5 May 2023

DISCLOSURE AND TRANSPARENCY RULES – HALF-YEARLY FINANCIAL REPORT SUBMISSION

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZBGL") 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 ANZBGL's 2023 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 2023, Directors' Report (including matters included by reference) and Directors' Declaration (as set out on pages 2 to 48 of ANZBGL's Half Year 31 March 2023 Consolidated Financial Report);

- 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).

ANZBGL's Half Year 31 March 2023 Consolidated Financial Report

This document was separately lodged by ANZBGL with the applicable stock exchanges, including the London Stock Exchange and the Australian Securities Exchange on 5 May 2023.

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Principal risks and uncertainties faced by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZBGL") and its subsidiaries ((ANZBGL together with its subsidiaries, the "Group") (DTR 4.2.7 R (2)) ("Principal Risk and Uncertainties")

Introduction

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

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

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

Risks related to the Group's business activities and industry

1. Changes in political, general business, financial 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, economic and financial 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, financial 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, the stability of banking systems and any related implications for funding and capital markets, resilience of global supply chains, political perspectives, opinions and related events, government shutdowns, debt ceilings or funding 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 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.

The conflict in Ukraine is ongoing and fluid. It has had, and is expected to continue to have, significant ramifications on the geopolitical and economic landscape, particularly in Europe. Though the Group does not operate in and 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 at high levels in many economies, including in Australia, New Zealand, the United States, Canada, Europe and the UK. Geopolitical tensions, rising interest rates, central bank tightening, and 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 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, and could impact the creditworthiness and stability of other financial institutions. While difficult to predict, such events have recently and could further destabilise global financial markets, adversely affecting all participants, including adversely affecting the Group's Position. Food prices and supply, already affected by the war in Ukraine, are also being impacted by extreme weather conditions in key agricultural regions. These factors may impact financial market or economic and social stability and could adversely affect 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 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 deteriorate in markets in which the Group or its customers or counterparties operate, 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 11 *"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

The lingering effects of the COVID-19 pandemic continue to impact the Group's Position, and the domestic and global economy. The future impacts of the COVID-19 pandemic remain uncertain, as further variants may develop that impact the Group's customers and businesses and require the imposition of different, or reimposition of previously-terminated, government responses.

COVID-19 related supply chain disruption and labour mobility constraints could result in a

decline in profit margins, and could impact customers' cash flows, capital, liquidity and financing needs.

Substantially reduced global economic activity during the COVID-19 pandemic 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. Individual customers still enduring hardship may suffer detriment if the Group cannot provide tailored support and sustainable arrangements based on individual circumstances.

Any of the negative conditions related to the COVID-19 pandemic or other communicable diseases or pandemics combined with other risks (e.g., geopolitical risk), may cause a 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.

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 continue 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, each of the Reserve Bank of Australia ("RBA") and the Reserve Bank of New Zealand ("RBNZ") 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 17 *"Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position"*).
- The Government may consider that additional policies concerning competition in the banking market are appropriate, including as a result of the recently announced inquiry by the Australian Parliament into economic dynamism, competition and business formation through the House of Representatives Standing Committee on Economics. The Australian Consumer and Competition Commission has also received a Ministerial

direction for an inquiry into the market for the supply of retail deposit products supplied by authorised deposit-taking institutions, and the findings of this enquiry have the potential to effect legislative/regulatory change. The Australian Competition and Consumer Commission ("ACCC") must provide the Treasurer with a report on the inquiry by 1 December 2023. It is not clear yet what these policies could be or what impact they may have on the Group.

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.

Geopolitical and 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 credit 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. The Restructure of the Group that established a non-operating holding company may adversely affect the Group's Position

Earlier in calendar year 2023, the Group implemented a restructure ("Restructure") that resulted in ANZ Group Holdings Limited ("ANZGHL" and together with its subsidiaries, the "ANZ Group") becoming the new listed parent company of the Group in place of ANZBGL. ANZGHL is a non-operating holding company ("NOHC") and is authorised as such for the purposes of the Banking Act. 1959 (Cth).

APRA has not yet finalised its prudential framework for Australian NOHCs of ADIs. The adoption of APRA's prudential framework for NOHCs is expected to become effective from 2025, following a period of industry consultation. There is a risk that APRA's final regulatory framework for Australian NOHCs of ADIs and the regulation of the ANZGHL over time will differ from the existing regulatory framework thereby increasing the regulatory risk facing the Group. This may have negative consequences for the Group and/or may require further changes to its structure.

While the Restructure was completed in January 2023, a number of implementation steps remain. The failure to successfully implement all of the transition and other items associated with the Restructure could have an adverse impact on the Group's Position. The post Restructure operating model may fail to function as expected or realise the anticipated benefits and further changes may be required. To the extent this occurs, this may adversely affect the Group's Position.

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

Residential and commercial property lending, together with real estate development and investment property finance, 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).

The scale and pace of recent interest rate rises has seen property prices in Australia and

New Zealand fall in recent times. Investors are taking a cautious approach and the extent of property price falls will ultimately depend on the speed and magnitude of continued interest rate rises and the impact on the broader economic outlook.

With effect from 1 January 2023, APRA formalised and embedded credit-based macroprudential policy measures within its Prudential Standard APS 220 Credit Risk Management ("APS 220") that can be used to address systemic risks if needed (see also Risk Factor 17 *Regulatory changes or a failure to comply with laws, regulations or policies*). The two main types of credit-based measures are temporarily restricting lending limits to restrain certain types of higher risk lending and setting minimum requirements for lending standards. In February 2023 APRA confirmed no change to the current settings with no restrictions to lending limits and no change to the serviceability buffer for lending standards. APRA will continue to monitor higher risk lending for commercial property. Future changes to these settings by APRA could restrict the Group's flexibility and/or impact the profitability of one or more business lines. These are described in risk factor 17 "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position".

In New Zealand, median prices for residential property increased in prior years, peaking in November 2021, prior to declining in the 2022 calendar year. These declines have so far continued into 2023. The RBNZ has acknowledged that higher interest rates and rising costs of living are putting pressure on households that may affect home prices and that house prices are expected to keep falling towards more sustainable levels in the near term. New Zealand has already seen a material reduction in demand for residential and commercial property.

Increases in interest rates may affect debt serviceability, increase loan defaults experienced by the Group's borrowers, place pressure on loan covenants and reduce demand for commercial and residential property and the Group's associated lending products in both Australia and New Zealand. To address currently elevated inflation levels, interest rate increases may continue for the foreseeable future.

These recent series of interest rate rises, on the back of recent asset price inflation and yield compression, could cause a decline in interest coverage ratios and asset values. Valuations are presently lagging market sentiment and may be expected to decline in the next 12 months. This may result in an increased refinance risk and necessitate equity contributions from borrowers towards debt reduction and/or a restructure of facilities. Secondary grade assets may be more susceptible to a decline in prices particularly if investors have overlooked weaker fundamentals in a highly liquid market (debt and equity) and competitive market, during a more favourable interest rate environment and stable economic outlook. Refinance risk could be exacerbated in the event of liquidity constraints in the banking sector and has already been seen in some softening in non-bank debt markets as investors re-balance portfolios and return expectations in the face of greater uncertainty and volatility. Non-bank financiers have been particularly supportive of the pre-development land and property development sector in recent years, and so the number of new project starts may begin to decline.

Separately, construction risk, including contractor stability, the impact of supply chain constraints on cost of materials together with increasing labour costs may impact commercial property development feasibility and land values in the short to medium term. In addition, the COVID-19 pandemic has triggered a change in the demand and supply dynamics in the office sector as more organisations support flexible working arrangements as a long-term trend.

Each of the factors outlined above may adversely affect the Group's Position.

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

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

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

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

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

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.

9. 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

Most LIBOR settings have now permanently ceased publication; only six continue to be published. Three-month GBP LIBOR will continue to be published, on a synthetic basis only, until the end of March 2024. The overnight and one, three, six and 12 month USD LIBOR settings will continue to be published, on a panel basis, until the end of June 2023. At that time, publication of overnight and 12-month USD LIBOR will permanently cease. The UK Financial Conduct Authority (the "FCA") has decided to require the publication of one, three and six month USD LIBOR, on a synthetic basis only, from the end of June 2023 until 30 September 2024, at which time their publication will permanently cease. Synthetic USD LIBOR will be calculated using the relevant CME Term SOFR reference rate plus the respective ISDA fixed adjustment spread. The FCA will permit synthetic USD LIBOR to be used in legacy contracts except cleared derivatives.

Many LIBOR obligations have transitioned, or will be transitioned, to an alternative benchmark rate. 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 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 USD 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 later in 2023 (and beyond) by the discontinuation of the remaining LIBOR settings and the transition to alternative reference rates. In the case of USD LIBOR, there is no assurance that any alternative reference rate will be the economic equivalent of the USD LIBOR setting the alternative reference rate 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 USD 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 such as the U.S. Adjustable Interest Rate (LIBOR) Act where the underlying contract falls within scope of that legislation), 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 these 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.

10. 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 and contracts with employees, customers, regulators, counterparties, suppliers and other business partners. The loss of key relationships and/or personnel from an acquisition or divestment could have an adverse effect on the Group's Position.

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 (or

separate) and overall performance; as the underlying assumptions for the acquisition (or divestment) may not ultimately prove to be accurate or achievable. Any acquisition (or divestment) may also impact the Group's credit ratings, cost of funds and access to further funding, which could in turn adversely affect the Group's funding and liquidity positions.

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

Transactions that the Group has previously announced but not yet completed include the acquisition of Suncorp Bank from Suncorp Group Limited, which remains subject to satisfaction of certain conditions and is expected to occur in the second half of calendar year 2023.

If for any reason any announced acquisition, including the acquisition of Suncorp Bank, is not completed, the Group's ongoing business may be adversely impacted and the Group may be subject to a number of risks, including: the financial markets may react negatively, resulting in negative impacts on the Group's securities and other adverse impacts; the Group may experience negative reactions from its customers, vendors, and employees; the Group will have incurred expenses and will be required to pay certain costs relating to the acquisition, whether or not the acquisition is completed, such as legal, accounting, investment banking, and other professional and administrative fees; and matters relating to the acquisition may require substantial commitments of time and resources by the Group's management, which could otherwise have been devoted to other opportunities that may have benefited the Group.

The acquisition of Suncorp Bank from Suncorp Group Limited is subject to satisfaction of certain conditions. These include Federal Treasurer approval, Australian Competition and Consumer Commission authorisation or approval and certain amendments to the State Financial Institutions and Metway Merger Act 1996 (Qld). The terms and conditions of the approvals that are granted may impose conditions, limitations, obligations or costs, or place restrictions on the conduct of the Group or its business following the acquisition, or require changes to the terms of the transaction. There can be no assurance that the regulators will not impose any such conditions, obligations or restrictions, and that such conditions, limitations, obligations or restrictions will not have the effect of delaying or preventing completion of the transaction, imposing additional material costs on or materially limiting the revenues of the Group following the acquisition or otherwise reducing the anticipated benefits of the acquisition to the Group, any of which might have an adverse effect on the Group following the acquisition.

ANZBGL undertook a due diligence process in relation to the proposed acquisition of Suncorp Bank which relied in part on a review of financial, technology, legal and other information provided in respect of Suncorp Bank or was otherwise provided at meetings with Suncorp Bank management. Despite making reasonable efforts as part of the due diligence investigations, ANZBGL has not been able to verify the accuracy, reliability or completeness of all the information provided to it. If any information provided or relied upon by ANZBGL in its due diligence proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of Suncorp Bank may be different to the expectations. There is also no assurance that the due diligence conducted was conclusive, and that all material issues and risks in respect of the proposed acquisition have been

identified and avoided or managed, therefore, there is a risk that issues or risks may arise that may adversely impact the Group. Suncorp Group Limited has provided ANZBGL with indemnities relating to certain pre-completion matters as well as representations and warranties in favour of ANZBGL. There is a risk that these protections may be insufficient to fully cover liabilities relating to these matters, which may have an adverse impact on the Group's financial performance and position. As is usual, the warranties and indemnities are also subject to certain financial claims thresholds and other limitations.

Risks related to the Group's financial situation

11. 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.

In the markets in which the Group, its customers or counterparties operate, the risk of credit-related losses continues to be impacted by conditions relating to the lingering impacts of the COVID-19 pandemic, inflationary pressures, global supply chain disruptions and heightened political tensions, particularly those referred to in risk factor 1 *"Changes in political, general business, financial 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 has increased due to the factors described above and may further increase as a result of less favourable conditions, whether generally or in a specific industry sector or geographic region which could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. These conditions include but are not limited to, weakened confidence in the stability of the banking system generally or particular financial institutions that may impact the Group, its customers or counterparties, a sustained high level of unemployment, continued increase in interest rates and inflationary conditions, and a reduction in the value of assets the Group holds as collateral or the market value of the counterparty instruments and obligations it holds.

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

- industries exposed to the unwinding of government stimulus packages and increasing interest rates, as well as industries reliant on consumer discretionary spending;
- industries that are heavily exposed to fuel supply shortages and associated rising costs including aviation, road transport, shipping and agriculture, particularly given the conflict between Russia and Ukraine and the associated impact on oil and gas prices, production and supply;
- participants in energy or commodity markets that are exposed to rising margin payment requirements under hedge or futures contracts that arise due to underlying price volatility;
- industries at risk of sanctions, geopolitical tensions or trade disputes (e.g. technology, agriculture, communications, and 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 industries;
- the commercial property sector (including construction and contractors) which is exposed to rising interest rates, downward pressure on valuations, 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 to 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;

- industries facing labour supply shortages and/or who are reliant on access to both skilled and unskilled migrant workers, including tourism and hospitality, technology, agriculture, retail, health, construction and services;
- customers and industries exposed to disruption from physical climate risk (e.g. bushfires, floods, storms and drought), and transition risk (e.g. industry exposed to carbon reduction requirements and resulting changes in demand for goods and services or liquidity). For more information on climate-related risks, see risk factor 31 *"Impact of future climate events, biodiversity loss, human rights, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position"*;
- industries exposed to the volatility in exchange rates and foreign exchange markets generally; and
- Banks & Financial services companies, as they may experience pressure on liquidity due to impacts of rapidly rising interest rates and the flow on impacts to asset values, which could result in the deterioration of credit ratings, the need for restructuring/recapitalization, losses of confidence in financial institutions or a financial default.

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

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

In 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.

12. 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 and 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 a counterparty's risk grade worsens. These regulatory capital requirements are likely to compound the impact of any reduction in capital resulting from lower profits in

times of stress. As a result, greater volatility in capital ratios may arise and may require the Group to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

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

APRA and the RBNZ have implemented prudential standards to accommodate Basel 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. The recent collapse of certain financial institutions in the United States and Europe may raise the likelihood of changes to capital and other regulatory requirements applicable to the Group, which may impact the Group's Position. 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 and the RBNZ's reform of capital requirements are described in risk factor 17 *"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.

13. 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, including volatility in the banking sector. As a result, downgrades in the Group's credit ratings or rating outlooks could occur that do not reflect changes in the general economic conditions or the Group's financial condition. 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.

14. 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. Advances in technology have made it more convenient and faster for bank customers to withdraw funds deposited with the Group, which may accelerate the risks associated with on-demand liabilities, such as deposits.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in domestic and 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.

15. 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 12 of the condensed consolidated financial statements for the half year ended 31 Mar 2023 as set out in the Group's Half Year 31 March 2023 Consolidated Financial Report ("2023 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. Certain other assets, including some unlisted equity investments, are valued using discounted cash flow techniques. The fair value of these instruments is impacted by changes in market prices or valuation inputs that may 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 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.

16. 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 2023 fiscal year is outlined in Note 1 of the 2023 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

17. 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, breadth, complexity and cost 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. Such regulation, supervision and enforcement continue to evolve.

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 the potential impact of regulatory developments on the Group is 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

- APRA is consulting on revisions to a number of prudential standards relating to market risk, being Interest Rate Risk in the Banking Book ("IRRBB"), Market Risk and Counterparty Credit Risk. Given the number of items that are yet to be finalised by APRA, the aggregate final outcome from all changes to APRA's prudential standards relating to their review of ADIs 'unquestionably strong' capital framework remains uncertain.
- In June 2022, APRA finalised its macroprudential policy framework. To support the implementation of the framework, APRA also formalised and embedded 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 updates to APS 220 which became effective from 1 January 2023 included a set of credit-based macroprudential measures to be used to address systemic risks if needed. The updates to APS 220 include two main types of credit-based macroprudential measures: 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

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set minimum requirements for lending standards, including measures such as the serviceability buffer for residential mortgages. In February 2023 APRA confirmed the current settings: for lending limits no limit restrictions in place on higher-risk lending but APRA continues to monitor higher risk lending at outlier banks for commercial property lending; and for lending standards, the serviceability buffer is maintained at 3.0 % above the loan rate. Future changes to these settings could restrict the Group's flexibility and/or impact the profitability of one or more business lines. For further information, see risk factor 5 *"Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's Position".*

- In August 2022, APRA commenced consultation on a new prudential standard CPS 230 Operational Risk Management ("CPS 230") which will set out minimum standards for managing operational risk, including updated requirements for business continuity and service provider management. The new standard will incorporate updated requirements for service provider management (currently outsourcing) and business continuity management that are currently contained in prudential standards CPS 231 Outsourcing and CPS 232 Business Continuity Management. Those standards will be replaced by the new CPS 230. On 13 April 2023, APRA announced that the final version of CPS230 and associated guidance is expected to be issued mid-2023 and the effective date of compliance moved from 1 January 2024 to 1 July 2025. APRA also will provide for transitional arrangements for pre-existing contractual arrangements with service providers: the requirements in the standard will apply from the earlier of the next contract renewal date or 1 July 2026. ANZ will continue to work through the implementation process which remains complex, requiring changes to systems, operations, and contractual arrangement with third parties and the degree of implementation risk remains uncertain pending release of the final standard and guidance.
- In December 2022, APRA finalised the requirements of new Prudential Standard CPS 190 Recovery and Exit Planning ("CPS 190"). CPS 190 is aimed at reinforcing the resilience of the financial system. It is designed to ensure that APRA-regulated entities are better prepared to manage periods of severe financial stress. Under CPS 190, entities will be required to develop and maintain credible plans for managing stress; this includes actions that could be taken to stabilise and restore financial resilience and actions that effect an orderly and solvent exit from regulated activity. These requirements will apply across all APRA-regulated industries. CPS 190 will come into effect from 1 January 2024 for banks and insurers.
- In December 2021, APRA began consulting on new Prudential Standard CPS 900 Resolution Planning ("CPS 900"). This was released in conjunction with CPS 190. CPS 900 requires entities that are significant financial institutions ("SFIs"), or those that provide critical functions, to support APRA in the development and implementation of a resolution plan. CPS 900 sets out certain requirements for entities to cooperate with APRA in resolution planning. Under CPS 900, APRA will develop a resolution plan, which sets out APRA's strategy for resolving an entity in the event of its failure. This could include, for example, plans to recapitalise, wind-down or transfer operations. It is an important complement to a financial contingency plan, which sets out an entity's plan for managing risks to its financial viability. In September 2022, APRA released a draft Prudential Practice Guide (CPG 900) and aims to finalise the standard in the first half of 2023. The standard will come into effect on 1 January 2024.
- 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 the Group'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 ANZBGL's Level 1 CET1 capital is expected to be an increase in capital requirements of approximately A$1.0 billion to A$1.5 billion between 31 March 2023 and the end of the transition period in 2028 (based on the Group's 31 March 2023 balance sheet). However, the net impact on the overall Group capital position may be lower post implementation of the APRA capital reforms from January 2023, given the expected narrowing of the Level 1 and Level 2 CET1 ratios as a result of these reforms. The amount could also vary over time subject to changes to the capital position in ANZ New Zealand (e.g. from RWA growth, management buffer requirements, potential dividend payments).
- Additionally, under changes outlined in the BPR documents, from 1 January 2022 until 1 July 2028 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.

ASIC's Regulatory Priorities

In August 2022, the Australian Securities and Investments Commission ("ASIC") released its Corporate Plan for 2022 through 2026, which outlines ASIC's priorities to reduce the risk of harm to consumers caused by poor product design and governance, as well as enhancing cyber and operational resilience. ASIC will also broaden their focus to other digitally enabled misconduct as emerging technologies and products change the financial ecosystem. ASIC's focus will include scams and crypto-assets. ASIC's four external strategic priorities are: (i) Product design and distribution; (ii) Sustainable finance; (iii) Retirement decision making; and (iv) Technology risks. Supporting these priorities are core strategic projects, focused on sustainable finance practices, crypto-assets, scams, cyber and operational resilience, breach reporting, design and distribution obligations and the Financial Accountability Regime.

In November 2022, ASIC also announced its enforcement priorities for 2023, with a focus on the need to protect consumers from financial harm and uphold the integrity of Australia's financial markets. Those priorities communicate ASIC's intent to the industry and its stakeholders. Priority areas include: enforcement action targeting poor design, pricing and distribution of financial products; misleading conduct in relation to sustainable finance including greenwashing; misconduct involving high risk products including crypto assets; combating and disrupting investment scams; misleading and deceptive conduct relating to investment products; manipulation in energy and commodities derivatives markets; and unfair contract terms.

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

Competition Laws, Regulations and Inquiries

There continues to be a strong focus on the regulation of competition in the Australian and New Zealand financial services sectors. In February 2023, the ACCC announced an inquiry into the market for retail deposit products supplied by ADIs (see Risk Factor 3, *Competition in the markets in which the Group operates may adversely affect the Group's Position*). In March 2023, the ACCC announced its compliance and enforcement priorities for the year. The ACCC announced that it will continue to focus on competition issues in the financial services sector, particularly with payment services and noted its focus on promoting healthy competition in the financial services sector and investigating anti-competitive conduct. Increased scrutiny by ACCC may result in an associated increase in costs for the Group in addition to adversely impacting the Group's ability to grow through the implementation of

potential acquisitions which may in turn, have a negative impact on the Group's Position.

Product Laws, Regulations and Inquiries

There remains a strong focus on the suitability of products offered by financial services providers, including the Group. Regulatory policy development and monitoring of responsible consumer lending has increased significantly, and continues to drive the review of, and changes to, business practices. If any additional changes in law, regulation or policy are implemented, as a result of the development and monitoring of responsible consumer lending, such changes may impact the manner in which the Group provides consumer lending services in the future that may in some respects adversely affect the Group's operations in this area and consequently, the Group's Position. ASIC published updated regulatory guidance on responsible lending laws in December 2019. 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, 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 Australian Parliament passed legislation introducing increased maximum fines and civil penalties for breaches of the Competition and Consumer Act (including the Australian consumer law) and to establish a civil penalty regime for unfair contract terms. This includes increasing the maximum pecuniary penalty for corporations where relevant from 10 per cent of a corporation's annual turnover to 30 per cent of adjusted turnover over the period the breach occurred. 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 2021 lapsed following the announcement of an election. The FAR Bill was most recently re-introduced to the Australian Parliament in March 2023. It is uncertain whether the most recent bill will include civil penalties for accountable persons when it is passed. If the most recent bill is passed in its current form, the FAR will be implemented in stages for in-scope entities within the Group commencing with ANZBGL within six months after its passage into legislation and, for any insurers or licensed superannuation trustees within the Group, within 18 months after its passage into legislation. 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"). 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 September 2022, the Australian Government re-introduced a bill implementing the CSLR to Parliament. 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. In 2022-23, four separate Parliamentary inquiries have been established into 'the cost of living', 'promoting economic dynamism, competition and business formation', a 'review of Australia's four major banks' and 'bank closures in regional Australia'. These inquiries are wide ranging and could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position, including through taxes and levies. 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 Senate Select Committee ("ASSC") on 'Australia 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 'de-banking' 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 ASSC'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 19 *"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. 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 ("ABA") and member banks have been working on developing industry positions on the recommendations. Separately, the ABA and members have been considering approaches to simplifying the Code. The timeline for the implementation of recommendations from the 2021 review and/or the simplification of the Code is not yet clear.

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

Open Banking Laws

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

The CDR regime is 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. In November 2022, the Australian Government introduced a bill to expand the CDR to enable third parties to initiate actions, including payments, on behalf of customers. While the implications for the Group of an expansion of the CDR are not yet clear and will depend on the new Australian Government's policy, Open Banking may lead to increased competition that may adversely affect the Group's Position.

Cyber Security and Critical Infrastructure

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

Payments Policy

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

Privacy Act Review

The Australian Parliament has passed legislation regarding enforcement measures and increased penalties for serious or repeated privacy breaches of the Privacy Act. The imposition of such penalties on the Group may adversely affect the Group's Position. The Australian Government is also consulting on an expansive set of potential reforms to the Privacy Act which would have a significant impact on how an entity can use individuals' information. While the implications of the review for the Group are not yet clear and will depend on the new Australian Government's policy, implementing additional regulatory obligations may adversely affect the Group's Position.

Quality of Advice Review

In February 2023, the Australian Government released the final report of its Quality of Advice Review (led by an independent reviewer). The final report contained a series of recommendations for reforming the regulatory framework for the provision of financial advice. These recommendations included broadening the scope of 'personal advice', introducing a requirement for personal advice to be 'good advice' and replacing the current duty of financial advisers to act in a client's best interests with a new statutory duty. It is unclear whether the

Australian Government will implement the proposals. If implemented, the new framework could place additional regulatory obligations on banks and may adversely affect the Group's Position.

New Zealand Developments

The New Zealand Government and regulatory authorities have proposed, or have implemented, significant legislative and regulatory changes for New Zealand financial institutions. These changes include, among other things: the RBNZ's reform of capital requirements and revised outsourcing policy (BS11), proposed conduct regulations for financial institutions, a climate related financial risk disclosure regime, the replacement of the existing prudential supervision regime for banks with a deposit takers regime, including a depositor compensation scheme and changes to the consumer credit contract regime. 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 9 *"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.

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 18 *"Litigation and contingent liabilities may adversely affect the Group's Position"* and Note 17 of the 2023 Interim Financial Statements.

18. 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 2023 in respect of the matters outlined in Note 17 of the 2023 Interim Financial Statements. Note 17 includes, among other things, the following matters:

- regulatory and customer exposures;
- South African rate action;
- capital raising action;
- consumer credit insurance litigation;
- Esanda dealer car loan litigation;
- OnePath superannuation litigation;
- New Zealand loan information litigation;

- Credit cards litigation;
- Available Funds action;
- the Royal Commission;
- security recovery actions; and
- warranties, indemnities and performance management fees.

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

There is 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.

19. 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 the form of Guidance Papers, updates to its website and through its regulatory enforcement activity. Since 2017, AUSTRAC has taken three public enforcement actions against major banks in Australia, and continues to use its various regulatory powers including appointment of auditors and infringement notices.

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

In 2021, ANZ New Zealand self-identified and notified three prescribed transaction reporting ("PTR") matters to the RBNZ, where transaction reports had not been filed within the prescribed timeframe. The RBNZ informed ANZ New Zealand that it considers one of these matters (related to 6,409 transaction reports of a certain SWIFT message type) to be a material breach, and the other two to be minor breaches, of New Zealand's Anti-Money Laundering and Countering Financing of Terrorism Act 2009 relating to PTR. The RBNZ's enforcement team is considering this matter and the potential outcome remains uncertain at this time.

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. As these known external elements evolve and to the extent new risks emerge, there is a continuing risk that the management of alerts for potential money laundering or terrorism financing activities may be impacted.

The risk of non-compliance with AML/CTF and sanction laws remains high given the scale and complexity of the Group and the lack of clarity around some mandatory reporting requirements. Emerging technologies, such as those provided by virtual asset service providers (e.g. digital currency exchanges and wallet providers) as well as increasingly complex remittance arrangements via fintechs and other disruptors, may limit the Group's ability to track the movement of funds, develop relevant transaction monitoring, and meet reporting obligations. 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.

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

Central monetary authorities (including the RBA, the RBNZ, the United States Federal Reserve, the European Central Bank, the Bank of England and 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 used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans.

Changes in interest rates and monetary policy are difficult to predict and may adversely affect the Group's Position. Refer to risk factor 5 *"Changes in the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely*

affect the Group's Position" and risk factor 11 "*Credit risk may adversely affect the Group's Position".*

21. Ongoing significant compliance costs with respect to the evolving and extensive Automatic Exchange of Information ("AEoI") obligations imposed by global customer tax transparency regimes may adversely affect the Group's Position

There continues to be mandatory and substantial changes to, and increasing regulatory focus on, compliance by all global Financial Institutions ("FIs"), including the Group, with global customer tax transparency regimes, under the Foreign Account Tax Compliance Act ("FATCA"), the Organisation for Economic Co-operation and Development's ("OECD's") Common Reporting Standard ("CRS") and similar anti-tax avoidance regimes. This includes global regulatory movement to enforcement and penalty activities and increasing regulatory implementation of additional compliance framework requirements, compliance assessment requirements/questionnaires, onsite financial institution audits/evidentiary requirements and detailed rules and frameworks to close down circumventions and deter, detect and penalise non-compliance. The ongoing OECD government level peer reviews and IRS/regulatory FI compliance review/audit requirements increase scrutiny and therefore unplanned workload of FIs globally. Each country of CRS adoption is being pushed by the OECD to ensure its penalty regime is sufficient to deter and penalise non-compliance.

Consequently, as an in scope FI, operating in a globally interlinked operating environment, the highly complex and rigid nature of the obligations under each country's varied implementation of these regimes present heightened operational and compliance risks for the Group. As regulators around the world continue to mature their compliance framework requirements and shift focus to enforcement, including financial penalties and other more general tax risk framework implications, this may result in significant penalty provision requirements and reputational damage in the event of failures. Accordingly, compliance with global customer tax transparency regimes continues to be a key area of focus and major cost for the Group.

In addition, under FATCA and other relevant U.S. Treasury Regulations, the Group could be subject to:

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

Under the CRS, the Group:

- faces challenges in developing countries where the Group has operations, such as the Pacific region. The local regulators in these countries are generally assisted by a 'partner' country; this is leading to the introduction of standards and evidentiary requirements that continue to be challenging to implement and adhere to;
- must deal with substantial ongoing country specific variations in local law and regulatory implementation, with significant broader 'justified trust' ramifications and penalties for non-collection or failed reporting in respect of prescribed customer information;
- 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 (along with the potential FI ramifications outlined above) can lead to significant negative experience for affected customers (including unilateral account blocking and closure, underlying client issues resulting from same and potential direct customer penalties), which may adversely affect the Group's Position and if not similarly implemented by other FIs, may present a significant competitive disadvantage and loss of business;

- faces poor customer outcomes with customers who may feel aggrieved as a result of blocking and closure impacts including increased potential exposure to legal/third party liability, particularly where the Group has not communicated the regulatory issue clearly to a customer or has blocked or closed the account incorrectly (for example, due to a data or process error); and
- continues to deal with the substantive implementation challenges associated with the complex requirements across the intermediary space, which may also increase the risk of regulatory ramifications.

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 critical subject matter expertise, combined with the ongoing 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 identify and implement all obligations could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business.

On a global scale, natural disasters and the COVID-19 pandemic have resulted in challenges for staff including unplanned staff absences, 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 continues 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.

22. 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

23. 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 under the Group's risk taxonomy include:

- Financial Crime (the risk of money laundering, sanctions violations, bribery and corruption, and "Know-Your-Customer" failure). See risk factor 19 *"Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position"*;

- Internal fraud (fraud attempted or perpetrated by an internal party (or parties) against the organisation);
- External fraud (fraud attempted or perpetrated against the organisation by an external party (i.e. a party without a direct relationship to the Group (excluding customers)) without involvement of an employee);
- Business Continuity (failure of the business continuity management framework);
- Physical Safety (the risk of damage to the Group's physical assets, client assets, or public assets for which the Group is liable, and (criminal) injury to the Group's employees or affiliates);
- People (the risk of breaching employment legislation, mismanaging employee relations and failing to ensure a safe working environment);
- Transaction Processing & Execution (failure to process, manage and execute transactions and/or other processes correctly and/ or appropriately);
- Technology (the risk associated with the failure or outage of systems, including hardware, software and networks). See risk factor 27 *"Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position"*;
- Conduct (the risk of loss or damage arising from the failure of the Group, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets and the expectations of the community, in conducting the Group's business activities). See risk factor 26 *"Conduct risk events may adversely affect the Group's Position"*;
- Legal (the risk of execution errors in legal procedures and processes);
- Regulatory Risk (failure to comply with any legal or regulatory obligations that are not captured through other mentioned risks). See risk factor 17 *"Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position"*;
- Third Party (the risk of failing to manage third party relationship and risks appropriately, for example, not taking reasonable steps to identify and mitigate additional operational risks resulting from the outsourcing of services or functions);
- Information Security including Cyber (the risk of information security incidents, including the loss, theft or misuse of data/information — this covers all types of data, and can include the failure to comply with rules concerning information security). See risk factor 28 *"Risks associated with information security, including cyber-attacks, may adversely affect the Group's Position"*;
- Data (the risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data and the Group's proprietary data (includes privacy)). See risk factor 29 *"Data management risks may adversely affect the Group's Position"*;
- Model (the risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model). See risk factor 30 *"Modelling risks may adversely affect the Group's Position"*; and
- Statutory Reporting and Tax (the risk of failing to meet statutory reporting and tax payments/filing requirements). Statutory reporting includes all external reporting that the Group is obliged to perform (e.g. regulatory reporting, financial reporting).

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

Operational Risk can arise from a number of causes, such as change risk events (for example, a failure to deliver a change or risks resulting from change initiatives), and have a number of different impacts, including reputational impacts (see risk factor 25 *"Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk, which may undermine the trust of stakeholders, erode the Group's brand and adversely affect the Group's Position"*).

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

Most major offices have returned to a blended/hybrid working environment, including adapting to remote working arrangements since the COVID-19 pandemic. Reliance on digital channels continues to remain high, which in turn heightens the risks associated with cyber-attacks and any disruption to system/service availability.

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

As the Group increases the adoption of artificial intelligence ("AI") which includes, technologies such as machine learning through predictive analytics, process automation and decision generation to support its customers and business processes, the Group may become more exposed to associated AI risks, such as lack of transparency, inaccurate decisions or unintended consequences that are inconsistent with the Group's policies or values. These could have financial and non-financial impacts.

24. 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.

25. 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, particularly in an environment of rising interest rates. Additionally, reputational damage may arise from the Group's failure to effectively manage risks, enforcement or supervisory action by regulators, adverse findings from regulatory reviews and failure or perceived failure to adequately respond to community, environmental and ethical issues.

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;
- failure to comply with disclosure obligations;
- failure to properly manage risk (e.g. credit, market, operational or compliance);
- market manipulation or anti-competitive behaviour;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks.

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

26. 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. Financial pressure is building for customers with the rising cost-of-living and reduction in disposable income creating pressure on affordability. This may impact both the ability to lend to customers, the extent to which forbearance may need to be offered to those already struggling and the willingness of qualified potential borrowers to borrow. Furthermore, it is expected to increase the number of customers that may fall into financial difficulty, and therefore increase the credit risk facing the Group. As this occurs, it is likely to have the greatest impact on customers in challenging financial circumstances. This is an evolving and fluid situation, and the Group will need to continue to adapt and respond to address both the increased demand for forbearance, coupled with the need to provide appropriate tailored solutions to address complex customer needs in order to mitigate the risk of customer harm because of this ongoing pressure on affordability.

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 17 *“Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group’s Position”* and risk factor 18 *“Litigation and contingent liabilities may adversely affect the Group’s Position”*.

27. 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 needs. In a digital world, customer’s expectations of always on (24/7) banking services necessitates highly available and resilient IT systems.

The Group has an ongoing obligation to maintain its IT systems and to identify, assess and respond to risk exposures associated with these systems, including IT asset lifecycle, IT asset project delivery, technology resilience, technology security, use of third parties, data retention/restoration and business rules and automation. Inadequate responses to these risk exposures could lead to unstable or insecure systems, which could adversely impact customers, increase the Group’s costs, and result in non-compliance with regulatory requirements, any of which may adversely affect the Group’s Position.

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

In addition, the Group must implement and integrate new IT systems, most notably Cloud, Data and Automation technologies, into the existing technology landscape to ensure that

the Group's technology environment is cost-effective and can support evolving customer requirements. Inadequate implementation and integration of these systems, or improper operation and management, including of their vendors and the supply chain, may adversely affect the Group's Position.

This risk factor should be read in conjunction with risk factor 28 *"Risks associated with information security, including cyber-attacks, may adversely affect the Group's Position"* as information security breaches and cyber-attacks have the potential to result in the disruption of IT systems.

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

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

Information security risks for large financial institutions such as the Group have increased significantly in recent years in part because of the proliferation of new technologies, such as the internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists, nation-states, activists and other external parties. 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. As cyber threats continue to evolve, the Group expects to continue to adapt to modify or enhance layers of defense or to investigate and remediate any information security vulnerabilities. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones.

Post the COVID-19 pandemic, hybrid working has increased the number of staff working in flexible arrangements, which may increase information security risks to the Group. Cyber criminals may attempt to take advantage through pursuing exploits in end point security, spreading malware, and increasing phishing attempts. Furthermore, these risks may be further exacerbated by geopolitical risks.

In the past year, there has been a record level of exposure for individuals and organisations from data breaches. Millions of Australians now have their data publicly exposed, coinciding with a significant rise in fraud and scams across the region.

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.

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

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

incur losses, or result in regulatory action.

30. 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 lending decisions, calculating capital requirements, provision levels, customer compensation payments and stressing exposures. If the models used prove to be inadequately designed, implemented or maintained or based on incorrect assumptions or inputs, this may adversely impact the Group's Position.

Environmental, social and governance risks

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

The Group and its customers are exposed to environmental, social and governance risks, including climate-related events, geological events (including volcanic or seismic activity or tsunamis), biodiversity loss including as a result of species extinction or decline, ecosystem degradation and nature loss, 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. In addition, geological and meteorological events have occurred in New Zealand in recent years such as Cyclone Gabrielle in February 2023.

The risk of biodiversity loss, as a result of species extinction or decline, ecosystem degradation and nature loss, is an emerging risk that the Group is seeking to understand further. Biodiversity risks are closely linked to climate-related risks. In relation to biodiversity, risks can arise from lending to customers that are significantly dependent on biodiversity and ecosystem services, or who may have negative impacts on biodiversity. In addition to physical risks associated with biodiversity loss, risks can also arise from changing societal preferences and regulatory or policy changes (including potential reforms to halt and reverse forest loss, species extinctions and land degradation). These changes may impact the bank directly, but the greater impact is likely to be through the impact of these changes on some of the Group's customers. The Group understands that failure to manage these risks may lead to financial and non-financial risks and may adversely affect the Group's Position.

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

New regulations or guidance relating to climate change, biodiversity, human rights, or other 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 offers 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.

32. 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 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.

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

The Group's most material climate-related risks are associated with lending to business and retail customers which contributes to credit risk. Customers may be affected directly by physical and transition risks such as: from the effect of extreme weather events on a customer's business or property, including impacts to the cost and availability of insurance and insurance exclusions; changes to the regulatory and policy environment in which the customer operates; disruption from new technology; and changes in demand towards low carbon products and services. Climate-related risks may also indirectly affect a customer through impacts to its supply chain.

If realised, these risks may affect the ability of customers in higher risk sectors and regions to repay debt; result in an increased probability of default; and impact the amount the Group is able to recover due to the value or liquidity of collateral held as security being impaired. The Group may also face legal proceedings and suffer reputational damage if it acts inconsistently with public commitments or stakeholder expectations. These may adversely affect the Group's Position.

The risks associated with climate change are subject to increasing regulatory, political and societal focus, including in the Group's home markets of Australia and New Zealand. APRA released a prudential practice guide CPG 229 in 2021 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 also conducted 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. Results of the climate vulnerability assessment from APRA were received at the end of 2022.

Similarly, the RBNZ released its first Climate Change Report in October 2021. The Climate Change Report outlined 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. RBNZ opened a public consultation in March 2023 on its proposed Guide to Managing Climate-Related Risks.

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.

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 ANZBGL confirm to the best of their knowledge that:

ANZBGL's 2023 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

4 May 2023