government as a result of this market study will not have a material impact on the Group's profitability.

The Australian Government also announced a review of competition policy settings on 23 August 2023. Over two years, the review will look at competition laws, policies and institutions. The Australian Government has announced that the initial issues to be considered as part of the review include proposed changes to merger laws, as well as other competition law issues, non-compete and related clauses that restrict workers from changing employers and providing advice on competition issues raised by new technologies and the net zero transformation. The review will not issue a single report but will undertake rolling policy projects. It is uncertain what impact the review will have on the Group's Position. However, there is no guarantee that the proposed changes will not have a material effect or impact on the Group's Position.

Product regulation

There is 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 impact business practices. If additional changes in Regulation 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. The Australian Financial Complaints Authority ("**AFCA**") is consulting on its approach to assessing compliance by lenders, such as the Group, with both consumer and small business lending requirements. There are new stricter anti-hawking prohibitions in relation to financial products and a deferred sales model for add on insurance. The design and distribution obligation legislation requires 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 and AFCA's new approach to assessing compliance may adversely impact the Group's Position.

Senior executive regulation

The Financial Accountability Regime Act 2023 (the "**FAR**") received Royal Assent on 14 September 2023. The FAR will be implemented in stages for in-scope entities within the Group commencing with ANZGHL and ANZBGL from 15 March 2024, and then from 15 March 2025 for any insurers or licensed superannuation trustees within the Group. Under the FAR, 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 (a) conduct its business with honesty and integrity, and with due skill, care and diligence; (b) deal with APRA and ASIC in an open, constructive and cooperative way; (c) prevent adverse effects on its prudential standing or prudential reputation; (d) ensure that certain directors, senior executives and other key personnel meet the above standards of conduct, and take reasonable steps to ensure compliance with applicable laws; and (e) ensure that related entities whose business and activities materially and substantially affect ANZBGL comply with the FAR in the same way as ANZBGL is required to. Potential risks to the Group include the risk of penalties and the risk to the Group's ability to attract and retain high-quality directors and senior executives.

Compensation Scheme of Last Resort

The Group will incur costs and further exposures associated with the establishment of the Australian Government's Compensation Scheme of Last Resort ("**CSLR**"). The purpose of the CSLR is to support 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. The Australian Government passed a bill implementing the CSLR in June 2023. The CSLR will be funded by the Australian Government in its first year of operation and thereafter will be funded through industry levies. The maximum industry funding in any year of operation is A\$250 million. In addition, funding to pay for certain determinations that relate to 'pre-commencement' disputes will be provided by an initial levy of up to A\$250 million to be paid by ten industry participants, including the Group. Neither the amount of the initial levy nor the Group's share of it have been determined by the Australian Government. The outcomes and total costs associated with remaining possible exposures and the legislative change remain uncertain and their impact may adversely affect the Group's Position.

Industry self-regulation

Industry best practice guidance and standards impacting retail and small business banking is a focus of regulators, interest groups and industry participants. In particular, an independent review of the Australian Banking Code ("**Code**") made 116 recommendations in 2021. The Australian Banking Association ("**ABA**") and member banks have been working to implement the accepted recommendations in an updated Code. The accepted recommendations include new definitions for 'vulnerability' and 'small business', the introduction of a requirement to meet with prospective guarantors before accepting a guarantee, and a replacement of the requirement to engage with customers in a 'fair, reasonable and ethical manner' with a requirement aligning to the 'efficiently, honestly and fairly' standard in the Australian Corporations Act. It is expected that the new Code will be implemented in March 2024, although this is subject to its approval by ASIC and the timing of any such approval. A failure to comply with the Code may have a negative impact on the Group's reputation and may result in litigation or regulatory enforcement actions, which may in turn, have an adverse impact on the Group's Position.

Open banking regulation

Open Banking is part of a consumer data right ("**CDR**") in Australia that came into effect in August 2019. The CDR gives customers access to and control over their data and establishes and seeks to improve consumers' ability to compare and switch between products and services. It is expected to reduce the barriers to new entrants into the banking industry in Australia. The CDR regime is evolving. The Australian Government released a statement in response to the Statutory Review of the CDR in June 2023 noting that the Australian Government will continue supporting operations in banking and energy and pause implementation of the CDR in other sectors to allow time for the CDR to mature across the banking and energy sectors. In June 2023, the New Zealand Government released a consultation bill which contemplates the introduction of a CDR in New Zealand. Open Banking may lead to increased competition that may adversely affect the Group's Position. Refer to risk 3 "*Competition in the markets in which the Group operates may adversely affect the Group's Position*".

Cyber regulation

The Australian Security of Critical Infrastructure Act was extended in 2021 to the financial services and markets sector. It includes 'last resort' powers for the Australian Government to direct an entity to take a particular action and to authorise the Australian Signals Directorate ("**ASD**"), to intervene against cyber-attacks and registration and reporting requirements for critical infrastructure assets and cyber incidents. ASD is an intelligence agency that focuses on signals intelligence and cyber operations. Further reforms including positive security obligations for critical infrastructure assets to be delivered through sector-specific requirements and enhanced cyber security obligations for systems of national significance came into force in 2022. Implementation of the legislation could increase costs for the Group, and may give rise to regulatory enforcement proceedings, which may in turn, adversely affect the Group's Position.

Payments regulation

The Australian Government responded to three inquiries and reviews relating to payments in 2021. These were 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 (covering 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. The impact of this work on the Group is not clear. Potential policy responses include new regulatory requirements and broader access to payment systems which could increase competition, which may adversely affect the Group's Position. The Australian Government published its "Strategic Plan for the future of Australia's payments system" in 2023 which sets out its policy objectives and priorities for the payments system. The strategic plan provides businesses with certainty and clarity on the Australian Government's approach to important issues in the payments system. The Strategic Plan also outlines the Australian Government's commitment to ensuring that Australia's payments system is safe, affordable, can be trusted and will remain readily accessible. The impact on the Group of any resulting regulatory changes to implement the Government's policy objectives and priorities for the payments system is not clear. The timing of any impact to the Group's Position as a result of this strategic plan is not known.

Privacy regulation

Recent legislation has enhanced enforcement measures and increased penalties for serious or repeated privacy breaches of the Australian Privacy Act. The imposition of such penalties on the Group may adversely affect the Group's Position. The Australian Government announced the pathway for privacy reform following the Australian Privacy Act review. It includes amendments to the Australian Privacy Act addressing some proposals and further consultation on broad reform proposals which would have a significant impact on how an entity can use individuals' information. The implications of the reforms for the Group are not clear and will depend on the Australian Government's policy. The implementation of additional regulatory obligations regarding privacy may adversely affect the Group's Position.

Digital identity

The Australian Government is consulting on draft legislation and rules to establish a framework for digital identities. This framework enables the phased expansion of the Australian Government Digital ID system, sets up a system that could see Australians provided with greater choice in which accredited state and territory digital ID service providers they use to access Commonwealth services and appoints the ACCC as the initial digital ID regulator. Although the implications of this framework are not yet clear for the Group, the Group may need to adhere to certain Australian Government requirements if it wishes to become a provider of digital identity or to use digital identities as part of its onboarding process for customers. Such adherence could result in significant implementation and compliance costs, which may adversely affect the Group's Position.

Quality of financial advice regulation

The Australian Government released a report on the "quality of advice" in 2023. The report contains recommendations for reforming the regulatory framework for the provision of financial advice. These recommendations include broadening the scope of 'personal advice', introducing a requirement for personal advice to be 'good advice' and replacing the current duty of financial advisers to act in a client's best interests with a new statutory duty. The Australian Government accepted some of the review's recommendations and advises it will remove the 'safe harbour' from the current best interests duty. The removal of the safe harbour and, if implemented, the new framework, could place additional regulatory obligations on banks and may adversely affect the Group's Position.

Artificial intelligence regulation

The Australian Government commenced consultation on the regulation of AI in 2023. The implications of the consultation for the Group are not clear. They will depend on the policy

implemented by the Australian Government. The introduction of additional regulatory obligations relating to the use of AI may adversely affect the Group's Position.

Scams regulation

The Australian Government has indicated it will introduce mandatory industry codes of conduct to help prevent and detect scams and consult on the development of these industry codes in 2023. The ultimate form which this policy action will take is not known. The ACCC has separately authorized the ABA and its member banks to participate in discussions to develop an industry standard to prevent, detect, and disrupt scams affecting individual and small business customers. Although it is unclear whether this authorisation will result in an industry standard at all or, if it does, what impact this standard will have on the Group, it is possible that the Group will need to meet increased standards with respect to the identification, prevention and remediation of scam activity that concerns its customers. This may include standards or expectations concerning when the Group will be liable to reimburse or compensate customers for losses arising from scam activity. Any failure to meet these standards or expectations may adversely affect the Group's Position.

Unfair trading practices

The Australian Government released consultation on policy options to address unfair trading practices in the Australian consumer law in August 2023. The Australian Government states that unfair trading practices are particular types of commercial conduct that are not covered by existing provisions of Australia's consumer laws but which nevertheless can result in significant consumer and small business harm. The consultation proposes four options, which include amending the statutory prohibition against unconscionable conduct, introducing a general prohibition on unfair trading practices and introducing a combination of general and specific prohibitions on unfair trading practices. While the Australian consumer law does not apply to ASIC-regulated financial products of the kind offered by the Group, the consultation paper notes that a separate regulation impact assessment process will consider the extension of reform to ASIC-regulated financial services in 2024. Although it is not clear which option the Government will adopt for the Australian consumer law, and how, if at all, this will be carried across to ASIC-regulated financial services, there is a risk that the Group would face increased compliance costs in meeting any new law which prohibited unfair trading practices. In the event of contravention of such a law, the Group may face penalties. Any such increased costs or contraventions may adversely affect the Group's Position.

New Zealand regulation

The New Zealand Government and regulatory authorities have proposed and have implemented significant legislative and regulatory changes for New Zealand financial institutions. These changes include the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), conduct regulations for financial institutions, a climate related financial risk disclosure regime, the replacement of the existing prudential supervision regime for banks with a deposit takers regime, including a depositor compensation scheme, changes to the consumer credit contract regime and a consumer data right. 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 Australian inquiries

There are other inquiries and interventions into Australia's financial sector. In 2022-23, these included four separate Parliamentary inquiries into 'the cost of living', 'promoting economic dynamism, competition and business formation', a 'review of Australia's four major banks' and 'bank closures in regional Australia'. These inquiries are wide ranging and could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position, including through taxes and levies. For example, based on the conduct of these inquiries to date, the inquiry concerning bank closures in regional Australia could recommend that the Australian Government impose standards on banks concerning their presence in regional and rural areas while the major banks inquiry could recommend that

the Australian Government impose standards on banks concerning scams. However, even if there are recommendations from these inquiries, it is not clear if the Australian Government would adopt those recommendations.

Other Australian regulation

The Australian Government finalised a regional banking taskforce in 2022 which assessed the impact of bank branch closures on regional communities. Banks are in the process of implementing the taskforce's recommendations, including by adding new requirements to the ABA's "Branch Closure Protocol", which will apply to the Group when branches are closed.

Finally the Australian Government has announced that it will ban the use of credit cards for online wagering. This will occur by using bank identification numbers to identify and block credit card payments. The impact of this work on the Group is not 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*".

Regulator powers and penalties

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's directions powers. The Australian Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act significantly increased the sanctions applicable to the contravention of a range of corporate and financial sector obligations. Maximum fines and civil penalties for breaches of the Competition and Consumer Act (including the Australian consumer law) have increased and a civil penalty regime introduced for unfair contract terms. This includes increasing the maximum pecuniary penalty for corporations where relevant from 10% of a corporation's annual turnover to 30% of adjusted turnover over the period the breach occurred. The imposition of such penalties on the Group may adversely affect the Group's Position.

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 30 September 2023 in respect of the matters outlined in Note 32 of the 2023 Financial Statements. Note 32 includes, among other things, the following matters:

- regulatory and customer exposures;
- South African rate action;
- capital raising action;
- Esanda dealer car loan litigation;
- OnePath superannuation litigation;
- New Zealand loan information litigation;
- Credit cards litigation;
- the Royal Commission;
- security recovery actions; and
- warranties, indemnities and performance management fees.

The Group regularly engages with its regulators in relation to regulatory investigations, surveillance and reviews, reportable situations, civil enforcement actions (whether by court action or otherwise), formal and informal inquiries and regulatory supervisory activities in

Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, include or have included in recent years a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, privacy obligations and information security, business continuity management, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain. There is however 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, increased transparency around the outcomes of compliance issues at financial institutions domestically and globally together with related fines and settlement sums mean that these risks continue to be an area of focus for the Group.

The Australian Government began a consultation process on potential reforms to the AML and CTF regulatory regime in 2023. The consultation has two parts: the simplification and modernisation of the regime; and the implementation of 'Tranche II' reforms to extend the regime to certain 'high-risk' professions, including lawyers, accountants, trust and company service providers, real estate agents and dealers in precious metals and stones. The impact of this development on the Group is not yet clear. The reform process could lead to new regulatory requirements, which may adversely affect the Group's Position.

The New Zealand Government has also recently undertaken a review of its Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("**AML/CFT Act**"), with a report tabled in New Zealand's parliament by the Minister of Justice in November 2022 outlining more than two hundred potential areas for law reform (ranging from minor clarifications to existing requirements and definitions to new obligations imposed on reporting entities). Several of the proposed recommendations have been accepted and introduced in an early package of reform through newly issued regulations, with the first tranche of regulations being introduced in July 2023 (largely definitional changes and clarifications). The second and third tranches of regulation are being introduced in June 2024 and June 2025 respectively and will make changes to various existing obligations (including customer due diligence, enhanced due diligence, and ongoing due diligence requirements) as well as introducing new obligations. It is anticipated that further reform will be made via amendments to the primary AML/CFT Act in due course, following further public consultation on areas identified through the review that have not been introduced via regulations. The timing for any further legislative change is currently unknown. Although there is no clear view of the outcome of the reforms at this stage, the reform process could lead to new regulatory requirements being imposed on the Group, which may adversely affect the Group's Position.

Due to the Ukraine conflict, there are currently a large number of sanctions applied to Russia, and other countries, by regulators around the globe. Whilst many governments across the United States, Europe and Australia agree in relation to sanctions targets, the nuances and specific restrictions are not fully aligned. Companies 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 whilst the conflict persists.

In Australia, in recent years, there has been an increase in action taken by AML/CTF regulators against 'Reporting Entities'. A 'Reporting Entity' is a legal entity that provides at least one 'designated service' to a customer, such as opening a bank account or providing a loan. Since 2017, the Australian Transaction Reports and Analysis Centre ("**AUSTRAC**") has taken three public enforcement actions (resulting in fines and other penalties) against major banks in Australia, as well as actions against a number of other banks, casinos and other Reporting Entities, using its various regulatory powers including appointment of auditors and infringement notices.

In New Zealand, the RBNZ has stated that its appetite for taking formal enforcement action for breaches of the New Zealand AML and CTF legislation has increased. The propensity for other regulators (including in Asia and the Pacific) to take action for non-compliance with AML/CTF laws has also increased.

Close monitoring of the different levels and types of financial crimes continues across the Group. Scams continue to be pervasive and evolve quickly and to the extent that new risks emerge, there is a continuing risk that the management of alerts for potential money laundering or terrorism financing activities may be impacted.

The risk of non-compliance with AML/CTF and sanction laws remains high given the scale and complexity of the Group and the lack of clarity around some mandatory reporting requirements. Emerging technologies, such as those provided by virtual asset service providers (e.g. digital currency exchanges and wallet providers) as well as increasingly complex remittance arrangements via fintechs and other disruptors, may limit the Group's ability to track the movement of funds, develop relevant transaction monitoring, and meet reporting obligations. 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 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 from 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 European Central Bank, the Bank of England and 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 some jurisdictions, currency policy is used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in interest rates and monetary policy are difficult to predict and may adversely affect the Group's Position. Refer to risk factor 5 "*Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position*" and risk factor 10 "*Credit risk may adversely affect the Group's Position*".

20. Ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information (“AEOI”) obligations imposed by global customer tax transparency regimes may adversely affect the Group’s Position

There continues to be mandatory and substantial changes to, and increasing regulatory focus on, compliance by all global Financial Institutions (“**FIs**”), including the Group, with global customer tax transparency regimes, under the Foreign Account Tax Compliance Act (“**FATCA**”), the Organisation for Economic Co-operation and Development’s (“**OECD’s**”) Common Reporting Standard (“**CRS**”) and similar anti-tax avoidance regimes. This includes global regulatory movement to enforcement and penalty activities and increasing regulatory implementation of additional compliance framework requirements, compliance assessment requirements, questionnaires, onsite financial institution audits, evidentiary requirements, detailed rules and frameworks to close down circumventions and deter, detect and penalise non-compliance. The ongoing OECD government level peer reviews and IRS and regulatory FI compliance review/audit requirements increase scrutiny and therefore unplanned workload of FIs globally. Each country of CRS adoption is being pushed by the OECD to ensure its penalty regime is sufficient to deter and penalise non-compliance.

As the Group is an in scope FI operating in a globally interlinked operating environment, the highly complex and rigid nature of the obligations under each country’s varied implementation of these regimes present heightened operational and compliance risks for the Group. As international regulatory compliance frameworks mature and regulators shift focus to enforcement (which may include financial penalties and other more general tax risk framework implications), this may result in significant penalty provision requirements and reputational damage in the event of failures. Accordingly compliance with global customer tax transparency regimes is a key area of focus and major cost for the Group.

Under FATCA and other relevant U.S. Treasury Regulations, the Group could be subject to:

- a 30% withholding tax on certain amounts (including amounts payable to customers), and be required to provide certain information to upstream payers, as well as other adverse consequences, if the ongoing detailed obligations are not adequately met; and
- broader compliance issues, significant withholding exposure, competitive disadvantage and other operational impacts if the FATCA Intergovernmental Agreements between the United States and the applicable jurisdictions in which the Group operates cease to be in effect.

Under the CRS, the Group:

- faces challenges in developing countries where the Group has operations, such as the Pacific region. The local regulators in these countries are generally assisted by a ‘partner’ country. The introduction of standards and evidentiary requirements continue to be challenging to implement and adhere to;
- must deal with substantial ongoing country specific variations in local law and regulatory implementation, with significant broader ‘justified trust’ ramifications and penalties for non-collection or failed reporting in respect of prescribed customer information;
- is under increasingly stringent regulatory scrutiny and measures as regulators turn their focus to the effectiveness of FI implementation. This tightening of regulatory focus, at a varying pace in each country, can lead to a significant negative experience for affected customers (including unilateral account blocking and closure, underlying client issues resulting from same and potential direct customer penalties), which may adversely affect the Group’s Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage and loss of business;
- faces poor customer outcomes with customers who may feel aggrieved as a result of blocking and closure impacts including increased potential exposure to legal and third party liability. This may be particularly the case if the Group has not communicated the regulatory issue clearly to a customer or has blocked or closed the account incorrectly (for example, due to a data or process error); and

- continues to deal with the substantial implementation challenges associated with the complex requirements relating to intermediaries, which may increase the risk of regulatory ramifications.

The scale and complexity of the Group means that the risk of non-compliance with FATCA, CRS and other tax reporting regimes is high. The loss of key resources and critical subject matter expertise, combined with the challenge of finding qualified replacements, increases the risk of non-compliance with these obligations. A failure to successfully operate the implemented processes or to identify and implement all obligations could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

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

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 jurisdictions. 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 affect 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 non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people, and systems, but excludes strategic risk.

Operational risk categories under the Group's risk taxonomy include:

- financial crime (the risk of money laundering, sanctions violations, bribery and corruption, and "Know-Your-Customer" failure). See risk factor 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*";
- internal fraud (fraud attempted or perpetrated by an internal party (or parties) against the organisation);
- external fraud (fraud attempted or perpetrated against the organisation by an external party (that is, a party without a direct relationship to the Group (excluding customers)) without involvement of an employee);
- business continuity (failure of the business continuity management framework);
- physical safety (the risk of damage to the Group's physical assets, client assets, or

public assets for which the Group is liable, and (criminal) injury to the Group's employees or affiliates);

- people (the risk of breaching employment legislation, mismanaging employee relations and failing to ensure a safe working environment);
- transaction processing and execution (failure to process, manage and execute transactions and other processes correctly and appropriately);
- technology (the risk associated with the failure or outage of systems, including hardware, software and networks). See risk factor 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"*;
- conduct (the risk of loss or damage arising from the failure of the Group, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in conducting the Group's business activities). See risk factor 25 *"Conduct risk events may adversely affect the Group's Position"*;
- legal (the risk of execution errors in legal procedures and processes);
- regulatory risk (failure to comply with any legal or regulatory obligations that are not captured through other mentioned risks). See risk factor 16 *"Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position"*;
- third party (the risk of failing to manage third party relationship and risks appropriately, for example, not taking reasonable steps to identify and mitigate additional operational risks resulting from the outsourcing of services or functions);
- information security including cyber (the risk of information security incidents, including the loss, theft or misuse of data/information — this covers all types of data, and can include the failure to comply with rules concerning information security). See risk factor 27 *"Risks associated with information security, including cyber-attacks, may adversely affect the Group's Position"*;
- data (the risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data and the Group's proprietary data (includes privacy)). See risk factor 28 *"Data management risks may adversely affect the Group's Position"*;
- model (the risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model). See risk factor 29 *"Modelling risks may adversely affect the Group's Position"*; and
- statutory reporting and tax (the risk of failing to meet statutory reporting and tax payments/filing requirements). Statutory reporting includes all external reporting that the Group is obliged to perform (e.g. regulatory reporting, financial reporting).

Loss from operational risk events may adversely affect the Group's Position. Such losses can include fines, penalties, imposts (including capital imposts), loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputation loss, loss of life or injury to people, and loss of property and information.

Operational Risk can arise from a number of causes, such as change risk events (for example, a failure to deliver a change or risks resulting from change initiatives), and have a number of different impacts, including reputational impacts (see risk factor 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"*).

Pursuant to APRA and RBNZ requirements, the Group and ANZ New Zealand Group must also maintain "operational risk capital" reserves in the event future operational events

occur.

Most major offices have returned to a blended/hybrid working environment, including adapting to remote working arrangements since the COVID-19 pandemic. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability. Whilst business continuity plans have been well tested and refined during the pandemic, impact to system/service availability still has the ability to impact the Group's Position from a reputational, financial and compliance perspective.

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

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.

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 and 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 suffer reputational damage where one of its practices fails to meet community expectations. Community expectations are continually changing and evolving. If expectations exceed the standard required 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. The Group's reputation may be adversely affected by community perception of the broader financial services industry, particularly in an environment of rising interest rates. Reputational damage may arise from the Group's failure to effectively manage risks, enforcement or supervisory action by regulators, adverse findings from regulatory reviews and failure or perceived failure to adequately respond to community, environmental and ethical issues. From time to time the Group may be subjected to heightened public scrutiny and potential reputational damage as a result of the actions of activist shareholders. Areas which have attracted investor activism in Australia primarily relate to environmental and social issues and include concerns about the actions of the Group itself or parties that the Group finances.

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 of obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- failure to comply with disclosure obligations;
- failure to properly manage risk (e.g. credit, market, operational or compliance);
- market manipulation or anti-competitive behaviour;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks.

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

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

Conduct risk is 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 advice;
- a failure to appropriately avoid or manage conflicts of interest;
- inadequate management of complaints or remediation processes;
- a failure to respect and comply with duties to customers in financial hardship; and
- unauthorised trading activities in financial markets, in breach of the Group's policies and standards.

There has been an increasing regulatory and community focus on conduct risk, including in Australia and New Zealand. Financial pressure has increased for customers with the rising cost-of-living and reduction in disposable income creating pressure on affordability. This may impact both the ability to lend to customers, the extent to which forbearance may need to be offered to those already struggling. It is expected to increase the number of customers that may fall into financial difficulty, and therefore increase the need for the Group to provide enhanced support. As this occurs, it is likely to have the greatest impact on customers in challenging financial circumstances. This is an evolving situation. The Group will need to continue to address the increased demand for forbearance and provide

appropriate tailored solutions to address complex customer needs to help mitigate the risk of customer harm.

Where a conduct risk event occurs, the Group has a centralised team responsible for customer remediation programs, including addressing conduct issues identified in Group reviews. Conduct risk events may not only negatively impact customers and market integrity, but may expose the Group to regulatory actions, restrictions or conditions on banking licenses and reputational consequences that may adversely affect the Group's Position. Remediation programs may not be implemented appropriately or may lead to further remediation work being required, resulting in litigation, regulatory action and increasing cost to the Group, 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 customers' banking needs. In a digital world, customer's expectations of "always on" "24/7" banking services necessitates highly available and resilient IT systems.

The Group has an ongoing obligation to maintain its IT systems and to identify, assess and respond to risk exposures associated with these systems, including IT asset lifecycle, IT asset project delivery, technology resilience, technology security, use of third parties, data retention and restoration and business rules and automation. Inadequate responses to these risk exposures could lead to unstable or insecure systems, which could adversely impact customers, increase the Group's costs, and result in non-compliance with regulatory requirements, any of which may adversely affect the Group's Position.

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

The Group must implement and integrate new IT systems, most notably cloud, data and automation technologies, into the existing technology landscape to ensure that the Group's technology environment is cost-effective and can support evolving customer requirements. Inadequate implementation and integration of these systems, or improper operation and management, including of their vendors and the supply chain, may adversely affect the Group's Position.

This risk factor should be read in conjunction with risk factor 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 IT 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.

Information security risks for the Group have increased significantly in recent years in part because of the proliferation of new technologies, such as the internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists, nation-states, activists and other external parties. Cyber threats, such as advanced persistent threats, distributed denial of service, malware and ransomware, are continuously evolving, becoming more sophisticated and increasing in volume. As cyber threats evolve, the Group expects to adapt to modify or enhance layers of defense or to investigate and remediate any information security vulnerabilities. System enhancements and updates may create risks associated with implementing new systems and integrating them with existing ones.

Following the COVID-19 pandemic, hybrid working has increased the number of staff working in flexible arrangements, which may increase information security risks to the Group. Cyber criminals may attempt to take advantage through pursuing exploits in end point security, spreading malware, and increasing phishing attempts. Furthermore, these risks may be further exacerbated by geopolitical risks.

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

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

Environmental, social and governance risks

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

The Group and its customers are exposed to environmental, social and governance risks, including climate related events, geological events (such as volcanic or seismic activity or tsunamis), biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss ("**Biodiversity Loss**"), plant, animal and human diseases or pandemics 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 may include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The impact of these events may be widespread through second order impacts. For example, the economic impacts of a drought may extend beyond primary producers to other customers of the Group, including suppliers to the agricultural sector, and to those who reside in, and operate businesses within, affected communities. As a result, the Group may be exposed to climate-related events directly, and through the impact of these events on its customers (Refer to Risk Factor 32 "*Risks associated with lending to customers that could be directly or indirectly impacted by climate risk may adversely affect the Group's Position*").

Biodiversity Loss is an emerging risk that the Group is seeking to understand further. Biodiversity risks are closely linked to climate related risks. Biodiversity risks can arise from lending to customers that are dependent on nature including biodiversity or whose actions may have negative impacts on nature. These risks can also arise from legal and regulatory changes, which impact the Group directly or indirectly through the Group's customers. Failure to manage these risks may lead to financial and non-financial risks and may adversely affect the Group's Position.

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

Laws and regulations relating to climate change, biodiversity, human rights, or other environmental, social or governance risks, as well as the perspectives of shareholders, employees and stakeholders, may affect whether and on what terms and conditions the Group engages in certain activities or offers certain products. Depending on their frequency and severity, these risks may interrupt or restrict the provision of services such as the Group branch or business centres or other Group services. They 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 important part of the Group's activities. It includes the identification, measurement, monitoring and mitigation of the Group's risk and reporting on the Group's risk profile and effectiveness of identified controls. There is no assurance that the Group's risk management framework will be effective. This includes effectiveness in relation to existing risks and new and emerging risks that the Group may not anticipate or identify in a timely manner and 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 connected to the establishment and maintenance of a sound risk management culture, 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. Such efforts may not insulate the Group from exposure to risks and no assurance is 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.

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

Climate risks may affect the ability of customers to repay debt, result in an increased probability of default, result in 'stranded assets', and impact the amount the Group is able to recover due to the value or liquidity of collateral held as security being impaired. Other recent examples of climate-related events in Australia that have impacted customer revenue include severe drought conditions, bushfires in 2019 and 2020, and severe flooding in 2021 and 2022. Similar events have occurred in New Zealand in recent years such as Cyclone Gabrielle in February 2023.

The Group may also face legal proceedings and suffer reputational damage if it acts inconsistently with public commitments or stakeholder expectations. These may adversely affect the Group's Position.

Risks associated with climate change are subject to increasing regulatory, political and societal focus.

Further embedding climate change risk into the Group's risk management framework in line with APRA's expectations and adapting the Group's operation and business strategy to address the risks and opportunities posed by climate change and the transition to a low carbon economy, could have a significant impact on the Group.

Responsibility statement of the Directors of ANZBGL in accordance with Rule 4.1.12 (3)(b) of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority

The Directors of Australia and New Zealand Banking Group Limited confirm to the best of their knowledge that:

ANZBGL's 2023 Annual Financial Report (as defined on page 1 of this DTR Annual Financial Report submission) includes:

- (i) a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole; together with
- (ii) a description of the principal risks and uncertainties faced by the Group.

Signed in accordance with a resolution of the Directors.



Paul D O'Sullivan
Chairman



Shayne C Elliott
Managing Director

10 November 2023