4 May 2022

DISCLOSURE AND TRANSPARENCY RULES – HALF-YEARLY FINANCIAL REPORT SUBMISSION

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

The following attached documents constitute ANZ's 2022 Half-Yearly Financial Report for the purposes of the disclosure requirements of DTR 4.2:

- The Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements for the half year ended 31 March 2022, Directors' Report (including matters included by reference) and Directors' Declaration (as set out on pages 76 to 117 of ANZ's Half Year 31 March 2022 Consolidated Financial Report, Dividend Announcement and Appendix 4D);

- A description of the principal risks and uncertainties for the remaining six months of the financial year provided in accordance with DTR 4.2.7 R (2); and

- A responsibility statement of the Directors of ANZBGL provided in accordance with DTR 4.2.10 R (3)(b).

ANZ’s Half Year 31 March 2022 Consolidated Financial Report, Dividend Announcement and Appendix 4D

This document was separately lodged by ANZBGL with the applicable stock exchanges, including the London Stock Exchange and the Australian Securities Exchange on 4 May 2022.

Principal risks and uncertainties faced by the Group for the remaining six months of the financial year (DTR 4.2.7 R (2)) ("Principal Risks and Uncertainties")

Introduction

The Group's activities are subject to risks, including risks arising from the coronavirus ("COVID-19") pandemic, that can adversely impact its business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, the "Group's Position").

The risks and uncertainties described below are not the only ones that the Group may face. Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it.

If any of the specified or unspecified risks actually occur, the Group's Position may be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investments.

Risks related to the Issuer's business activities and industry

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

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

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

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

The conflict in Ukraine is ongoing and fluid, and is expected to have significant ramifications on the geopolitical and economic landscape, with commodity prices, in particular energy, food and metals, already impacted and the future impacts of the conflict remain uncertain. As a result of the conflict, the United States, the UK and EU announced broadly coordinated actions that collectively impose significant and wide-reaching economic sanctions and export controls relating to Russia – including the freezing of some of the Central Bank of Russia's foreign exchange reserves. Other jurisdictions, including Australia, New Zealand and Japan, have announced sanctions, export controls and similar restrictions focusing on some of the same targets and sectors. These sanctions are materially impacting the Russian and other economies and the international financial system. The extent and duration of the

conflict and any corresponding economic sanctions, export controls and similar restrictions and resulting market disruptions are difficult to predict. Though the Group does not operate in or does not currently have any direct exposure to Russia or Ukraine, the conflict has the potential to adversely impact the markets in which the Group does operate, and any prolonged market volatility or economic uncertainty could adversely impact the Group's Position.

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

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

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

Should economic conditions in markets in which the Group or its customers or counterparties operate deteriorate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Deterioration in global markets, including equity, property, currency and other asset markets, may impact the Group's customers and the security the Group holds against loans and other credit exposures, which may impact the Group's ability to recover loans and other credit exposures. Should any of these occur, the Group's Position could be materially adversely affected. Refer to risk factor 10 "Credit risk may adversely affect the Group's Position".

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

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

Despite the global rollout of vaccine programs, the COVID-19 pandemic continues to impact

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

Major disruptions to community health and economic activity continue to have wide ranging negative effects across most business sectors in Australia, New Zealand and globally. Ongoing COVID-19 related supply chain disruption and labour mobility constraints could result in a decline in profit margins, and could impact customer's cash flows, capital, liquidity and financing needs. This in turn has impacted demand for the Group's products and services and may result in further short and long-term deteriorations of the quality of the Group's credit portfolio. Many of the Group's borrowers may continue to be negatively impacted by the COVID-19 pandemic, resulting in an increased risk of credit loss, particularly in the following sectors: transportation; tourism and travel; entertainment; education; discretionary retail; and property segments. See Notes 1, 10 and 14 of the condensed consolidated financial statements for the half year ended 31 Mar 2022 as set out in the Group's Half Year 31 March 2022 Consolidated Financial Report, Dividend Announcement and Appendix 4D ("2022 Interim Financial Statements").

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

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

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

In addition, COVID-19 pandemic related geopolitical risk persists. Continuing tensions between countries, including between Australia and China, and policy uncertainty could result in further downturns to the domestic and global economies, which in turn could have a material adverse impact on the Group's Position or its ability to execute its strategic initiatives. Conduct risk may be heightened because of the blended/hybrid working model through its impact on employees' behaviour and/or the Group's systems and processes. The risk of customer harm will continue to be shaped by the economic and social impact of the pandemic. As the economy recovers, individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

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

treatments will be effective in curtailing the effects of the COVID-19 pandemic.

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

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

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

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

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

- entities that the Group competes with, including those outside of Australia and New Zealand, could be subject to lower levels of regulation and regulatory activity. This could allow them to offer more competitive products and services, because those lower levels of regulation may give them a lower cost base and/or the ability to attract employees that the Group would otherwise seek to employ;
- digital technologies and business models are changing customer behaviour and the competitive environment and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models in the financial services sector;
- existing companies from outside of the traditional financial services sector are directly competing with the Group by offering products and services traditionally provided by banks, including by obtaining banking licenses and/or by partnering with existing providers;
- consumers and businesses may choose to transact using, or to invest or store value in, new forms of currency (such as cryptocurrencies or central bank digital currencies) in relation to which the Group may choose not, or may not competitively be able, to provide financial services. For example, the Reserve Bank of Australia has announced that it is actively researching central bank digital currency, the effect of which, if adopted, on the Group's Position is uncertain. Any new form of currency could change how financial intermediation and markets operate and, with that, the competitive and commercial position of the Group; and
- Open Banking (as described below) may lead to increased competition (see risk factor 16 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position").

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

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

Economic disruptions could have a significant impact on competition and profitability in the

financial services sector over the medium term due to funding cost and provision increases, changes in interest rates, insufficient liquidity, implementation of business continuity plans, changes to business strategies and temporary regulatory safe harbours. The low-growth environment will likely lead to heightened competitive intensity and margin compression.

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

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

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

Since 2009, the world's major central banks have embarked upon unprecedented monetary policy stimulus. The resulting weight of funds searching for yield continues to be a significant driver underlying property markets in the Group's core property jurisdictions (Australia, New Zealand, Singapore and Hong Kong). However, although values for completed tenanted properties and residential house prices, particularly in metropolitan east coast Australian regions rose steadily until 2018, the fall in Australian house prices in 2018 was the largest since the global financial crisis. Since 2019, property prices in Australia have risen.

APRA is proposing the introduction of credit-based macroprudential measures in Australia, which would require ADIs to ensure they have the ability to limit growth in particular forms of lending (including commercial and residential property); moderate higher risk lending during periods of heightened systemic risk or meet particular lending standards, at levels determined by APRA; and ensure adequate reporting against limits is established. These changes to APRA's policy framework and the formalisation of the credit-based macroprudential policy measures prudential standard, may adversely affect the Group's Position. These proposals are described in risk factor 16 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position".

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

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

- Recent amendments to the Credit Contracts and Consumer Finance Act 2003, loan-to-value ratio restrictions and proposed debt serviceability restrictions may impact credit availability in New Zealand and demand for residential property.

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

Longer term, given a prolonged period of asset price inflation and record low interest rates, the Group's portfolio of commercial property loans may become more susceptible to a sudden and material increase in interest rates, which could cause a decline in interest

coverage ratios and asset values, which could increase refinance risk and necessitate equity contributions towards debt reduction.

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

Sovereign risk is the risk that governments will default on their debt obligations, be unable to refinance their debts as and when they fall due or nationalise parts of their economy. Sovereign defaults may adversely impact the Group directly, through adversely impacting the value of the Group's assets, or indirectly through destabilising global financial markets, thereby adversely impacting the Group's Position.

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

6. Market risk events may adversely affect the Group's Position

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the Group's trading operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded market risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations and non-traded equity risk. Losses arising from the occurrence of such market risk events may adversely affect the Group's Position.

7. Changes in exchange rates may adversely affect the Group's Position

As the Group conducts business in several different currencies, its businesses may be affected by movements in currency exchange rates. Additionally, as the Group's annual and interim reports are prepared and stated in Australian dollars, any change in the value of the Australian dollar against other currencies in which the Group earns revenues (particularly the New Zealand dollar and the U.S. dollar) or holds capital, may adversely affect the Group's reported earnings and/or capital ratios.

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

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

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

USD LIBOR should be entered into after that date.

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

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

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

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

9. Acquisitions and/or divestments may adversely affect the Group's Position

The Group regularly examines a range of corporate opportunities, including acquisitions and divestments, with a view to determining whether those opportunities will enhance the Group's strategic position and financial performance.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, technology platforms and management controls, as well as managing relevant

relationships with employees, customers, regulators, counterparties, suppliers and other business partners.

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

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

Risks related to the Issuer's financial situation

10. Credit risk may adversely affect the Group's Position

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties, including incurring credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. Credit losses can and have resulted in financial services organisations realising significant losses and, in some cases, failing altogether.

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

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

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

- industries impacted by the COVID-19 pandemic particularly those referred to in the risk factor 2 "The COVID-19 pandemic and future outbreaks of other communicable diseases or pandemics may materially and adversely affect the Group's Position";
- industries exposed to the unwinding of government stimulus packages and/or timing of the opening of borders (both domestic and international) as well as industries reliant on consumer discretionary spending;
- industries that are heavily exposed to fuel supply shortages and associated rising costs including aviation, road transport & shipping and agriculture, particularly given the

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conflict in Russia and Ukraine and the associated impact on oil and gas prices;

- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g. technology, agriculture and communications, financial institutions and/or declining global growth and disruption to global supply chains which include but are not limited to retail, wholesale, automotive, manufacturing and packaging;
- the commercial property sector (including construction and contractors) which is exposed to a decline in investor demand for large scale inner city apartment buildings and a material decline in net migration. In some markets, commercial contractors and sub-contractors may face cash flow/liquidity issues over the next 12-24 months as current projects run off and their forward books are diminished. The residential development sector is experiencing supply chain issues, increased costs and labour mobility issues. Earnings for hotel accommodation and certain retail sectors are still being impacted by reduced mobility and the extent of longer-term implications for some offices remains uncertain due to the shift to remote working arrangements;
- customers and industries exposed to disruption from physical climate risk (e.g. bushfires, floods, storms and drought), and transition risk (e.g. industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on climate-related risks, see risk factor 30 "Impact of future climate events, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"; and
- industries exposed to the volatility of the U.S. Dollar as well as the Australian Dollar and New Zealand Dollar.

The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which may result in credit losses. Should material credit losses occur to the Group's credit exposures, this may adversely affect the Group's Position.

Credit risk may also arise from certain derivative, clearing and settlement contracts that the Group enters into, and from the Group's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies where the financial conditions of such entities are affected by economic conditions in global financial markets.

In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, the Group relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. The Group may also rely on representations of customers and independent consultants as to the accuracy and completeness of that information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is incomplete, inaccurate or materially misleading.

The Group holds provisions for credit impairment that are determined based on current information and subjective and complex judgements of the impairment within the Group's lending portfolio. If the information upon which the assessment is made proves to be inaccurate or if the Group fails to analyse the information correctly, the provisions made for credit impairment may be insufficient, which may adversely affect the Group's Position.

11. Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's Position

The Group's capital base is critical to the management of its businesses and access to funding. Prudential regulators of the Group include, but are not limited to, APRA, the RBNZ and various regulators in the United States, the UK and the countries in the Asia Pacific region. The Group is required by its primary regulator, APRA and the RBNZ for the ANZ Bank New Zealand Limited ("ANZ New Zealand", and, together with its subsidiaries, the "ANZ New Zealand Group") to maintain adequate regulatory capital.

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

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

APRA and the RBNZ have implemented prudential standards to accommodate Basel 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 can be no assurance that these regulations have had or will have their intended effect. These regulations, together with risks arising from any regulatory changes such as from APRA's 'unquestionably strong' requirements, the requirements of the Basel Committee on Banking Supervision, the RBNZ's reform of capital requirements and the RBNZ's amendments to ANZ New Zealand's Conditions of Registration in response to the COVID-19 pandemic, are described in risk factor 16 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position". Any inability of the Group to maintain its regulatory capital may have a material adverse effect on the Group's Position.

12. The Group's credit ratings could change and adversely affect the Group's ability to raise capital and wholesale funding and constrain the volume of new lending, which may adversely affect the Group's Position

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. They may also be important to customers or counterparties when evaluating the Group's products and services. Credit ratings and rating outlooks may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies used by ratings agencies to determine credit ratings and rating outlooks may be revised in response to legal or regulatory changes, market developments or for any other reason.

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

Any future downgrade or potential downgrade to the Group's credit ratings or rating outlooks may reduce access to capital and wholesale debt markets and could lead to an increase in funding costs, which could constrain the volume of new lending and affect the willingness of counterparties to transact with the Group which may adversely affect the Group's Position.

Credit ratings are not a recommendation by the relevant rating agency to invest in

securities offered by the Group.

13. Liquidity and funding risk events may adversely affect the Group's Position

Liquidity and funding risk is the risk that the Group is unable to meet its payment obligations as they fall due (including repaying depositors or maturing wholesale debt) or that the Group has insufficient capacity to fund increases in assets. Liquidity and funding risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of the Group's borrowings and constrain the volume of new lending which may adversely affect the Group's Position.

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

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

14. Changes in the valuation of some of the Group's assets and liabilities may adversely affect the Group's earnings and/or equity, and therefore the Group's Position

The Group applies accounting standards, which require that various financial instruments, including derivative instruments, assets and liabilities classified as fair value through other comprehensive income, and certain other assets and liabilities (as per Note 15 of the 2022 Interim Financial Statements) are measured at fair value with changes in fair value recognised in earnings or equity.

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

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

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

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

15. Changes to accounting policies may adversely affect the Group's Position

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

The impact of new accounting standards effective for the first time in the Group's 2022 fiscal year is outlined in Note 1 of the 2022 Interim Financial Statements.

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

Legal and regulatory risk

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

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

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

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

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

Developments in prudential regulation continue to impact the Group in a material way. At any given time, there are a number of items that are open for consultation with APRA and the RBNZ and therefore the potential impact of regulatory developments on the Group is

inherently uncertain. Further changes to APRA's or the RBNZ's prudential standards could increase the level of regulatory capital that the Group is required to maintain, restrict the Group's flexibility, require it to incur substantial costs and/or impact the profitability of one or more business lines any of which may adversely affect the Group's Position. Particular points include the following.

Prudential Developments

- In November 2021, APRA released their final requirements in relation to capital adequacy and credit risk capital requirements for ADIs with an implementation date of 1 January 2023. This follows the consultation process that began in December 2020 when APRA released a consultation paper regarding proposed changes to the capital framework for ADIs aimed at having ADI's achieve 'unquestionably strong' capital holding levels, improving the flexibility of the capital adequacy framework, and improving the transparency of ADI capital strength. Key aspects of ARPA's final requirements are:
    - Increased alignment with internationally agreed Basel standards for non-residential mortgages exposures;
    - Implementing more risk-sensitive risk weightings for residential mortgage lending;
    - Introduction of the Basel II capital floor that limits the risk weighted asset ("RWA") outcome for Internal Ratings-Based ("IRB") ADIs to no less than 72.5% of the RWA outcome under the standardised approach;
    - Improving the flexibility of the capital framework through the introduction of a default level of the countercyclical capital buffer ("CCyB") and increasing the capital conservation buffer ("CCB") for IRB ADIs;
    - Improving the transparency and comparability of ADIs' capital ratios, including by requiring IRB ADIs to also publish their capital ratios under the standardised approach; and
    - Implementing a Minimum Leverage Ratio for IRB ADIs at 3.5%.

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

- In November 2021, APRA released an information paper setting out its framework for macroprudential policy. To support the implementation of the framework, APRA is also consulting on steps to formalise and embed credit-based macroprudential policy measures within its prudential standards, within a new attachment to Prudential Standard APS 220 Credit Risk Management ("APS 220"). APRA's objective is to strengthen the transparency, implementation and enforceability of macroprudential policy. The proposed updates to APS 220 include a set of credit-based macroprudential measures that could be used to address systemic risks if needed. The proposed updates to APS 220 include two main types of credit-based macroprudential measures: lending limits (the purpose of temporary lending limits would be to moderate any excessive growth in higher-risk lending during periods of heightened systemic risks); and lending standards, whereby APRA may also set minimum requirements for lending standards, including measures such as the serviceability buffer for residential mortgages. See risk factor 4 "Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position".

- Additionally, APRA is consulting on revisions to a number of prudential standards relating to market risk, being Interest Rate Risk in the Banking Book ("IRRBB"), Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalized by APRA, the aggregate final outcome from all changes to APRA's prudential standards relating to

their review of ADIs 'unquestionably strong' capital framework remains uncertain.

- In July 2019, APRA announced its decision on loss-absorbing capacity pursuant to which it will require Australian D-SIBs, including ANZBGL, to increase their total capital by 3% of RWA by January 2024. On 2 December 2021, APRA announced that it has finalised its loss-absorbing capacity requirements and stated that it will require Australian D-SIBs to increase their total capital by a further 1.5% of RWA by January 2026. Inclusive of the previously announced interim increase of 3%, this will result in a total increase to the minimum total capital requirement of 4.5% of RWA. APRA expects the requirement to be satisfied predominantly with additional Tier 2 capital with an equivalent decrease in other senior funding. The amount of the additional total capital requirement will be based on ANZ's actual RWA as at January 2026, including the final impact of the revisions to APRA's capital framework announced on 29 November 2021. APRA noted "Given changes to RWA from the ADI capital reforms, the lower end of the range in dollar terms broadly equates to a requirement of 4.5 percentage points of RWA under the new capital framework, in place from 2023".
- The RBNZ has released new capital adequacy requirements for New Zealand banks, which are set out in the Banking Prudential Requirements ("BPR") documents, and are being implemented in stages during a transition period from October 2021 to July 2028. The net impact on the Group is expected to be an increase in CET1 capital of approximately A$1.0 to A$1.5 billion between 31 March 2022 and the end of the transition period in 2028 (based on the Group's 31 March 2022 balance sheet). This amount could vary over time subject to changes to the capital position in ANZ New Zealand (e.g. from RWA growth, management buffer requirements, potential dividend payments).
- Additionally, under changes outlined in the BPR documents, from 1 January 2022 there will be an annual 12.5% reduction in the maximum regulatory capital recognition of ANZ New Zealand's total Additional Tier 1 capital instruments that were outstanding at 30 September 2021.
- In March 2021, the RBNZ announced that its restrictions on dividends put in place in April 2020 would be eased. The updated restrictions allow ANZ New Zealand to pay up to 50% of its earnings as dividends to its shareholder. This restriction will remain in place until 1 July 2022, at which point the RBNZ intends to remove the restrictions completely, subject to no significant worsening in economic conditions. Further, in March 2021, the RBNZ announced that it would remove the restrictions on redemption of non-CET1 capital instruments.

ASIC's Regulatory Priorities

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

Competition Laws, Regulations and Inquiries

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

Product Laws, Regulations and Inquiries

There remains a strong focus on the suitability of products offered by financial services providers, including the Group. Regulatory policy development and monitoring of responsible consumer lending has increased significantly, and continues to drive the review of, and changes to, business practices. If any additional changes in law, regulation or policy are implemented, as a result of the development and monitoring of responsible consumer lending, such changes may impact the manner in which the Group provides consumer lending services in the future that may in some respects adversely affect the Group's operations in this area and consequently, the Group's Position. ASIC published updated regulatory guidance on responsible lending laws in December 2019. In December 2020, the Australian Government introduced a bill to make changes to Australia's credit framework, including changes to the responsible lending obligations for ADIs, where APRA will continue to regulate ADIs in relation to existing standards, while ASIC will regulate non ADIs in relation to new standards. Laws for stricter anti-hawking prohibitions in relation to financial products and a deferred sales model for add on insurance have been passed. The design and distribution obligation legislation, which came into effect in Australia on 5 October 2021, require product issuers and distributors to, among other things, identify appropriate target markets for financial and credit products and distribute those products so that they likely reach the relevant target market. There are significant penalties for non-compliance and such legislation could impact the Group's ability to issue and market financial products in the future. Increased compliance costs resulting from financial product distribution requirements may adversely impact the Group's Position.

Increasing Regulatory Powers, Corporate Penalties and Funding for Regulators

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

Senior Executive Accountability Laws and Regulations

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

Potential risks to the Group from the BEAR legislation and the FAR include the risk of penalties and the risk to the Group's ability to attract and retain high-quality directors and senior executives.

Royal Commission's compensation scheme of last resort

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

Other government or regulatory interventions in the financial sector

There are various Australian Government, Parliamentary and regulator led inquiries and interventions into Australia's financial sector. These inquiries are wide ranging and could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position, including through taxes and levies. Scrutiny of banks continues following the commencement by the Australian Transaction Reports and Analysis Centre ("AUSTRAC") (the Australian Government financial intelligence agency set up to monitor financial transactions to identify money laundering, organised crime, tax evasion, and terrorism financing) of civil penalty proceedings in 2017 and 2019 against two major Australian banks relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth). The Australian Parliament's Joint Standing Committee on Trade and Investment Growth has conducted an inquiry into the prudential regulation of investment in Australia's export industries. The terms of reference focused on prudential standards and practices across banking, insurance and superannuation and how these were impacting businesses and the rural, regional and national economies. The Australian Senate Select Committee on Australia ("ASCC") as a Technology and Financial Centre has released its final report from an inquiry into a range of issues concerning technology and Australian financial services, including the 'debanking' of fintechs by Australian banks. The Australian Government has also released a policy paper concerning 'Transforming Australia's Payment System' that responds, in part, to the ASCC's report (see "Payments Policy" below). The Australian Government has also established a regional banking taskforce to assess the impact of bank branch closures on regional communities. The impact of these areas of work on ANZBGL, if any, is not yet clear. See also risk factor 18 "Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position".

Industry self-regulation

There is continued focus on industry best practice guidance and standards impacting retail and small business banking. Changes to self-regulatory instruments, including industry codes and practice guidelines, has required Group resources to implement and monitor compliance. An independent review of the Australian Banking Code ("Code") concluded in December 2021 with a report that made 116 recommendations, including for a new enforceable provision requiring banks to have systems and mechanisms to ensure that all provisions in the Code are implemented. The Australian Banking Association and member banks will develop positions on the recommendations in the calendar year 2022. An updated Code will come into effect 6 months after ASIC's approval.

Open Banking Laws

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

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

In December 2021, the Australian Government agreed to the vast majority of the report's 100 recommendations. The implications for the Group of an expansion of CDR are not yet clear and will depend on the final form of the Government's policy.

Cyber Security and Critical infrastructure

In December 2021, the Security Legislation Amendment (Critical Infrastructure) Act 2021 came into effect. The Act extends the application of the Security of Critical Infrastructure Act 2008 to other sectors including the financial services and markets sector. It also introduces 'last resort' powers for the Australian Government to direct an entity to take a particular action and to authorise the Australian Signals Directorate to intervene against cyber attacks and registration and reporting requirements for critical infrastructure assets and cyber incidents. The Australian Government will consult on which critical infrastructure assets and cyber incidents must be registered and reported. The House of Representatives has passed the Security Legislation Amendment (Critical Infrastructure Protection) Bill 2022 introducing further reforms including positive security obligations for critical infrastructure assets (including a risk management program) to be delivered through sector-specific requirements, and enhanced cyber security obligations for systems of national significance. The Group is considering the impact of the changes as more detail is released.

Payments Policy

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

Privacy Act Review

The Australian Government is consulting on a draft bill to increase penalties and enforcement measures and to introduce a binding online privacy code to enhance privacy protections. As currently drafted the code would likely apply to online banking platforms. The Government is also consulting on an expansive set of potential reforms to the Privacy Act which would have a significant impact on how an entity can use an individual's information. The Group is considering the impact of the proposed changes as more detail is released.

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed, or have implemented, significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), proposed changes to RBNZ's mortgage lending standards, proposed conduct regulations for financial institutions under the Financial Markets (Conduct of Institutions) Amendment Bill, the replacement of the Reserve Bank of New Zealand Act 1989 and the enactment of the Credit Contracts Legislation Amendment

Act 2019 ("CCLA Act"). Such changes may adversely affect the ANZ New Zealand Group, potentially impacting its corporate structures, businesses, strategies, capital, liquidity, funding and profitability, cost structures, and the cost and access to credit for its customers and the wider economy. This in turn may adversely affect the Group's Position.

Other Offshore Developments

Other offshore regulatory developments include the discontinuation of LIBOR, the reform of certain other benchmark rates and the transition to alternative benchmark rates (as to which see risk factor 8 "The ongoing discontinuation of LIBOR and developments affecting other benchmark rates could have adverse consequences on the Group's securities issuances and its capital markets and investment activities" above).

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

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

Such failures may also result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the Group's litigation and contingent liabilities, see risk factor 17 "Litigation and contingent liabilities may adversely affect the Group's Position" and Note 20 of the 2022 Interim Financial Statements.

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

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

The Group had contingent liabilities as at 31 March 2022 in respect of the matters outlined in Note 20 of the 2022 Interim Financial Statements.

Note 20 includes, among other things, descriptions of:

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

- warranties, indemnities and performance management fees.

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

There is a risk that contingent liabilities may be larger than anticipated or that additional litigation, regulatory actions, legal or arbitration proceedings or other contingent liabilities may arise.

18. Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position

Anti-money laundering ("AML"), counter-terrorism financing ("CTF") and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates has heightened these operational and compliance risks. Furthermore, the increased transparency of the outcomes of compliance issues at financial institutions both domestically and globally and the related fines and settlement sums mean that these risks continue to be an area of focus for the Group.

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

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

In late 2019, AUSTRAC commenced civil penalty proceedings against a major Australian bank relating to alleged past reporting contraventions of the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006. In September 2020, an agreed statement of facts was filed in Federal Court resulting in a civil penalty of A$1.3 billion being imposed against the bank. This is the largest financial penalty imposed on a financial institution in Australia's history (almost twice the amount of the previous largest AUSTRAC

financial penalty) confirming AUSTRAC's continued efforts to penalise significant non-compliance with the AML/CTF regime. AUSTRAC has continued to use its regulatory powers toward Reporting Entities across its regulated populations with further civil action and other orders in place that the Group closely monitors.

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

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

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

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

19. Changes in monetary policies may adversely affect the Group's Position

Central monetary authorities (including the RBA, the RBNZ, the United States Federal Reserve, the Bank of England and the monetary authorities in the Asian jurisdictions in which the Group operates) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. In addition, in some jurisdictions, currency policy is also used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans.

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

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

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There have been mandatory and substantial changes to, and increasing regulatory focus on, compliance by all global Financial Institutions ("FIs"), including the Group, with global customer tax transparency regimes, including 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 enforcement and implementation of detailed rules and frameworks to close down circumventions and deter, detect and penalise non-compliance.

As an in scope FI, the Group operates in a globally interlinked operating environment. In this context, the highly complex and rigid nature of the obligations under the various regimes present heightened operational and compliance risks for the Group. Regulators around the world continue to mature their compliance framework and have a strong focus on enforcement of financial penalties, alongside other more general tax risk framework implications which may result in additional reputational damage in the event of failures. Accordingly, compliance with global customer tax transparency regimes continues to be a key area of focus for the Group.

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

Under FATCA and other U.S. Treasury Regulations, the Group could be subject to:

- a 30% withholding tax on certain amounts (including amounts payable to customers), and be required to provide certain information to upstream payers, as well as other adverse consequences, if the ongoing detailed obligations are not adequately met; and
- broader compliance issues, significant withholding exposure, competitive disadvantage and other operational impacts if the FATCA Intergovernmental Agreements between the United States and the applicable jurisdictions in which the Group operates cease to be in effect.

Under the CRS, the Group:

- faces challenges in developing countries where the Group has operations, such as the Pacific region. The local regulators in these countries are generally assisted by a 'partner' country which may introduce standards that can be challenging to implement;
- must deal with considerable country specific variations in local law and regulatory implementation, with significant boarder 'justified trust' ramifications and penalties for non-collection or failed reporting in respect of prescribed customer information; and
- along with other FIs, is under increasingly stringent regulatory scrutiny and measures as regulators have turned their focus from the initial establishment of the CRS to the effectiveness of FI implementation. This tightening of the regulatory focus can lead to significant negative experience for affected customers (including unilateral account blocking and closure, and potential direct customer penalties), may adversely affect the Group's Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage.

The scale and complexity of the Group, like other FIs, means that the risk of inadvertent non-compliance with the FATCA, CRS and other tax reporting regimes is high. In addition, the ongoing loss of key resources and subject matter expertise, combined with the subsequent challenges of finding sufficiently qualified replacements increases the risk of inadvertent non-compliance with the breadth and detail of the obligations. A failure to successfully operate the implemented processes or to implement all obligations could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

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

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

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

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

Internal control, operations and reputational risk

22. Operational risk events may adversely affect the Group's Position

Operational risk is the risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people, and/or systems, but excludes strategic risk.

Operational risk categories include but are not limited to:

- internal fraud (for example, involving employees or contractors);
- external fraud (for example, fraudulent loan applications or ATM skimming);
- employment practices, loss of key staff, inadequate workplace safety and failure to effectively implement employment policies;
- impacts on clients, products and business practices (for example, misuse of customer data or anti-competitive behaviour);
- business disruption (including systems failures);
- reputational risk (see risk factor 24 "Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the Group's brand and adversely affect the Group's Position");
- cyber risk (see risk factors 26 "Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position" and 27 "Risks associated with information security including cyber-attacks, may adversely affect the Group's Position");
- conduct and culture risks (see risk factor 25 "Conduct risk events may adversely affect the Group's Position");
- damage to physical assets;
- execution, delivery and process management (for example, processing errors or data management failures);
- financial crime (see risk factor 18 "Significant fines and sanctions in the event of

breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position"); and

- change risk events (for example, failure to deliver a change or risks resulting from change initiatives)

Loss from operational risk events may adversely affect the Group's Position. Such losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputation loss, loss of life or injury to people, and loss of property and/or information.

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

COVID-19 related challenges have resulted in a number of changes to how the Group undertakes its operations including adapting to remote working arrangements. Whilst most major offices have returned to a blended/hybrid working environment, the Group endeavours to follow the relevant government direction in terms of place of work, and any occupancy restrictions. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability.

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

23. Human Capital Risk, which relates to the inability to attract, develop, motivate and retain the Group's people to meet current and future business needs, could result in poor financial and customer outcomes and reduce the ability of the Group to deliver against customer and other stakeholders' expectations

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

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

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

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

The Group may incur reputational damage where one of its practices fails to meet community expectations which are continually changing and evolving. As these expectations may exceed the standard required in order to comply with applicable law, the Group may incur reputational damage even where it has met its legal obligations. A divergence between community expectations and the Group's practices could arise in a number of ways, including in relation to its product and services disclosure practices, pricing policies

and use of data. Further, the Group's reputation may also be adversely affected by community perception of the broader financial services industry. Additionally, reputational damage may also arise from the Group's failure to effectively manage risks, enforcement or supervisory action by regulators, adverse findings from regulatory reviews and failure or perceived failure to adequately respond to community, environmental and ethical issues.

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

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

- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- market manipulation or anti-competitive behaviour;
- failure to comply with disclosure obligations;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks (e.g. credit, market, operational or compliance).

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

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

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

Conduct risks include:

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

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

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

26. Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position

The Group's day-to-day activities and its service offerings (including digital banking) are highly dependent on information technology ("IT") systems. Disruption of IT systems, or the services the Group uses or is dependent upon, may result in the Group failing to meet its compliance obligations and/or customers' banking requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental, social and governance risks

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

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

Climate-related events can include severe storms, drought, fires, cyclones, hurricanes,

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

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

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

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

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

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

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

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

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

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

While these principles continue to underpin the Group's risk management framework, the ongoing COVID-19 pandemic requires the Group to continue to maintain good practices and a robust risk management framework as its operational activities continue to evolve, so as

to manage the impacts of the pandemic both to its workforce and customers. In these circumstances, a failure in the Group's risk management framework, processes or governance could adversely affect the Group's Position.

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

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

The Group's most material climate-related risks result from its lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable or unwilling to repay debt, or impacting the value and liquidity of collateral, which may adversely affect the Group's Position. The risk to the Group from credit-related issues with the Group's customers could result directly from climate-related events, and indirectly from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain.

Responsibility statement of the Directors of ANZBGL in accordance with DTR 4.2.10 R (3)(b) of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority

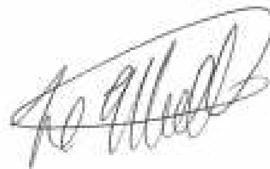
The Directors of Australia and New Zealand Banking Group Limited confirm to the best of their knowledge that:

ANZ's 2022 Half-Yearly Financial Report (as defined on page 1 of this DTR half-yearly financial report submission) includes a fair review of:

(i) an indication of the important events that have occurred during the first six months of the financial year, and their impact on the Condensed Consolidated Financial Statements; and

(ii) a description of the principal risks and uncertainties for the remaining six months of the financial year.

Signed in accordance with a resolution of the Directors.



Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

3 May 2022