Financial report

Financial Statements

Notes to the Financial Statements

INCOME STATEMENTS

For the year ended 30 September	Note	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Interest income[1]		23,609	19,529	18,408	15,347
Interest expense		(8,735)	(5,368)	(7,433)	(4,822)
Net interest income	2	14,874	14,161	10,975	10,525
Other operating income	3	4,235	3,325	6,424	4,854
Net income from insurance business	3	140	110	-	-
Share of associates' profit/(loss)	3	177	(176)	(12)	(1)
Operating income		19,426	17,420	17,387	15,378
Operating expenses	4	(9,579)	(9,051)	(8,123)	(7,594)
Profit before credit impairment and income tax		9,847	8,369	9,264	7,784
Credit impairment (charge)/release	14	232	567	265	469
Profit before income tax		10,079	8,936	9,529	8,253
Income tax expense	5	(2,940)	(2,756)	(1,933)	(1,922)
Profit after tax from continuing operations		7,139	6,180	7,596	6,331
Profit/(Loss) after tax from discontinued operations		(19)	(17)	-	-
Profit for the year		7,120	6,163	7,596	6,331
Comprising:					
Profit attributable to shareholders of the Company		7,119	6,162	7,596	6,331
Profit attributable to non-controlling interests		1	1	-	-

For the year ended 30 September	Note	Consolidated 2022	Consolidated 2021
Earnings per ordinary share (cents) including discontinued operations[2]			
Basic	7	250.0	215.3
Diluted	7	233.2	203.2
Earnings per ordinary share (cents) from continuing operations[2]			
Basic	7	250.7	215.9
Diluted	7	233.8	203.7
Dividend per ordinary share (cents)	6	146	142

1. Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of $22,844 million (2021: $19,054 million) in the Group and $17,123 million (2021: $14,363 million) in the Company.
2. Earnings per share in 2021 has been restated to reflect the bonus element of the share entitlement offer made in 2022 in accordance with AASB 133 *Earnings per Share*.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 September	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Profit for the year from continuing operations	7,139	6,180	7,596	6,331
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Investment securities - equity securities at FVOCI	(55)	80	(119)	67
Other reserve movements[1]	127	(41)	132	(95)
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve	(759)	456	139	(14)
Other reserve movements	(4,180)	(1,052)	(4,132)	(1,003)
Income tax attributable to the above items	1,172	301	1,186	303
Share of associates' other comprehensive income[2]	(40)	(48)	-	-
Other comprehensive income after tax from continuing operations	(3,735)	(304)	(2,794)	(742)
Profit/(Loss) after tax from discontinued operations	(19)	(17)	-	-
Total comprehensive income for the year	3,385	5,859	4,802	5,589
Comprising total comprehensive income attributable to:				
Shareholders of the Company	3,399	5,858	4,802	5,589
Non-controlling interests[1]	(14)	1	-	-

1. The Group includes -$15 million (2021: nil) relating to foreign currency retranslation of the non-controlling interest in ANZ Bank New Zealand Limited.
2. The Group's share of associates' other comprehensive income, that may be reclassified subsequently to profit or loss in the Group, includes:

	2022 $m	2021 $m
FVOCI reserve gain/(loss)	(56)	(42)
Defined benefits gain/(loss)	15	(5)
Cash flow hedge reserve gain/(loss)	-	1
Foreign currency translation reserve gain/(loss)	1	(2)
Total	(40)	(48)

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

BALANCE SHEETS

		Consolidated		The Company	
As at 30 September	Note	2022 $m	2021 $m	2022 $m	2021 $m
Assets					
Cash and cash equivalents[1]	9	168,132	151,260	155,483	141,436
Settlement balances owed to ANZ		4,762	7,530	4,024	7,183
Collateral paid		12,700	9,166	11,368	8,343
Trading assets	10	35,237	44,688	28,073	34,752
Derivative financial instruments	11	90,174	38,736	88,056	38,292
Investment securities	12	86,153	83,126	72,399	67,940
Net loans and advances	13	672,407	629,719	537,345	488,487
Regulatory deposits		632	671	249	213
Due from controlled entities		-	-	22,860	23,530
Shares in controlled entities	26	-	-	17,630	15,693
Investments in associates	27	2,181	1,972	53	20
Current tax assets		46	57	43	55
Deferred tax assets		3,384	2,339	2,992	1,887
Goodwill and other intangible assets	22	3,877	4,124	935	1,017
Premises and equipment		2,431	2,734	2,171	2,415
Other assets		3,613	2,735	2,402	1,909
Total assets		1,085,729	978,857	946,083	833,172
Liabilities					
Settlement balances owed by ANZ		13,766	17,427	10,224	14,922
Collateral received		16,230	5,657	14,425	5,148
Deposits and other borrowings	15	797,281	743,056	665,607	606,723
Derivative financial instruments	11	85,149	36,035	84,500	37,005
Due to controlled entities		-	-	25,305	23,079
Current tax liabilities		829	419	488	193
Deferred tax liabilities		83	70	54	70
Payables and other liabilities	16	9,835	8,647	8,562	7,244
Employee entitlements		549	602	409	447
Other provisions	23	1,872	2,214	1,648	1,873
Debt issuances	17	93,734	101,054	75,828	81,088
Total liabilities		1,019,328	915,181	887,050	777,792
Net assets		66,401	63,676	59,033	55,380
Shareholders' equity					
Ordinary share capital	24	28,797	25,984	28,720	25,907
Reserves	24	(2,606)	1,228	(2,546)	341
Retained earnings	24	39,716	36,453	32,859	29,132
Share capital and reserves attributable to shareholders of the Company	24	65,907	63,665	59,033	55,380
Non-controlling interests	24	494	11	-	-
Total shareholders' equity	24	66,401	63,676	59,033	55,380

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

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

CASH FLOW STATEMENTS

For the year ended 30 September	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Profit after income tax	7,120	6,163	7,596	6,331
Adjustments to reconcile to net cash provided by/(used in) operating activities:				
Allowance for expected credit losses	(232)	(567)	(265)	(469)
Depreciation and amortisation	1,008	1,087	867	959
(Profit)/Loss on sale of premises and equipment	(8)	(11)	(1)	(11)
Net derivatives/foreign exchange adjustment	(4,434)	(6,350)	(4,687)	(4,374)
(Gain)/Loss on sale from divestments	(252)	238	(246)	(12)
Other non-cash movements	(909)	(237)	(488)	(456)
Net (increase)/decrease in operating assets:				
Collateral paid	(2,638)	4,995	(2,054)	4,484
Trading assets	8,020	10	6,355	(2,778)
Net loans and advances	(46,378)	(8,259)	(42,003)	(300)
Net intra-group loans and advances	-	-	978	(1,212)
Other assets	685	143	655	89
Net increase/(decrease) in operating liabilities:				
Deposits and other borrowings	48,879	48,896	45,058	41,908
Settlement balances owed by ANZ	(3,486)	(4,928)	(4,769)	(4,671)
Collateral received	9,468	(3,466)	8,074	(2,728)
Other liabilities	3,333	6,108	3,426	5,579
Total adjustments	13,056	37,659	10,900	36,008
Net cash (used in)/provided by operating activities[1]	20,176	43,822	18,496	42,339
Cash flows from investing activities				
Investment securities assets:				
Purchases	(34,292)	(52,639)	(30,065)	(23,040)
Proceeds from sale or maturity	32,797	63,445	28,201	35,493
Proceeds from divestments, net of cash disposed	394	13	(5)	-
Net movement in shares in controlled entities	(65)	-	(133)	(175)
Net investments in other assets	(651)	(561)	(667)	(650)
Net cash (used in)/provided by investing activities	(1,817)	10,258	(2,669)	11,628
Cash flows from financing activities				
Deposits and other borrowings drawn down	1,226	9,310	-	8,091
Debt issuances:[2]				
Issue proceeds	23,422	12,624	20,145	9,517
Redemptions	(26,017)	(27,709)	(21,985)	(23,104)
Dividends paid[3]	(3,784)	(2,834)	(3,782)	(2,834)
On market purchase of treasury shares	(117)	(79)	(117)	(79)
Repayment of lease liabilities	(218)	(330)	(226)	(288)
Share buyback	(846)	(654)	(846)	(654)
ANZ Bank New Zealand Perpetual Preference Shares	492	-	-	-
Share entitlement issue	3,497	-	3,497	-
Net cash (used in)/provided by financing activities	(2,345)	(9,672)	(3,314)	(9,351)
Net (decrease)/increase in cash and cash equivalents	16,014	44,408	12,513	44,616
Cash and cash equivalents at beginning of year	151,260	107,923	141,436	98,083
Effects of exchange rate changes on cash and cash equivalents	858	(1,071)	1,534	(1,263)
Cash and cash equivalents at end of year	168,132	151,260	155,483	141,436

1. Net cash (used in)/provided by operating activities for the Group includes interest received of $22,748 million (2021: $19,649 million), interest paid of $7,857 million (2021: $5,793 million) and income taxes paid of $2,171 million (2021: $2,427 million). Net cash (used in)/provided by operating activities for the Company includes interest received of $17,672 million (2021: $15,435 million), interest paid of $6,692 million (2021: $5,117 million) and income taxes paid of $1,443 million (2021: $1,541 million).
2. Non-cash movements on Debt issuances include a gain of $4,725 million (2021: $3,476 million gain) from unrealised movements primarily due to fair value hedging adjustments partially offset by foreign exchange losses for the Group, and include a gain of $3,420 million (2021: $2,322 million gain) from unrealised movements primarily due to fair value hedging partially offset by foreign exchange losses for the Company.
3. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Consolidated	Ordinary share capital $m	Reserves $m	Retained earnings $m	Share capital and reserves attributable to shareholders of the Company $m	Non-controlling interests $m	Total shareholders' equity $m
As at 1 October 2020	26,531	1,501	33,255	61,287	10	61,297
Profit or loss from continuing operations	-	-	6,179	6,179	1	6,180
Profit or loss from discontinued operations	-	-	(17)	(17)	-	(17)
Other comprehensive income for the year from continuing operations	-	(264)	(40)	(304)	-	(304)
Total comprehensive income for the year	-	(264)	6,122	5,858	1	5,859
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,928)	(2,928)	-	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94	-	94
Group share buy-back[2]	(654)	-	-	(654)	-	(654)
Other equity movements:						
Group employee share acquisition scheme	13	-	-	13	-	13
Other items	-	(9)	4	(5)	-	(5)
As at 30 September 2021	25,984	1,228	36,453	63,665	11	63,676
Profit or loss from continuing operations	-	-	7,138	7,138	1	7,139
Profit or loss from discontinued operations	-	-	(19)	(19)	-	(19)
Other comprehensive income for the year from continuing operations	-	(3,835)	115	(3,720)	(15)	(3,735)
Total comprehensive income for the year	-	(3,835)	7,234	3,399	(14)	3,385
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(3,965)	(3,965)	(2)	(3,967)
Dividend Reinvestment Plan[1]	183	-	-	183	-	183
Group share buy-back[2]	(846)	-	-	(846)	-	(846)
Share entitlement issue[3]	3,497	-	-	3,497	-	3,497
Other equity movements:						
Group employee share acquisition scheme	(21)	-	-	(21)	-	(21)
Preference shares issued	-	-	(7)	(7)	499	492
Other items	-	1	1	2	-	2
As at 30 September 2022	28,797	(2,606)	39,716	65,907	494	66,401

1. 7.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2022 interim dividend (2021 final and interim dividend: nil; 2020 final dividend: 4.2 million). On-market share purchases for the DRP in 2022 were $204 million (2021: $199 million).
2. The Group completed its $1.5 billion on-market share buy-back of ANZ ordinary shares on 25 March 2022 resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
3. The Group issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Company	Ordinary share capital $m	Reserves $m	Retained earnings $m	Total shareholders' equity $m
As at 1 October 2020	26,454	1,018	25,800	53,272
Profit for the year	-	-	6,331	6,331
Other comprehensive income for the year	-	(668)	(74)	(742)
Total comprehensive income for the year	-	(668)	6,257	5,589
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(2,928)	(2,928)
Dividend Reinvestment Plan[1]	94	-	-	94
Group share buy-back[2]	(654)	-	-	(654)
Other equity movements:				
Group employee share acquisition scheme	13	-	-	13
Other items	-	(9)	3	(6)
As at 30 September 2021	25,907	341	29,132	55,380
Profit for the year	-	-	7,596	7,596
Other comprehensive income for the year	-	(2,888)	94	(2,794)
Total comprehensive income for the year	-	(2,888)	7,690	4,802
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	-	(3,965)	(3,965)
Dividend Reinvestment Plan[1]	183	-	-	183
Group share buy-back[2]	(846)	-	-	(846)
Share entitlement issue[3]	3,497	-	-	3,497
Other equity movements:				
Group employee share acquisition scheme	(21)	-	-	(21)
Other items	-	1	2	3
As at 30 September 2022	28,720	(2,546)	32,859	59,033

1. 7.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2022 interim dividend (2021 final and interim dividend: nil; 2020 final dividend: 4.2 million). On-market share purchases for the DRP in 2022 were $204 million (2021: $199 million).
2. The Company completed its $1.5 billion on-market share buy-back on 25 March 2022 resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
3. The Company issued 187.1 million new ordinary shares under the share entitlement offer in 2022.

The notes appearing on pages 114 to 232 form an integral part of these financial statements.

Notes to the financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited (the Company) and its controlled entities (together, the Group or ANZ) for the year ended 30 September 2022. The Company is a publicly listed company incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 32 markets.

On 26 October 2022, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

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

This section of the financial statements:

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

BASIS OF PREPARATION

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

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

BASIS OF MEASUREMENT AND PRESENTATION

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

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

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

During the 2022 financial year, the Group revised its treatment of ongoing trail commission payable to mortgage brokers and now recognises a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. Comparatives have not been restated.

The sale of Wealth Australia business to IOOF Holdings Limited (IOOF, now known as Insignia Financial Limited) and Zurich Financial Services Australia (Zurich) completed across 2020 and 2019. The separation of the business sold to Zurich completed in early April 2022, and the business sold to IOOF completed in early October 2022. The financial results of these divested businesses are treated as discontinued operations from a financial reporting perspective.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

BASIS OF CONSOLIDATION

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

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

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

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

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

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

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

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

FIDUCIARY ACTIVITIES

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

KEY JUDGEMENTS AND ESTIMATES

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

Whilst the course of the COVID-19 pandemic is moderating and the management of its impact on the populace, businesses and economic activity is better understood, the responses of consumers, business and governments remain uncertain. Compounding the effects of the pandemic are mounting geopolitical tensions, global supply chain disruptions, the conflict in Ukraine, commodity price pressures and increasing inflation and interest rates impacting the economy. Thus, there remains an elevated level of estimation uncertainty involved in the preparation of these financial statements.

The Group has made various accounting estimates in this Financial Report based on forecasts of economic conditions which reflect expectations and assumptions at 30 September 2022 about future events considered reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. Actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of these differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and recoverable amounts of non-financial assets.

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

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

INTEREST RATE BENCHMARK REFORM

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

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

In line with the regulatory announcements made in 2021, the majority of IBOR rates, including Pound Sterling (GBP), Euro (EUR), Swiss Franc (CHF), Japanese Yen (JPY), and the US Dollar (USD) 1-week and 2-month LIBOR rate settings ceased on 31 December 2021 and have been replaced by alternative RFRs. This transition had an immaterial impact to the Group's profit and loss. Through its loan and derivative transactions with customers, issuance of debt and its asset and liability management activities the Group continues to have exposure to the remaining USD LIBOR settings and other IBOR-related benchmarks that are due to largely cease by 30 June 2023.

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

Exposures subject to benchmark reform as at 30 September 2022

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

As at 30 September 2022	USD Libor $m	Others $m
Loan and advances[1]	13,349	126
Non-derivative financial assets[1]	154	-
Non-derivative financial liabilities[2]	669	36
Derivative asset (notional value)[3]	571,393	14,400
Derivative liability (notional value)[3]	553,754	14,540
Loan commitments[1,4]	16,312	222

1. Excludes Expected Credit Losses (ECL).
2. Comprises floating rate debt issuances by the Group.
3. For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Group discloses the Australian dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Group discloses the notional amount of the receive leg.
4. For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the pricing currency of the facility or where there are multiple pricing currencies impacted by cessation, the most likely currency of drawdown.

Hedge accounting exposures subject to IBOR reform

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

Hedged items	As at 30 September 2022 $m
Investment securities at FVOCI	8,457
Net loans and advances	216
Deposits and other borrowings	163
Debt issuances	19,861

Hedging instruments	Notional designated up to 30 June 2023 $m	Notional designated beyond 30 June 2023 $m	Total notional amount $m
Fair value hedges	8,523	21,795	30,318
Cash flow hedges	-	286	286

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

There were no new accounting standards or interpretations adopted in 2022 that had a significant effect on the Group.

Accounting policies have been consistently applied, unless otherwise noted.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2022 and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

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

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

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

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

AASB 17 is not expected to have a material impact on the Group.

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

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

2. NET INTEREST INCOME

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Net interest income				
Interest income by type of financial asset				
Financial assets at amortised cost	21,737	18,188	16,289	13,767
Investment securities at FVOCI	1,107	866	834	596
Trading assets	700	446	547	325
Financial assets at FV through profit or loss	65	29	177	124
External interest income	23,609	19,529	17,847	14,812
Controlled entities' income	-	-	561	535
Interest income	23,609	19,529	18,408	15,347
Interest expense by type of financial liability				
Financial liabilities at amortised cost	(8,019)	(4,830)	(6,170)	(3,681)
Securities sold short	(214)	(91)	(191)	(82)
Financial liabilities designated at FV through profit or loss	(162)	(101)	(151)	(158)
External interest expense	(8,395)	(5,022)	(6,512)	(3,921)
Controlled entities expense	-	-	(581)	(555)
Interest expense	(8,395)	(5,022)	(7,093)	(4,476)
Major bank levy	(340)	(346)	(340)	(346)
Net interest income[1]	14,874	14,161	10,975	10,525

1. Includes charges associated with customer remediation of nil (2021: -$86 million) for the Group and -$5 million (2021: -$82 million) for the Company.

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

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

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

Major Bank Levy

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

3. NON-INTEREST INCOME

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Non-interest income				
Fee and commission income				
Lending fees[1]	374	474	340	436
Non-lending fees	2,394	2,552	1,744	1,961
Commissions	103	97	74	65
Funds management income	261	287	27	5
External fee and commission income	3,132	3,410	2,185	2,467
Controlled entities' income	-	-	244	235
Fee and commission income	3,132	3,410	2,429	2,702
Fee and commission expense	(1,160)	(1,267)	(695)	(836)
Net fee and commission income	1,972	2,143	1,734	1,866
Other income				
Net foreign exchange earnings and other financial instruments income[2]	1,993	1,371	1,296	1,064
Gain on completion of ANZ Worldline partnership	307	-	307	-
Impairment of interest in controlled entities	-	-	(180)	-
Loss on disposal of ANZ Share Investing business	-	(251)	-	12
Release of foreign currency translation reserve	(65)	-	-	-
Loss on disposal of financial planning and advice business	(62)	-	(22)	-
Dividends received from controlled entities	-	-	3,181	1,845
Other	90	62	108	67
Other income	2,263	1,182	4,690	2,988
Other operating income	4,235	3,325	6,424	4,854
Net income from insurance business	140	110	-	-
Share of associates' profit/(loss)[3]	177	(176)	(12)	(1)
Non-interest income[4]	4,552	3,259	6,412	4,853

1. Lending fees exclude fees treated as part of the effective yield calculation in Interest income.
2. Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
3. Includes -$347 million of the Group's share of AMMB Holdings Berhad's 1Malaysia Development Berhad settlement and goodwill write-off in 2021.
4. Includes charges associated with customer remediation of -$34 million (2021: -$56 million) for the Group and -$20 million (2021: -$84 million) for the Company.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

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

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

Net Foreign Exchange Earnings and Other Financial Instruments Income

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

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

Gain or Loss on Disposal of Non-Financial Assets

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

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

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

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

SHARE OF ASSOCIATES' PROFIT/(LOSS)

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

4. OPERATING EXPENSES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Personnel				
Salaries and related costs	4,754	4,425	3,494	3,241
Superannuation costs	375	337	317	281
Other	167	184	127	110
Personnel	5,296	4,946	3,938	3,632
Premises				
Rent	88	85	67	62
Depreciation	419	446	344	371
Other	214	174	168	131
Premises	721	705	579	564
Technology				
Depreciation and amortisation	578	638	521	585
Subscription licences and outsourced services	899	786	648	587
Other	144	164	162	170
Technology	1,621	1,588	1,331	1,342
Restructuring	101	127	78	77
Other				
Advertising and public relations	165	178	128	134
Professional fees	935	769	864	714
Freight, stationery, postage and communication	172	185	128	141
Other	568	553	1,077	990
Other	1,840	1,685	2,197	1,979
Operating expenses[1]	9,579	9,051	8,123	7,594

1. Includes customer remediation expenses of $190 million (2021: $185 million) for the Group and $189 million (2021: $148 million) for the Company, litigation settlement expenses of $10 million (2021: $69 million) for the Group and $9 million (2021: $69 million) for the Company, and merger and acquisition related costs of $12 million (2021: nil) for the Group and the Company.

4. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

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

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

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

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

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

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

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

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

5. INCOME TAX

INCOME TAX EXPENSE

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

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Profit before income tax from continuing operations	10,079	8,936	9,529	8,253
Prima facie income tax expense at 30%	3,024	2,681	2,859	2,476
Tax effect of permanent differences:				
Net (gain)/loss from divestments/closures	(83)	71	(113)	(4)
Share of associates' (profit)/loss	(53)	53	4	-
Interest on convertible instruments	49	44	49	44
Overseas tax rate differential	(128)	(88)	(70)	(33)
Provision for foreign tax on dividend repatriation	155	37	150	33
Rebatable and non-assessable dividends	-	-	(954)	(554)
Impairment of interest in controlled entities	-	-	54	-
Other	4	(26)	(21)	(23)
Subtotal	2,968	2,772	1,958	1,939
Income tax (over)/under provided in previous years	(28)	(16)	(25)	(17)
Income tax expense	2,940	2,756	1,933	1,922
Current tax expense	2,694	2,616	1,725	1,743
Adjustments recognised in the current year in relation to the current tax of prior years	(28)	(16)	(25)	(17)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	274	156	233	196
Income tax expense	2,940	2,756	1,933	1,922
Australia	1,844	1,897	1,755	1,806
Overseas	1,096	859	178	116
Effective tax rate	29.2%	30.8%	20.3%	23.3%

5. INCOME TAX (continued)

TAX CONSOLIDATION

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

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

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

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $1 million (2021: $6 million) for the Group and nil (2021: $2 million) for the Company.

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $250 million (2021: $344 million) for the Group and $18 million (2021: $15 million) for the Company.

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

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

CURRENT TAX EXPENSE

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

DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

KEY JUDGEMENTS AND ESTIMATES

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

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2021			
2020 final dividend paid[1,2]		35 cents	994
2021 interim dividend paid[1,2]		70 cents	1,992
Bonus option plan adjustment			(58)
Dividends paid during the year ended 30 September 2021			2,928
Cash	90.0%		2,635
Dividend reinvestment plan[3]	10.0%		293
Dividends paid during the year ended 30 September 2021			2,928
Financial Year 2022			
2021 final dividend paid[1,2]		72 cents	2,030
2022 interim dividend paid[1,2]		72 cents	2,012
Bonus option plan adjustment			(77)
Dividends paid during the year ended 30 September 2022			3,965
Cash	90.2%		3,577
Dividend reinvestment plan[3]	9.8%		388
Dividends paid during the year ended 30 September 2022			3,965

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2022 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 9 cents per share)	15 December 2022	74 cents	2,213

1. Carries New Zealand imputation credits of NZD 9 cents for the 2022 interim dividend, NZD 8 cents for the 2021 final dividend and 2021 interim dividend, and NZD 4 cents for the 2020 final dividend.
2. Fully franked for Australian tax purposes (30% tax rate).
3. Includes on-market share purchases for the DRP of $204 million (2021: $199 million).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2022 final dividend, DRP and BOP participation will be satisfied by an issue of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

Refer to Note 24 Shareholders' Equity for details of shares the Company purchased or issued in respect of the DRP and BOP.

6. DIVIDENDS (continued)

DIVIDEND FRANKING ACCOUNT

	Currency	2022 $m	2021 $m
Australian franking credits available at 30% tax rate	AUD	396	772
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	5,000	5,020

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed 2022 final dividend will utilise the entire balance of $396 million franking credits available at 30 September 2022. Instalment tax payments on account of the 2022 financial year, which will be made after 30 September 2022, will generate sufficient franking credits to enable the 2022 final dividend to be fully franked. The extent to which future dividends will be franked will depend on a number of factors, including the level of profits generated by the Group that will be subject to tax in Australia.

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares if:

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

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

7. EARNINGS PER ORDINARY SHARE

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

Earnings per ordinary share - Basic[1]	2022 cents	2021 cents
Earnings Per Share	250.0	215.3
Earnings Per Share from continuing operations	250.7	215.9
Earnings Per Share from discontinued operations	(0.7)	(0.6)

Earnings per ordinary share - Diluted[1]	2022 cents	2021 cents
Earnings Per Share	233.2	203.2
Earnings Per Share from continuing operations	233.8	203.7
Earnings Per Share from discontinued operations	(0.6)	(0.5)

Reconciliation of earnings used in earnings per share calculations	2022 $m	2021 $m
Basic:		
Profit for the year	7,120	6,163
Less: Profit attributable to non-controlling interests	1	1
Earnings used in calculating basic earnings per share	7,119	6,162
Less: Profit/(Loss) after tax from discontinued operations	(19)	(17)
Earnings used in calculating basic earnings per share from continuing operations	7,138	6,179
Diluted:		
Earnings used in calculating basic earnings per share	7,119	6,162
Add: Interest on convertible subordinated debt	199	187
Earnings used in calculating diluted earnings per share	7,318	6,349
Less: Profit/(Loss) after tax from discontinued operations	(19)	(17)
Earnings used in calculating diluted earnings per share from continuing operations	7,337	6,366

Reconciliation of WANOS used in earnings per share calculations[1,2]	2022 millions	2021 millions
WANOS used in calculating basic earnings per share	2,847.5	2,862.6
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	282.9	252.5
Share based payments (options, rights and deferred shares)	7.7	10.0
WANOS used in calculating diluted earnings per share	3,138.1	3,125.1

1. WANOS and EPS have been restated to reflect the bonus element of the share entitlement issue made in 2022, in accordance with AASB 133 *Earnings per Share*.
2. WANOS excludes the weighted average number of treasury shares held in ANZEST Pty Ltd of 4.4 million (2021: 4.6 million).

8. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

On 1 March 2022, the Group announced a structural change to the existing Australia Retail and Commercial division, and the digital businesses in the Group Centre division (formerly known as the Technology, Services & Operations (TSO) and Group Centre division). This involved the integration of the Australian retail and digital businesses, and the separation of the Australian commercial business into a new division to improve productivity and accountability within the organisation. As a result of these changes there are now six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific and Group Centre, aligned to distinct strategies and opportunities within the Group. Comparative information has been restated accordingly.

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

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the 'Other items' section of this note. Transactions between business units across segments within ANZ are conducted on an arm's length basis and disclosed as part of the income and expenses of these segments.

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

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

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

Institutional
The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International via the following business units:

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

New Zealand
The New Zealand division comprises the following business units:

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

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

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

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

Year ended 30 September 2022	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	5,527	2,568	3,401	3,168	96	114	-	14,874
Net fee and commission income								
- Lending fees	8	90	262	8	6	-	-	374
- Non-lending fees	849	384	524	622	26	(11)	-	2,394
- Commissions	52	22	1	28	-	-	-	103
- Funds management income	-	26	1	234	-	-	-	261
- Fee and commission expense	(432)	(118)	(140)	(464)	(6)	-	-	(1,160)
Net income from insurance business	140	-	-	-	-	-	-	140
Other income	5	258	1,002	33	42	44	879	2,263
Share of associates' profit/(loss)	-	(10)	(2)	-	-	189	-	177
Other operating income	622	652	1,648	461	68	222	879	4,552
Operating income	6,149	3,220	5,049	3,629	164	336	879	19,426
Operating expenses	(3,210)	(1,346)	(2,503)	(1,324)	(153)	(1,043)	-	(9,579)
Profit before credit impairment and income tax	2,939	1,874	2,546	2,305	11	(707)	879	9,847
Credit impairment (charge)/release	129	133	18	(36)	6	(18)	-	232
Profit before income tax	3,068	2,007	2,564	2,269	17	(725)	879	10,079
Income tax expense and non-controlling interests	(928)	(497)	(803)	(636)	(8)	187	(256)	(2,941)
Profit after tax from continuing operations	2,140	1,510	1,761	1,633	9	(538)	623	7,138
Profit/(Loss) after tax from discontinued operations								(19)
Profit after tax attributable to shareholders								7,119
Includes non-cash items:								
Share of associates' profit/(loss)	-	(10)	(2)	-	-	189	-	177
Depreciation and amortisation	(61)	(12)	(158)	(116)	(10)	(652)	-	(1,009)
Equity-settled share based payment expenses	(5)	(1)	(72)	(4)	(1)	(19)	-	(102)
Credit impairment (charge)/release	129	133	18	(36)	6	(18)	-	232

Financial position	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Group Total $m
Goodwill[2]	178	-	1,022	1,706	-	-	2,906
Investments in associates	-	47	5	-	-	2,129	2,181
Total external assets	292,825	60,031	533,450	126,919	3,707	68,797	1,085,729
Total external liabilities	153,491	118,363	470,006	118,371	4,065	155,032	1,019,328

1. Cash profit represents our preferred measure of the result of the segments as presented in the table above. We remove certain items from the segments as discussed on page 132 if we consider them not integral to the ongoing performance of the segment, and present these as Other items.
2. The Group recognised $78 million of goodwill in relation to the acquisition of the Cashrewards business in the Australia Retail division, and wrote off $40 million of goodwill in relation to the exit of the financial planning and advice business servicing the affluent customer segment in the Australia Commercial division.

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2021	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	5,708	2,281	3,105	2,870	96	101	-	14,161
Net fee and commission income								
- Lending fees	136	80	241	10	7	-	-	474
- Non-lending fees	738	530	683	585	20	(4)	-	2,552
- Commissions	40	24	1	32	-	-	-	97
- Funds management income	-	32	1	254	-	-	-	287
- Fee and commission expense	(358)	(202)	(274)	(430)	(2)	(1)	-	(1,267)
Net income from insurance business	110	-	-	-	-	-	-	110
Other income	(234)	(8)	1,227	18	40	166	(27)	1,182
Share of associates' profit/(loss)	1	-	(1)	-	-	(176)	-	(176)
Other operating income	433	456	1,878	469	65	(15)	(27)	3,259
Operating income	6,141	2,737	4,983	3,339	161	86	(27)	17,420
Operating expenses	(2,948)	(1,353)	(2,447)	(1,325)	(144)	(834)	-	(9,051)
Profit before credit impairment and income tax	3,193	1,384	2,536	2,014	17	(748)	(27)	8,369
Credit impairment (charge)/release	227	199	89	76	(21)	(3)	-	567
Profit before income tax	3,420	1,583	2,625	2,090	(4)	(751)	(27)	8,936
Income tax expense and non-controlling interests	(1,104)	(476)	(738)	(582)	1	134	8	(2,757)
Profit after tax from continuing operations	2,316	1,107	1,887	1,508	(3)	(617)	(19)	6,179
Profit/(Loss) after tax from discontinued operations								(17)
Profit after tax attributable to shareholders								6,162
Includes non-cash items:								
Share of associates' profit/(loss)	1	-	(1)	-	-	(176)	-	(176)
Goodwill write-off[2]	(251)	-	-	-	-	-	-	(251)
Depreciation and amortisation	(84)	(24)	(115)	(117)	(11)	(739)	-	(1,090)
Equity-settled share based payment expenses	(3)	(1)	(63)	(6)	(1)	(17)	-	(91)
Credit impairment (charge)/release	227	199	89	76	(21)	(3)	-	567

Financial position	Australia Retail $m	Australia Commercial $m	Institutional $m	New Zealand $m	Pacific $m	Group Centre $m	Group Total $m
Goodwill[2]	100	40	1,100	1,849	-	-	3,089
Investments in associates	17	-	4	-	-	1,951	1,972
Total external assets	286,566	57,481	429,362	132,232	3,755	69,461	978,857
Total external liabilities	143,709	117,739	384,106	121,999	3,898	143,730	915,181

1. Cash profit represents our preferred measure of the result of the segments as presented in the table above. We remove certain items from the segments as discussed on page 132 if we consider them not integral to the ongoing performance of the segment, and present these as Other items.

2. The Group wrote off $251 million of goodwill upon the reclassification of ANZ Share Investing business to held for sale with the remaining $13 million derecognised on completion of the disposal in the Australia Retail division.

8. SEGMENT REPORTING (continued)

OTHER ITEMS

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

		Profit after tax	
Item	Related segment	2022 $m	2021 $m
Economic hedges	Institutional, New Zealand, Group Centre	569	77
Revenue and expense hedges	Group Centre	54	(96)
Total other items from continuing operations		623	(19)

SEGMENT INCOME BY PRODUCTS AND SERVICES

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

GEOGRAPHICAL INFORMATION

The reportable segments operate across three geographical regions as follows:

- Australia Retail division - Australia
- Australia Commercial division - Australia
- Institutional division - all three geographical regions
- New Zealand division - New Zealand
- Pacific division - International
- Group Centre division - all three geographical regions

Discontinued operations results are included in the Australia geography. The International region includes Asia, Pacific, Europe and Americas.

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

	Australia		International		New Zealand		Total	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Total operating income[1]	12,462	11,822	2,547	1,778	4,501	3,892	19,510	17,492
Assets to be recovered in more than one year[2]	384,724	362,588	32,350	28,213	109,191	112,966	526,265	503,767

1. Includes Operating income earned from discontinued operations of $84 million (2021: $72 million).
2. Represents Net loans and advances based on the contractual maturity.

FINANCIAL ASSETS

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

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

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

The resultant financial asset classifications are as follows:

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

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

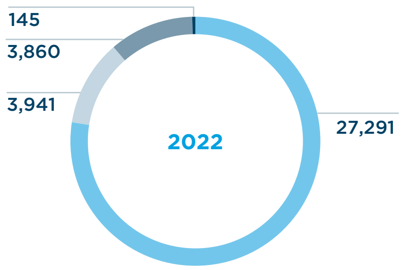
- at FVTPL when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise; or
- at FVOCI for investments in equity securities, where that instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

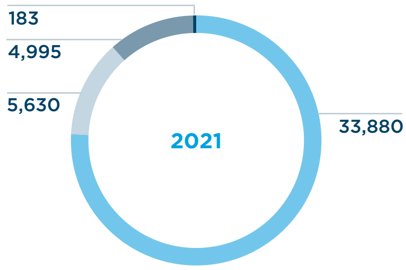
9. CASH AND CASH EQUIVALENTS

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

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Coins, notes and cash at bank	1,147	1,127	787	721
Securities purchased under agreements to resell in less than 3 months	15,996	17,571	14,372	16,465
Balances with central banks	127,790	107,915	118,928	101,400
Settlement balances owed to ANZ within 3 months	23,199	24,647	21,396	22,850
Cash and cash equivalents	168,132	151,260	155,483	141,436

10. TRADING ASSETS





	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Government debt securities and notes	27,291	33,880	21,881	26,119
Corporate and financial institution securities	3,941	5,630	2,700	3,493
Commodities	3,860	4,995	3,348	4,957
Other securities	145	183	144	183
Total	35,237	44,688	28,073	34,752

RECOGNITION AND MEASUREMENT

Trading assets are financial instruments or other assets we either:

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

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

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

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

Assets disclosed as Trading assets are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial assets disclosures on page 133.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading assets not valued using quoted market prices. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Derivative financial instruments - held for trading	89,716	(84,793)	38,080	(35,833)
Derivative financial instruments - designated in hedging relationships	458	(356)	656	(202)
Derivative financial instruments	90,174	(85,149)	38,736	(36,035)

The Company Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Derivative financial instruments - held for trading	87,650	(84,200)	37,700	(36,847)
Derivative financial instruments - designated in hedging relationships	406	(300)	592	(158)
Derivative financial instruments	88,056	(84,500)	38,292	(37,005)

FEATURES

Derivative financial instruments are contracts:

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

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

PURPOSE

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

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (some elements of balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements in underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RISKS MANAGED

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

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

Consolidated Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Interest rate contracts				
Forward rate agreements	-	(1)	2	(23)
Futures contracts	336	(123)	105	(24)
Swap agreements	10,421	(15,031)	10,267	(8,065)
Options purchased	1,698	-	971	-
Options sold	-	(1,954)	-	(1,207)
Total	12,455	(17,109)	11,345	(9,319)
Foreign exchange contracts				
Spot and forward contracts	42,221	(37,426)	13,869	(11,462)
Swap agreements	32,169	(27,548)	11,109	(12,425)
Options purchased	926	-	277	-
Options sold	-	(1,343)	-	(577)
Total	75,316	(66,317)	25,255	(24,464)
Commodity and other contracts	1,927	(1,353)	1,445	(2,017)
Credit default swaps				
Credit derivatives purchased	16	(2)	-	(33)
Credit derivatives sold	2	(12)	35	-
Total	18	(14)	35	(33)
Derivative financial instruments - held for trading[1]	89,716	(84,793)	38,080	(35,833)

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING (continued)

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

The Company Fair Value	Assets 2022 $m	Liabilities 2022 $m	Assets 2021 $m	Liabilities 2021 $m
Interest rate contracts				
Forward rate agreements	2	(7)	3	(24)
Futures contracts	240	(116)	87	(19)
Swap agreements	10,778	(15,098)	11,598	(10,538)
Options purchased	1,684	-	969	-
Options sold	-	(1,947)	-	(1,206)
Total	12,704	(17,168)	12,657	(11,787)
Foreign exchange contracts				
Spot and forward contracts	36,576	(33,376)	11,840	(9,658)
Swap agreements	35,526	(30,949)	11,463	(12,940)
Options purchased	895	-	267	-
Options sold	-	(1,331)	-	(408)
Total	72,997	(65,656)	23,570	(23,006)
Commodity and other contracts	1,923	(1,352)	1,422	(2,015)
Credit default swaps				
Credit derivatives purchased	24	(2)	-	(39)
Credit derivatives sold	2	(22)	51	-
Total	26	(24)	51	(39)
Derivative financial instruments - held for trading[1]	87,650	(84,200)	37,700	(36,847)

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

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

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

Under the policy choice provided by AASB 9, the Group has continued to apply the hedge accounting requirements of AASB 139.

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

Consolidated	2022 Nominal amount $m	2022 Assets $m	2022 Liabilities $m	2021 Nominal amount $m	2021 Assets $m	2021 Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	604	-	(37)	548	-	(13)
Interest rate swap agreements	106,366	79	(168)	95,384	370	(121)
Interest rate futures contracts	17,361	264	(3)	8,704	191	(2)
Cash flow hedges						
Interest rate swap agreements	125,063	33	(53)	105,416	27	(20)
Foreign exchange swap agreements	656	48	(44)	642	22	-
Foreign exchange spot and forward contracts	161	-	(4)	153	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	940	34	(47)	1,097	46	(45)
Derivative financial instruments - designated in hedging relationships	251,151	458	(356)	211,944	656	(202)

The Company	2022 Nominal amount $m	2022 Assets $m	2022 Liabilities $m	2021 Nominal amount $m	2021 Assets $m	2021 Liabilities $m
Fair value hedges						
Foreign exchange spot and forward contracts	604	-	(37)	548	-	(13)
Interest rate swap agreements	80,185	65	(163)	68,708	358	(116)
Interest rate futures contracts	17,361	264	(3)	8,704	191	(2)
Cash flow hedges						
Interest rate swap agreements	94,928	28	(49)	78,852	19	(16)
Foreign exchange swap agreements	656	48	(44)	642	22	-
Foreign exchange spot and forward contracts	161	-	(4)	153	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	146	1	-	299	2	(10)
Derivative financial instruments - designated in hedging relationships	194,041	406	(300)	157,906	592	(158)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

Consolidated Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022							
Fair value hedges							
Interest rate	Interest Rate	1.65%	10,931	17,322	65,259	30,215	123,727
Foreign exchange	HKD/AUD FX Rate	5.43	604	-	-	-	604
Cash flow hedges							
Interest rate	Interest Rate	1.59%	3,317	32,145	88,461	1,140	125,063
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	40	121	-	656	817
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.68 25.05	794	146	-	-	940
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.26%	2,597	14,328	58,658	28,505	104,088
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.17%	4,593	14,180	84,924	1,719	105,416
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.81 24.18	456	641	-	-	1,097

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

The Company

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022							
Fair value hedges							
Interest rate	Interest Rate	1.75%	10,931	13,466	48,011	25,138	97,546
Foreign exchange	HKD/AUD FX Rate	5.43	604	-	-	-	604
Cash flow hedges							
Interest rate	Interest Rate	1.37%	1,708	22,611	69,600	1,009	94,928
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	40	121	-	656	817
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.68	-	146	-	-	146
As at 30 September 2021							
Fair value hedges							
Interest rate	Interest Rate	1.37%	2,445	10,884	43,063	21,020	77,412
Foreign exchange	HKD/AUD FX Rate	5.74	548	-	-	-	548
Cash flow hedges							
Interest rate	Interest Rate	1.06%	2,125	7,233	67,799	1,695	78,852
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.74 0.91	38	115	-	642	795
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate	20.81	150	149	-	-	299

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

Consolidated	Ineffectiveness			
	Change in value of hedging instrument[2]	Change in value of hedged item	Hedge ineffectiveness recognised in profit or loss[3]	Amount reclassified from the cash flow hedge reserve or FCTR to profit or loss[4]
As at 30 September 2022	$m	$m	$m	$m
Fair value hedges[1]				
Interest rate	697	(719)	(22)	-
Foreign exchange	(55)	55	-	-
Cash flow hedges[1]				
Interest rate	(3,619)	3,453	(166)	(13)
Foreign exchange	(4)	4	-	1
Net investment hedges[1]				
Foreign exchange	62	(62)	-	-
As at 30 September 2021				
Fair value hedges[1]				
Interest rate	1,005	(1,006)	(1)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(934)	909	(25)	4
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	61	(61)	-	-

The Company	Ineffectiveness			
	Change in value of hedging instrument[2]	Change in value of hedged item	Hedge ineffectiveness recognised in profit or loss[3]	Amount reclassified from the cash flow hedge reserve or FCTR to profit or loss[4]
As at 30 September 2022	$m	$m	$m	$m
Fair value hedges[1]				
Interest rate	1,570	(1,586)	(16)	-
Foreign exchange	(55)	55	-	-
Cash flow hedges[1]				
Interest rate	(3,643)	3,477	(166)	(13)
Foreign exchange	(4)	4	-	1
Net investment hedges[1]				
Foreign exchange	58	(58)	-	-
As at 30 September 2021				
Fair value hedges[1]				
Interest rate	731	(734)	(3)	-
Foreign exchange	9	(9)	-	-
Cash flow hedges[1]				
Interest rate	(797)	772	(25)	(6)
Foreign exchange	(10)	10	-	(1)
Net investment hedges[1]				
Foreign exchange	(6)	6	-	-

1. All hedging instruments are classified as derivative financial instruments.
2. Changes in value of hedging instruments is before any adjustments for Settle to Market clearing arrangements.
3. Recognised in Other operating income.
4. Recognised in Net interest income and Other operating income.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

Consolidated	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2022						
Fixed rate loans and advances	Net loans and advances	Interest rate	10,252	-	(369)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(51,531)	-	3,721
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	53,915	-	(5,349)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	604	-	75	-
Total			64,771	(51,531)	(5,643)	3,721
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	9	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(53,885)	-	(999)
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	53,321	-	(209)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			57,285	(53,885)	(180)	(999)

1. The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of Other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -$7 million (2021: $2 million).

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

The Company	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
As at 30 September 2022						
Fixed rate loans and advances	Net loans and advances	Interest rate	10,252	-	(369)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(37,141)	-	2,572
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	44,038	-	(4,489)	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	604	-	75	-
Total			54,894	(37,141)	(4,783)	2,572
As at 30 September 2021						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,416	-	7	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(38,222)	-	(769)
Fixed rate investment securities at FVOCI[1]	Investment securities	Interest rate	41,944	-	129	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	548	-	20	-
Total			45,908	(38,222)	156	(769)

1. The carrying amount of debt and equity instruments at FVOCI does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of Other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is -$7 million (2021: nil).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

		Cash flow hedge reserve		Foreign currency translation reserve	
Consolidated	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2022					
Cash flow hedges					
Floating rate loans and advances	Interest rate	(4,286)	19	-	-
Floating rate customer deposits	Interest rate	1,357	5	-	-
Foreign currency debt issuances	Foreign exchange	(1)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(7)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	43	(149)
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	546	20	-	-
Floating rate customer deposits	Interest rate	4	(6)	-	-
Foreign currency debt issuances	Foreign exchange	(4)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(19)	(149)

		Cash flow hedge reserve		Foreign currency translation reserve	
The Company	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
As at 30 September 2022					
Cash flow hedges					
Floating rate loans and advances	Interest rate	(4,005)	11	-	-
Floating rate customer deposits	Interest rate	1,053	6	-	-
Foreign currency debt issuances	Foreign exchange	(1)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(7)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	88	(149)
As at 30 September 2021					
Cash flow hedges					
Floating rate loans and advances	Interest rate	541	11	-	-
Floating rate customer deposits	Interest rate	8	(6)	-	-
Foreign currency debt issuances	Foreign exchange	(4)	(1)	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	30	(149)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

Consolidated	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2020	1,034	4	1,038
Fair value gains/(losses)	(909)	(10)	(919)
Transferred to profit or loss	4	(1)	3
Income taxes and others	269	2	271
Balance at 30 September 2021	398	(5)	393
Fair value gains/(losses)	(3,453)	(4)	(3,457)
Transferred to profit or loss	(13)	1	(12)
Income taxes and others	1,040	-	1,040
Balance at 30 September 2022	(2,028)	(8)	(2,036)

Hedges of net investments in a foreign operation resulted in a $62 million increase in FCTR during the year (2021: $61 million increase).

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

The Company	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2020	931	4	935
Fair value gains/(losses)	(772)	(10)	(782)
Transferred to profit or loss	(6)	(1)	(7)
Income taxes and others	236	2	238
Balance at 30 September 2021	389	(5)	384
Fair value gains/(losses)	(3,477)	(4)	(3,481)
Transferred to profit or loss	(13)	1	(12)
Income taxes and others	1,048	-	1,048
Balance at 30 September 2022	(2,053)	(8)	(2,061)

Hedges of net investments in a foreign operation resulted in a $58 million increase in FCTR during the year (2021: $6 million decrease).

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

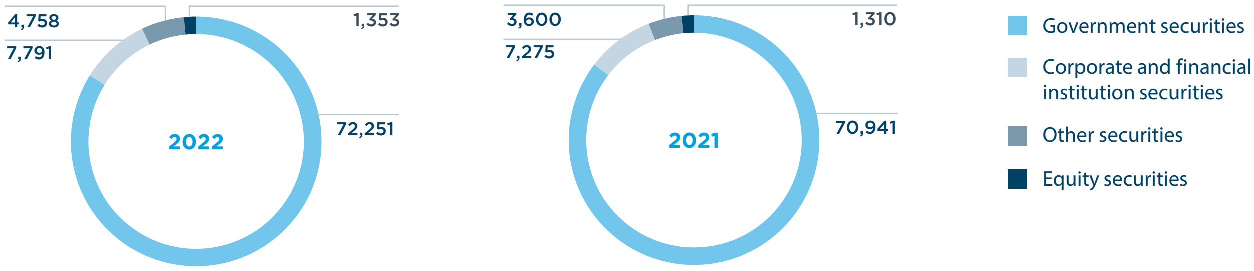
RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our Balance Sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our Balance Sheet when the Group's contractual obligations are discharged, cancelled or expired. With respect to derivatives cleared through a central clearing counterparty or exchange, derivative assets or liabilities may be derecognised in accordance with the principle above when collateral is settled, depending on the legal arrangements in place for each instrument.
Impact on the Income Statement	The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 138 for details of the recognition approach applied for each type of hedge accounting relationship. Sources of hedge ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.
Hedge effectiveness	To qualify for hedge accounting under AASB 139, a hedge relationship is expected to be highly effective. A hedge relationship is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

12. INVESTMENT SECURITIES



	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Investment securities measured at fair value through other comprehensive income				
Debt securities	76,817	74,743	65,257	61,623
Equity securities	1,353	1,310	1,027	1,054
Investment securities measured at amortised cost				
Debt securities[1]	7,943	7,031	6,115	5,263
Investment Securities measured at fair value through profit or loss				
Debt securities	40	42	-	-
Total	86,153	83,126	72,399	67,940

1. Includes allowance for expected credit losses of $38 million (2021: $31 million) for the Group and $1 million (2021: $1 million) for the Company.

The maturity profile of investment securities is as follows:

Consolidated As at 30 September 2022	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	6,544	14,045	29,806	21,856	-	72,251
Corporate and financial institution securities	324	2,462	4,906	97	2	7,791
Other securities	429	423	543	3,363	-	4,758
Equity securities	-	-	-	-	1,353	1,353
Total	7,297	16,930	35,255	25,316	1,355	86,153
As at 30 September 2021						
Government securities	6,396	12,984	32,179	19,382	-	70,941
Corporate and financial institution securities	285	1,179	5,701	110	-	7,275
Other securities	129	295	553	2,623	-	3,600
Equity securities	-	-	-	-	1,310	1,310
Total	6,810	14,458	38,433	22,115	1,310	83,126

During the year, the Group recognised a net gain (before tax) of $28 million (2021: $303 million) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.

12. INVESTMENT SECURITIES (continued)

The Company As at 30 September 2022	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities	5,715	11,647	23,100	19,853	-	60,315
Corporate and financial institution securities	276	1,972	3,993	58	-	6,299
Other securities	429	423	543	3,363	-	4,758
Equity securities	-	-	-	-	1,027	1,027
Total	6,420	14,042	27,636	23,274	1,027	72,399
As at 30 September 2021						
Government securities	5,453	11,646	24,390	16,350	-	57,839
Corporate and financial institution securities	175	830	4,371	71	-	5,447
Other securities	129	295	553	2,623	-	3,600
Equity securities	-	-	-	-	1,054	1,054
Total	5,757	12,771	29,314	19,044	1,054	67,940

During the year, the Company recognised a net gain (before tax) of $1 million (2021: $301 million) in Other operating income from the recycling of gains/losses previously recognised in Other comprehensive income in respect of debt securities at FVOCI.

RECOGNITION AND MEASUREMENT

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

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

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 133. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at fair value through other comprehensive income' are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at fair value through other comprehensive income', the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

13. NET LOANS AND ADVANCES

The following table provides details of Net loans and advances for the Group and the Company:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Overdrafts	5,266	5,360	4,262	4,465
Credit cards	6,755	6,570	5,664	5,494
Commercial bills	5,214	6,000	5,214	6,000
Term loans – housing	374,625	372,572	282,965	278,372
Term loans – non-housing	279,730	239,277	238,215	194,150
Other	2,035	2,985	1,929	2,733
Subtotal	673,625	632,764	538,249	491,214
Unearned income[1]	(518)	(434)	(480)	(390)
Capitalised brokerage and other origination costs[1,2]	2,882	1,434	2,501	1,050
Gross loans and advances	675,989	633,764	540,270	491,874
Allowance for expected credit losses (refer to Note 14)	(3,582)	(4,045)	(2,925)	(3,387)
Net loans and advances	672,407	629,719	537,345	488,487
Residual contractual maturity:				
Within one year	146,142	125,952	121,513	98,214
More than one year	526,265	503,767	415,832	390,273
Net loans and advances	672,407	629,719	537,345	488,487
Carried on Balance Sheet at:				
Amortised cost	667,732	626,099	533,082	485,015
Fair value through profit or loss	4,675	3,620	4,263	3,472
Net loans and advances[3]	672,407	629,719	537,345	488,487

1. Amortised over the expected life of the loan.
2. During 2022, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.
3. Net loans and advances of the Group and the Company include a balance of $667 million relating to the Share Investing lending portfolio that is in the process of being sold with completion anticipated in 2023.

RECOGNITION AND MEASUREMENT

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

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

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

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

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

Assets disclosed as Net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 133. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES

Consolidated	2022 Collectively assessed $m	2022 Individually assessed $m	2022 Total $m	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m
Net loans and advances at amortised cost	3,049	533	3,582	3,379	666	4,045
Off-balance sheet commitments	766	9	775	785	21	806
Investment securities - debt securities at amortised cost	38	-	38	31	-	31
Total	3,853	542	4,395	4,195	687	4,882
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	10	-	10	11	-	11

The Company	2022 Collectively assessed $m	2022 Individually assessed $m	2022 Total $m	2021 Collectively assessed $m	2021 Individually assessed $m	2021 Total $m
Net loans and advances at amortised cost	2,500	425	2,925	2,824	563	3,387
Off-balance sheet commitments	668	5	673	667	7	674
Investment securities - debt securities at amortised cost	1	-	1	1	-	1
Total	3,169	430	3,599	3,492	570	4,062
Other comprehensive income						
Investment securities - debt securities at FVOCI[1]	7	-	7	7	-	7

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

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

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	1,204	2,465	461	851	4,981
Transfer between stages	399	(421)	(137)	159	-
New and increased provisions (net of releases)	(639)	(53)	90	663	61
Write-backs	-	-	-	(365)	(365)
Bad debts written off (excluding recoveries)	-	-	-	(626)	(626)
Foreign currency translation and other movements[2]	4	3	3	(16)	(6)
As at 30 September 2021	968	1,994	417	666	4,045
Transfer between stages	219	(224)	(95)	100	-
New and increased provisions (net of releases)	(48)	(202)	42	420	212
Write-backs	-	-	-	(222)	(222)
Bad debts written off (excluding recoveries)	-	-	-	(428)	(428)
Foreign currency translation and other movements[2]	2	(20)	(4)	(3)	(25)
As at 30 September 2022	1,141	1,548	360	533	3,582

1. The Group's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impacts of discount unwind on individually assessed allowance for ECL or the impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	1,028	2,114	373	704	4,219
Transfer between stages	392	(382)	(130)	120	-
New and increased provisions (net of releases)	(620)	(49)	106	619	56
Write-backs	-	-	-	(308)	(308)
Bad debts written off (excluding recoveries)	-	-	-	(556)	(556)
Foreign currency translation and other movements[2]	(3)	(4)	(1)	(16)	(24)
As at 30 September 2021	797	1,679	348	563	3,387
Transfer between stages	192	(201)	(84)	93	-
New and increased provisions (net of releases)	(59)	(220)	31	354	106
Write-backs	-	-	-	(193)	(193)
Bad debts written off (excluding recoveries)	-	-	-	(386)	(386)
Foreign currency translation and other movements[2]	16	1	-	(6)	11
As at 30 September 2022	946	1,259	295	425	2,925

1. The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impact of discount unwind on individually assessed allowance for ECL.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	596	239	23	40	898
Transfer between stages	51	(49)	(3)	1	-
New and increased provisions (net of releases)	(92)	19	-	1	(72)
Write-backs	-	-	-	(21)	(21)
Foreign currency translation	-	2	(1)	-	1
As at 30 September 2021	555	211	19	21	806
Transfer between stages	40	(34)	(8)	2	-
New and increased provisions (net of releases)	7	(28)	18	(2)	(5)
Write-backs	-	-	-	(11)	(11)
Foreign currency translation and other movements[2]	(9)	(5)	-	(1)	(15)
As at 30 September 2022	593	144	29	9	775

1. The Group's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include impact of divestments completed during the year.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

The Company	Stage 1 $m	Stage 2 $m	Stage 3[1] Collectively assessed $m	Stage 3[1] Individually assessed $m	Total $m
As at 1 October 2020	513	183	15	20	731
Transfer between stages	45	(41)	(5)	1	-
New and increased provisions (net of releases)	(72)	28	2	1	(41)
Write-backs	-	-	-	(15)	(15)
Foreign currency translation	(2)	1	-	-	(1)
As at 30 September 2021	484	171	12	7	674
Transfer between stages	33	(27)	(6)	-	-
New and increased provisions (net of releases)	17	(29)	20	-	8
Write-backs	-	-	-	(2)	(2)
Foreign currency translation and other movements[2]	(4)	(3)	-	-	(7)
As at 30 September 2022	530	112	26	5	673

1. The Company's credit exposures that are purchased or originated credit-impaired (POCI) are insignificant.
2. Other movements include the impact of divestments completed during the year.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021	31	-	-	-	31
As at 30 September 2022	38	-	-	-	38

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021	1	-	-	-	1
As at 30 September 2022	1	-	-	-	1

Investment securities - debt securities at FVOCI

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

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021	11	-	-	-	11
As at 30 September 2022	10	-	-	-	10

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2021	7	-	-	-	7
As at 30 September 2022	7	-	-	-	7

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
New and increased provisions (net of releases)[1,2]				
- Collectively assessed	(311)	(823)	(333)	(726)
- Individually assessed	520	824	447	741
Write-backs[3]	(233)	(386)	(195)	(323)
Recoveries of amounts previously written-off	(208)	(182)	(184)	(161)
Total credit impairment charge	(232)	(567)	(265)	(469)

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

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

	Consolidated				The Company			
	2022		2021		2022		2021	
	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m	Collectively assessed $m	Individually assessed $m
Net loans and advances at amortised cost	(308)	520	(761)	822	(341)	447	(683)	739
Off-balance sheet commitments	(5)	-	(74)	2	8	-	(43)	2
Investment securities - debt securities at amortised cost	3	-	11	-	-	-	-	-
Investment securities - debt securities at FVOCI	(1)	-	1	-	-	-	-	-
Total	(311)	520	(823)	824	(333)	447	(726)	741

3. Consists of write-backs in Net loans and advances at amortised cost of $222 million (2021: $365 million) for the Group and $193 million (2021: $308 million) for the Company, and Off-balance sheet commitments of $11 million (2021: $21 million) for the Group and $2 million (2021: $15 million) for the Company.

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is $143 million (2021: $168 million) for the Group, and $128 million (2021: $138 million) for the Company.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS MODEL

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

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

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

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

MEASUREMENT OF EXPECTED CREDIT LOSS

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

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

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

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and events that give rise to substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring ECL is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the income statement.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

MODIFIED FINANCIAL ASSETS

If the contractual terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a SICR since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the PD of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime PD at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criterion for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a SICR since origination and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of future macroeconomic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

To better reflect the current economic conditions and geopolitical environment, the Group has altered the severe downside scenario in 2022 from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for Group-wide stress testing.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macroeconomic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the lending portfolio and country of the borrower. Examples of the macroeconomic variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

In estimating collectively assessed ECL, the Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

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

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Determining when a Significant Increase in Credit Risk has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The Group has adjusted the ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, increasing inflation and low wage growth.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The modelled outcome as at 30 September 2021 included a model adjustment to recognise increased model uncertainties as a result of COVID-19. With these uncertainties largely being appropriately reflected in the underlying models, the COVID-19 model adjustments have been removed.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies.
Base case economic forecast	The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macroeconomic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs. As at 30 September 2022, the base case assumptions have been updated to reflect the relaxation of COVID-19 related restrictions, continuing supply chain and labour market pressures, and rapidly increasing global inflation and interest rate rises, as well as lower growth in key economies. The expected outcomes of key economic drivers for the base case scenario at 30 September 2022 are described below under the heading 'Base case economic forecast assumptions'.
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.	To better reflect the current economic conditions and geopolitical environment, the Group has altered the severe downside scenario from a scenario fixed by reference to average economic cycle conditions to one which aligns with the scenario used for Group-wide stress testing. The key considerations for probability weightings in the current period include the emergence from COVID-19 restrictions, how customers will respond to interest rate rises and higher inflation, and potential impacts of lower growth prospects globally. Weightings for current and prior periods are as detailed in the section on 'Probability weightings' below.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2022
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.	As at 30 September 2022, Management no longer consider that a separate management temporary adjustment is necessary for the uncertainty associated with COVID-19. Management have however included adjustments to accommodate uncertainty associated with rising inflation, rapidly increasing interest rates, and ongoing supply chain and labour market pressures. In addition, management overlays have been made for risks particular to retail, including home loans and small business in Australia and NZ, for personal, and for tourism in the Pacific.

Base case economic forecast assumptions

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

The economic drivers of the base case economic forecasts, reflective of ANZ Economics' view of future macroeconomic conditions used at 30 September 2022 are set out below. For the years following the near term forecasts below, the ECL models project future year economic conditions which include an assumption of eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2022	2023	2024
Australia			
GDP (annual % change)	4.0%	2.4%	1.4%
Unemployment rate (annual average)	3.5%	3.1%	3.6%
Residential property prices (annual % change)	-2.6%	-8.9%	5.2%
Consumer price index (annual average % change)	6.4%	3.8%	2.8%
New Zealand			
GDP (annual % change)	1.9%	1.8%	1.7%
Unemployment rate (annual average)	3.3%	3.9%	4.9%
Residential property prices (annual % change)	-11.3%	-3.1%	2.6%
Consumer price index (annual average % change)	6.8%	3.6%	1.9%
Rest of world			
GDP (annual % change)	1.7%	0.9%	1.2%
Consumer price index (annual average % change)	8.3%	3.1%	2.0%

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

The base case economic forecasts for Australia, New Zealand and Rest of World reflect the expected slow down in economic activity globally from higher interest rates and increasing inflation, along with declining residential property prices until 2024. Tight labour markets are expected to persist until central banks' monetary policies have the intended impact of reducing demand and bringing inflation down.

Probability weightings

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

The base case scenario represents an overall deterioration in the forecasts since September 2021 for all three geographical segments. Given uncertainties associated with how the economy may respond to rapidly moving factors including inflation and lower economic growth globally, the average upside case weighting across geographies has been reduced to 0% (Sep 21: 5%), the base case weighting has been increased to 45% (Sep 21: 41%), and the severe downside scenario increased to 15% (Sep 21: 6%).

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

	Consolidated		The Company	
	2022	2021	2022	2021
Base	45.0%	41.3%	45.0%	40.0%
Upside	0.0%	5.2%	0.0%	5.4%
Downside	40.0%	47.7%	40.0%	48.8%
Severe downside	15.0%	5.8%	15.0%	5.8%

ECL - Sensitivity analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2022:

	Consolidated		The Company	
	ECL $m	Impact $m	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	3,936	83	3,242	73
If 1% of Stage 2 facilities were included in Stage 1	3,848	(5)	3,165	(4)
100% upside scenario	1,423	(2,430)	1,190	(1,979)
100% base scenario	1,750	(2,103)	1,454	(1,715)
100% downside scenario	3,239	(614)	2,699	(470)
100% severe downside scenario	6,951	3,098	5,725	2,556

Individually assessed allowance for expected credit losses

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

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

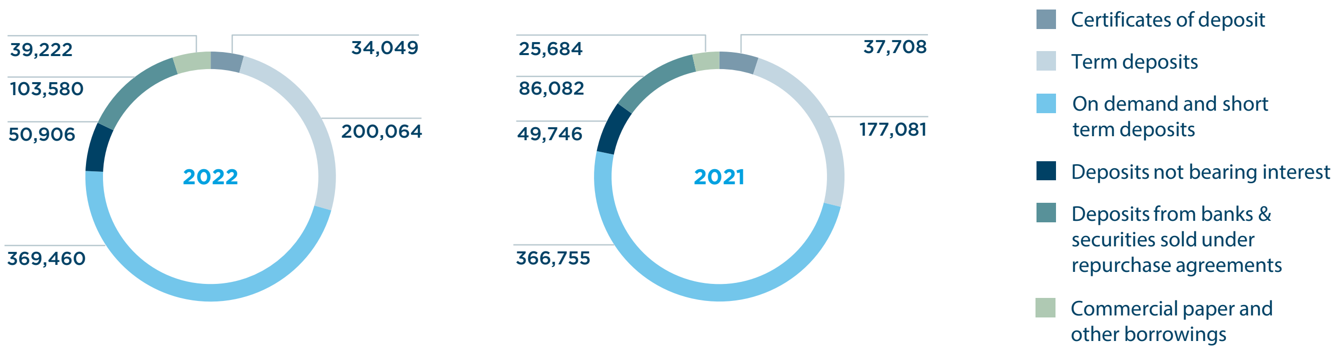
Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:
  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in Other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

15. DEPOSITS AND OTHER BORROWINGS



	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Certificates of deposit	34,049	37,708	32,411	35,696
Term deposits	200,064	177,081	157,479	136,067
On demand and short term deposits	369,460	366,755	310,857	303,381
Deposits not bearing interest	50,906	49,746	29,416	26,836
Deposits from banks & securities sold under repurchase agreements	103,580	86,082	98,825	83,294
Commercial paper and other borrowings	39,222	25,684	36,619	21,449
Deposits and other borrowings	797,281	743,056	665,607	606,723
Residual contractual maturity:				
Within one year	781,573	717,889	654,997	584,816
More than one year	15,708	25,167	10,610	21,907
Deposits and other borrowings	797,281	743,056	665,607	606,723
Carried on Balance Sheet at:				
Amortised cost	794,621	738,772	665,567	606,673
Fair value through profit or loss	2,660	4,284	40	50
Deposits and other borrowings	797,281	743,056	665,607	606,723

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at FVTPL on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designate them as measured at fair value through profit or loss.

Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in Other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit or loss. Once we have recognised an amount in Other comprehensive income, we do not later reclassify it to profit or loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in profit or loss.

16. PAYABLES AND OTHER LIABILITIES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Payables and accruals	2,896	2,062	2,189	1,526
Liabilities at fair value	3,239	3,913	2,857	3,245
Lease liabilities	1,040	1,245	1,628	1,831
Trail commission liabilities[1]	1,320	-	1,320	-
Other liabilities	1,340	1,427	568	642
Payables and other liabilities	9,835	8,647	8,562	7,244

1. During 2022, the Group revised its treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.

RECOGNITION AND MEASUREMENT

The Group recognises liabilities when there is a present obligation to transfer economic resources as a result of past events.

Below is the measurement basis for each item classified as other liabilities:

- Payables, accruals and other liabilities are measured at the contractual amount payable or the best estimate of consideration required to settle the payable.
- Liabilities at fair value are trading liabilities measured based on quoted prices in active markets.
- Lease liabilities are initially measured at the present value of the future lease payments using the Group's incremental borrowing rate at the lease commencement date. The carrying amount is then subsequently adjusted to reflect the interest on the lease liability, lease payments that have been made and any lease reassessments or modifications.
- Trail commission liabilities are measured based on the present value of expected future trail commission payments taking into consideration average behavioural loan life and outstanding balances of broker originated loans.

17. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of its depositors, other creditors and the senior debt holders.

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Senior debt	52,324	58,952	40,325	45,348
Covered bonds	12,967	15,399	9,371	11,342
Securitisation	1,115	1,424	-	-
Total unsubordinated debt	66,406	75,775	49,696	56,690
Subordinated debt				
- Additional Tier 1 capital	7,705	8,506	7,763	8,191
- Tier 2 capital	17,907	16,207	17,907	16,207
- Other subordinated debt securities[1]	1,716	566	462	-
Total subordinated debt	27,328	25,279	26,132	24,398
Total debt issued	93,734	101,054	75,828	81,088
Residual contractual maturity[2]:				
Within one year	25,208	22,621	21,990	18,512
More than one year	66,660	76,594	51,929	60,605
No maturity date (instruments in perpetuity)	1,866	1,839	1,909	1,971
Total debt issued	93,734	101,054	75,828	81,088

1. This includes the Company's USD 300 million perpetual subordinated debt and the subordinated debt issued by ANZ Bank New Zealand. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements which ended in December 2021.
2. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		Consolidated		The Company	
		2022 $m	2021 $m	2022 $m	2021 $m
USD	United States dollars	25,527	29,788	17,206	22,354
EUR	Euro	19,923	22,984	14,049	15,294
AUD	Australian dollars	36,398	35,709	35,259	34,299
NZD	New Zealand dollars	1,628	3,276	46	839
JPY	Japanese yen	2,159	1,854	2,159	1,853
CHF	Swiss francs	954	940	-	-
GBP	Pounds sterling	5,261	4,286	5,261	4,287
HKD	Hong Kong dollars	771	727	771	727
Other	Chinese yuan, Norwegian kroner, Singapore dollars and Canadian dollars	1,113	1,490	1,077	1,435
Total debt issued		93,734	101,054	75,828	81,088

SUBORDINATED DEBT

At 30 September 2022, all subordinated debt issued by the Company qualifies as regulatory capital for the Group (other than the Company's USD 300 million perpetual subordinated notes – refer to commentary below). Depending on their terms and conditions, the Company's subordinated debt instruments are classified as either Additional Tier 1 (AT1) capital for the Group (in the case of the ANZ Capital Notes (ANZ CN) and ANZ Capital Securities (ANZ CS)), or Tier 2 capital (in the case of the Company's term subordinated notes) for APRA's capital adequacy purposes.

Subordinated debt issued externally by ANZ Bank New Zealand Limited (ANZ Bank New Zealand) will constitute subordinated debt of both ANZ Bank New Zealand and the Group. Whilst it will constitute tier 2 capital for ANZ Bank New Zealand for the purposes of the Reserve Bank of New Zealand's (RBNZ) capital requirements, it will not constitute Tier 2 capital for the Group as the terms of the subordinated debt does not satisfy APRA's capital requirements.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments rank only ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

17. DEBT ISSUANCES (continued)

AT1 Capital

All outstanding AT1 capital instruments of the Company are Basel III fully compliant instruments (refer to Note 25 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- The Group's or the Company's Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However, the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

Preference shares issued externally by ANZ Bank New Zealand will constitute additional tier 1 capital for ANZ Bank New Zealand for the purposes of the RBNZ's capital requirements, however they will not constitute Additional Tier 1 capital for the Group as the terms of the preference shares do not satisfy APRA's capital requirements. The preference shares are included within non-controlling interests in Note 24 Shareholders' Equity.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			Consolidated		The Company	
			2022 $m	2021 $m	2022 $m	2021 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]						
ANZ Capital Notes (ANZ CN)						
AUD	1,610m	ANZ CN2[2]	-	1,609	-	1,609
AUD	970m	ANZ CN3	970	968	985	998
AUD	1,622m	ANZ CN4	1,619	1,617	1,619	1,617
AUD	931m	ANZ CN5	928	927	928	927
AUD	1,500m	ANZ CN6	1,487	1,486	1,487	1,486
AUD	1,310m	ANZ CN7	1,297	-	1,297	-
ANZ Capital Securities (ANZ CS)						
USD	1,000m	ANZ Capital Securities	1,404	1,422	1,447	1,554
ANZ NZ Capital Notes (ANZ NZ CN)						
NZD	500m	ANZ NZ Capital Notes[3]	-	477	-	-
Total Additional Tier 1 capital[4]			7,705	8,506	7,763	8,191

1. Carrying values are net of issuance costs.
2. All of the ANZ Capital Notes 2 were redeemed on 24 March 2022 with approximately $860 million of the proceeds from redemption reinvested into ANZ Capital Notes 7 on the same date.
3. All of the ANZ NZ Capital Notes were redeemed by ANZ Bank New Zealand Limited on 31 December 2021.
4. This forms part of qualifying Additional Tier 1 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN2	CN3	CN4
Issuer	ANZ	ANZ, acting through its New Zealand branch	ANZ
Issue date	31 March 2014	5 March 2015	27 September 2016
Issue amount	$1,610 million	$970 million	$1,622 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Quarterly in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	24 March 2022[1]	24 March 2023	20 March 2024
Mandatory conversion date	24 March 2024[2]	24 March 2025	20 March 2026
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$nil (2021: $1,609 million)	$970 million (2021: $968 million)	$1,619 million (2021: $1,617 million)

	CN5	CN6	CN7
Issuer	ANZ	ANZ	ANZ
Issue date	28 September 2017	8 July 2021	24 March 2022
Issue amount	$931 million	$1,500 million	$1,310 million
Face value	$100	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +2.7%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2025	20 March 2028	20 March 2029
Mandatory conversion date	20 March 2027	20 September 2030	20 September 2031
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	$928 million (2021: $927 million)	$1,487 million (2021: $1,486 million)	$1,297 million (2021: $nil)

1. All of the ANZ Capital Notes 2 were redeemed on 24 March 2022 with approximately $860 million of the proceeds from redemption reinvested into ANZ Capital Notes 7 on the same date.
2. The mandatory conversion date is no longer applicable as all of CN2 has been redeemed.

17. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$1,404 million (2021: $1,422 million)

ANZ NZ Capital Notes (ANZ NZ CN)[1]

Issuer	ANZ Bank New Zealand Limited
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ Bank New Zealand's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	$nil (2021: $477 million)

1. All of the ANZ NZ CNs were redeemed by ANZ Bank New Zealand Limited on 31 December 2021.

17. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

Convertible term subordinated notes issued by the Company are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, each of the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

The table below shows the Tier 2 capital subordinated debt the Group holds at 30 September in both the current and prior year:

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	2022 $m	2021 $m	2022 $m	2021 $m
Basel III transitional subordinated notes (perpetual)[1]								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	-	417	-	417
Total Basel III transitional subordinated notes					-	417	-	417
Tier 2 capital (term subordinated notes)								
USD	800m	2024	N/A	Fixed	1,189	1,173	1,189	1,173
SGD	500m	2027	2022	Fixed	-	515	-	515
AUD	200m	2027	2022	Fixed	-	200	-	200
JPY	20,000m	2026	N/A	Fixed	213	250	213	250
USD	1,500m	2026	N/A	Fixed	2,113	2,137	2,113	2,137
JPY	10,000m	2028	2023	Fixed	106	124	106	124
AUD	225m	2032	2027	Fixed	225	225	225	225
AUD	1,750m	2029	2024	Floating	1,750	1,740	1,750	1,740
EUR	1,000m	2029	2024	Fixed	1,410	1,608	1,410	1,608
AUD	265m	2039	N/A	Fixed	179	253	179	253
USD	1,250m	2030	2025	Fixed	1,785	1,782	1,785	1,782
AUD	1,250m	2031	2026	Floating	1,250	1,235	1,250	1,235
USD	1,500m	2035	2030	Fixed	1,830	1,955	1,830	1,955
AUD	330m	2040	N/A	Fixed	214	304	214	304
AUD	195m	2040	N/A	Fixed	124	178	124	178
EUR	750m	2031	2026	Fixed	1,003	1,193	1,003	1,193
GBP	500m	2031	2026	Fixed	714	918	714	918
AUD	1,450m	2032	2027	Fixed	1,390	-	1,390	-
AUD	300m	2032	2027	Floating	300	-	300	-
JPY	59,400m	2032	2027	Fixed	627	-	627	-
SGD	600m	2032	2027	Fixed	618	-	618	-
AUD	900m	2034	2029	Fixed	867	-	867	-
Total Basel III fully compliant subordinated notes					17,907	15,790	17,907	15,790
Total Tier 2 capital[2,3]					17,907	16,207	17,907	16,207

1. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements, which ended in December 2021. In 2022 this has been included in Other subordinated debt securities.
2. Carrying values are net of issuance costs, and, where applicable, include fair value hedge accounting adjustments.
3. This forms part of qualifying Tier 2 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

OTHER SUBORDINATED DEBT SECURITIES

The Company's USD 300 million perpetual subordinated notes no longer form a component part of regulatory capital for the Group (as APRA's transitional Basel III capital treatment ceased to apply from January 2022). These subordinated notes do not contain a Non-Viability Trigger Event.

A subsidiary of the Group, ANZ Bank New Zealand, issued NZD 600 million of unsecured subordinated notes in September 2021 and USD 500 million of unsecured subordinated notes in August 2022. Whilst these subordinated notes constitute tier 2 capital under RBNZ requirements, the subordinated notes do not (among other things) contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the Group.

					Consolidated		The Company	
Currency	Face value	Maturity	Next optional call date[1]	Interest rate	2022 $m	2021 $m	2022 $m	2021 $m
Non-Basel III compliant perpetual subordinated notes issued by the Company[2]								
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	462	-	462	-
Term subordinated notes issued by ANZ Bank New Zealand Limited								
NZD	600m	2031	2026	Fixed	524	566	-	-
USD	500m	2032	2027	Fixed	730	-	-	-
Other subordinated debt					1,716	566	462	-

1. Subject to APRA's or RBNZ's prior approval (as applicable).
2. The Company's USD 300 million perpetual subordinated notes were included in the Group's Tier 2 capital in 2021 pursuant to APRA's Basel III transition arrangements, which ended in December 2021.

RECOGNITION AND MEASUREMENT

Debt issuances are initially recognised at fair value and are subsequently measured at amortised cost, except where designated at fair value through profit or loss. Interest expense on debt issuances is recognised using the effective interest rate method. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit or loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

18. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management sections of this Annual Report.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

18. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements in understanding the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures*. It should be read in conjunction with the Governance and Risk Management sections of this Annual Report.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that give effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.
Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.	

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

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

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

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

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

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

Consolidated	Reported 2022 $m	Reported 2021 $m	Excluded[1] 2022 $m	Excluded[1] 2021 $m	Maximum exposure to credit risk 2022 $m	Maximum exposure to credit risk 2021 $m
On-balance sheet positions						
Net loans and advances	672,407	629,719	-	-	672,407	629,719
Other financial assets:						
Cash and cash equivalents	168,132	151,260	1,147	1,127	166,985	150,133
Settlement balances owed to ANZ	4,762	7,530	4,762	7,530	-	-
Collateral paid	12,700	9,166	-	-	12,700	9,166
Trading assets	35,237	44,688	3,860	4,996	31,377	39,692
Derivative financial instruments	90,174	38,736	-	-	90,174	38,736
Investment securities						
- debt securities at amortised cost	7,943	7,031	-	-	7,943	7,031
- debt securities at FVOCI	76,817	74,743	-	-	76,817	74,743
- equity securities at FVOCI	1,353	1,310	1,353	1,310	-	-
- debt securities at FVTPL	40	42	-	-	40	42
Regulatory deposits	632	671	-	-	632	671
Other financial assets[2]	2,943	2,054	-	-	2,943	2,054
Total other financial assets	400,733	337,231	11,122	14,963	389,611	322,268
Subtotal	1,073,140	966,950	11,122	14,963	1,062,018	951,987
Off-balance sheet positions						
Undrawn and contingent facilities[3]	285,041	259,789	-	-	285,041	259,789
Total	1,358,181	1,226,739	11,122	14,963	1,347,059	1,211,776

1. Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities, precious metal exposures and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The Company	Reported 2022 $m	Reported 2021 $m	Excluded[1] 2022 $m	Excluded[1] 2021 $m	Maximum exposure to credit risk 2022 $m	Maximum exposure to credit risk 2021 $m
On-balance sheet positions						
Net loans and advances	537,345	488,487	-	-	537,345	488,487
Other financial assets:						
Cash and cash equivalents	155,483	141,436	787	721	154,696	140,715
Settlement balances owed to ANZ	4,024	7,183	4,024	7,183	-	-
Collateral paid	11,368	8,343	-	-	11,368	8,343
Trading assets	28,073	34,752	3,348	4,957	24,725	29,795
Derivative financial instruments	88,056	38,292	-	-	88,056	38,292
Investment securities						
- debt securities at amortised cost	6,115	5,263	-	-	6,115	5,263
- debt securities at FVOCI	65,257	61,623	-	-	65,257	61,623
- equity securities at FVOCI	1,027	1,054	1,027	1,054	-	-
- debt securities at FVTPL	-	-	-	-	-	-
Regulatory deposits	249	213	-	-	249	213
Due from controlled entities	22,860	23,530	-	-	22,860	23,530
Other financial assets[2]	1,882	1,371	-	-	1,882	1,371
Total other financial assets	384,394	323,060	9,186	13,915	375,208	309,145
Subtotal	921,739	811,547	9,186	13,915	912,553	797,632
Off-balance sheet positions						
Undrawn and contingent facilities[3]	246,722	220,445	-	-	246,722	220,445
Total	1,168,461	1,031,992	9,186	13,915	1,159,275	1,018,077

1. Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities, precious metal exposures, and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal credit quality rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	443,571	15,880	-	-	459,451
Satisfactory	154,823	31,864	-	-	186,687
Weak	9,197	9,244	-	-	18,441
Defaulted	-	-	3,328	1,043	4,371
Gross loans and advances at amortised cost	607,591	56,988	3,328	1,043	668,950
Allowance for ECL	(1,141)	(1,548)	(360)	(533)	(3,582)
Net loans and advances at amortised cost	606,450	55,440	2,968	510	665,368
Coverage ratio	0.19%	2.72%	10.82%	51.10%	0.54%
Loans and advances at fair value through profit or loss					4,675
Unearned income					(518)
Capitalised brokerage and other origination costs					2,882
Net carrying amount					672,407
As at 30 September 2021					
Strong	412,821	12,596	-	-	425,417
Satisfactory	146,368	31,228	-	-	177,596
Weak	7,921	12,907	-	-	20,828
Defaulted	-	-	3,754	1,549	5,303
Gross loans and advances at amortised cost	567,110	56,731	3,754	1,549	629,144
Allowance for ECL	(968)	(1,994)	(417)	(666)	(4,045)
Net loans and advances at amortised cost	566,142	54,737	3,337	883	625,099
Coverage ratio	0.17%	3.51%	11.11%	43.00%	0.64%
Loans and advances at fair value through profit or loss					3,620
Unearned income					(434)
Capitalised brokerage and other origination costs					1,434
Net carrying amount					629,719

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Net loans and advances

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	334,850	9,641	-	-	344,491
Satisfactory	142,772	26,186	-	-	168,958
Weak	9,181	7,759	-	-	16,940
Defaulted	-	-	2,744	853	3,597
Gross loans and advances at amortised cost	486,803	43,586	2,744	853	533,986
Allowance for ECL	(946)	(1,259)	(295)	(425)	(2,925)
Net loans and advances at amortised cost	485,857	42,327	2,449	428	531,061
Coverage ratio	0.19%	2.89%	10.75%	49.82%	0.55%
Loans and advances at fair value through profit or loss					4,263
Unearned income					(480)
Capitalised brokerage and other origination costs					2,501
Net carrying amount					537,345
As at 30 September 2021					
Strong	297,511	9,329	-	-	306,840
Satisfactory	131,979	25,538	-	-	157,517
Weak	7,913	11,038	-	-	18,951
Defaulted	-	-	3,089	1,345	4,434
Gross loans and advances at amortised cost	437,403	45,905	3,089	1,345	487,742
Allowance for ECL	(797)	(1,679)	(348)	(563)	(3,387)
Net loans and advances at amortised cost	436,606	44,226	2,741	782	484,355
Coverage ratio	0.18%	3.66%	11.27%	41.86%	0.69%
Loans and advances at fair value through profit or loss					3,472
Unearned income					(390)
Capitalised brokerage and other origination costs					1,050
Net carrying amount					488,487

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	191,363	1,703	-	-	193,066
Satisfactory	18,583	3,078	-	-	21,661
Weak	774	706	-	-	1,480
Defaulted	-	-	113	19	132
Gross undrawn and contingent facilities subject to ECL	210,720	5,487	113	19	216,339
Allowance for ECL included in Other provisions (refer to Note 23)	(593)	(144)	(29)	(9)	(775)
Net undrawn and contingent facilities subject to ECL	210,127	5,343	84	10	215,564
Coverage ratio	0.28%	2.62%	25.66%	47.37%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					69,477
Net undrawn and contingent facilities					285,041
As at 30 September 2021					
Strong	174,808	1,754	-	-	176,562
Satisfactory	23,799	3,564	-	-	27,363
Weak	1,030	1,185	-	-	2,215
Defaulted	-	-	138	50	188
Gross undrawn and contingent facilities subject to ECL	199,637	6,503	138	50	206,328
Allowance for ECL included in Other provisions (refer to Note 23)	(555)	(211)	(19)	(21)	(806)
Net undrawn and contingent facilities subject to ECL	199,082	6,292	119	29	205,522
Coverage ratio	0.28%	3.24%	13.77%	42.00%	0.39%
Undrawn and contingent facilities not subject to ECL[1]					54,267
Net undrawn and contingent facilities					259,789

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

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	185,979	1,725	-	-	187,704
Satisfactory	15,496	2,306	-	-	17,802
Weak	711	463	-	-	1,174
Defaulted	-	-	97	13	110
Gross undrawn and contingent facilities subject to ECL	202,186	4,494	97	13	206,790
Allowance for ECL included in Other provisions (refer to Note 23)	(530)	(112)	(26)	(5)	(673)
Net undrawn and contingent facilities subject to ECL	201,656	4,382	71	8	206,117
Coverage ratio	0.26%	2.49%	26.80%	38.46%	0.33%
Undrawn and contingent facilities not subject to ECL[1]					40,605
Net undrawn and contingent facilities					246,722
As at 30 September 2021					
Strong	162,232	1,745	-	-	163,977
Satisfactory	19,790	2,662	-	-	22,452
Weak	1,005	966	-	-	1,971
Defaulted	-	-	91	28	119
Gross undrawn and contingent facilities subject to ECL	183,027	5,373	91	28	188,519
Allowance for ECL included in Other provisions (refer to Note 23)	(484)	(171)	(12)	(7)	(674)
Net undrawn and contingent facilities subject to ECL	182,543	5,202	79	21	187,845
Coverage ratio	0.26%	3.18%	13.19%	25.00%	0.36%
Undrawn and contingent facilities not subject to ECL[1]					32,600
Net undrawn and contingent facilities					220,445

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

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

			Stage 3		
Consolidated	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2022					
Strong	6,279	-	-	-	6,279
Satisfactory	113	-	-	-	113
Weak	1,589	-	-	-	1,589
Gross investment securities - debt securities at amortised cost	7,981	-	-	-	7,981
Allowance for ECL	(38)	-	-	-	(38)
Net investment securities - debt securities at amortised cost	7,943	-	-	-	7,943
Coverage ratio	0.48%	-	-	-	0.48%
As at 30 September 2021					
Strong	5,574	-	-	-	5,574
Satisfactory	121	-	-	-	121
Weak	1,367	-	-	-	1367
Gross investment securities - debt securities at amortised cost	7,062	-	-	-	7,062
Allowance for ECL	(31)	-	-	-	(31)
Net investment securities - debt securities at amortised cost	7,031	-	-	-	7,031
Coverage ratio	0.44%	-	-	-	0.44%

			Stage 3		
The Company	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 30 September 2022					
Strong	6,032	-	-	-	6,032
Satisfactory	84	-	-	-	84
Gross investment securities - debt securities at amortised cost	6,116	-	-	-	6,116
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	6,115	-	-	-	6,115
Coverage ratio	0.02%	-	-	-	0.02%
As at 30 September 2021					
Strong	5,162	-	-	-	5,162
Satisfactory	102	-	-	-	102
Gross investment securities - debt securities at amortised cost	5,264	-	-	-	5,264
Allowance for ECL	(1)	-	-	-	(1)
Net investment securities - debt securities at amortised cost	5,263	-	-	-	5,263
Coverage ratio	0.02%	-	-	-	0.02%

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

Consolidated	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	76,668	-	-	-	76,668
Satisfactory	149	-	-		149
Investment securities - debt securities at FVOCI	76,817	-	-	-	76,817
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2021					
Strong	74,541	-	-	-	74,541
Satisfactory	202	-	-	-	202
Investment securities - debt securities at FVOCI	74,743	-	-	-	74,743
Allowance for ECL recognised in Other comprehensive income	(11)	-	-	-	(11)
Coverage ratio	0.01%	-	-	-	0.01%

The Company	Stage 1 $m	Stage 2 $m	Stage 3 Collectively assessed $m	Stage 3 Individually assessed $m	Total $m
As at 30 September 2022					
Strong	65,257	-	-	-	65,257
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	65,257	-	-	-	65,257
Allowance for ECL recognised in Other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%
As at 30 September 2021					
Strong	61,623	-	-	-	61,623
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	61,623	-	-	-	61,623
Allowance for ECL recognised in Other comprehensive income	(7)	-	-	-	(7)
Coverage ratio	0.01%	-	-	-	0.01%

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Other financial assets

	Consolidated 2022 $m	Consolidated 2021 $m	The Company 2022 $m	The Company 2021 $m
Strong	301,735	235,847	301,771	238,452
Satisfactory[1]	2,164	3,513	1,707	3,026
Weak	945	1,122	351	769
Defaulted	7	12	7	12
Total carrying amount	304,851	240,494	303,836	242,259

1. Includes Investment Securities - debt securities at FVTPL of $40 million (2021: $42 million) for the Group and nil (2021: nil) for the Company.

CONCENTRATIONS OF CREDIT RISK

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

Composition of financial instruments that give rise to credit risk by industry group are presented below:

Consolidated	Loans and advances 2022 $m	Loans and advances 2021 $m	Other financial assets 2022 $m	Other financial assets 2021 $m	Off-balance sheet credit related commitments 2022 $m	Off-balance sheet credit related commitments 2021 $m	Total 2022 $m	Total 2021 $m
Agriculture, forestry, fishing and mining	33,668	34,862	781	335	17,694	16,034	52,143	51,231
Business services	9,252	9,161	242	119	6,245	6,429	15,739	15,709
Construction	6,155	5,886	48	46	6,594	6,458	12,797	12,390
Electricity, gas and water supply	9,650	6,513	790	807	9,865	9,053	20,305	16,373
Entertainment, leisure and tourism	12,886	12,710	89	157	3,691	3,862	16,666	16,729
Financial, investment and insurance	75,118	56,107	305,148	229,273	58,075	50,568	438,341	335,948
Government and official institutions	7,280	4,651	71,139	83,741	1,592	1,798	80,011	90,190
Manufacturing	28,072	23,752	1,279	741	46,701	37,696	76,052	62,189
Personal lending	363,539	361,814	955	664	57,989	57,410	422,483	419,888
Property services	55,203	50,396	606	489	17,862	16,673	73,671	67,558
Retail trade	11,648	9,967	98	104	7,076	8,444	18,822	18,515
Transport and storage	12,311	11,710	327	437	8,423	8,257	21,061	20,404
Wholesale trade	15,215	12,434	1,235	583	28,042	20,899	44,492	33,916
Other	33,628	32,801	6,912	4,803	15,967	17,014	56,507	54,618
Gross total	673,625	632,764	389,649	322,299	285,816	260,595	1,349,090	1,215,658
Allowance for ECL	(3,582)	(4,045)	(38)	(31)	(775)	(806)	(4,395)	(4,882)
Subtotal	670,043	628,719	389,611	322,268	285,041	259,789	1,344,695	1,210,776
Unearned income	(518)	(434)	-	-	-	-	(518)	(434)
Capitalised brokerage and other origination costs	2,882	1,434	-	-	-	-	2,882	1,434
Maximum exposure to credit risk	672,407	629,719	389,611	322,268	285,041	259,789	1,347,059	1,211,776

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
The Company	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Agriculture, forestry, fishing and mining	19,065	18,283	751	297	16,304	14,305	36,120	32,885
Business services	8,382	8,096	202	73	5,517	5,618	14,101	13,787
Construction	5,004	4,710	42	30	5,376	5,241	10,422	9,981
Electricity, gas and water supply	8,820	5,523	533	580	8,526	7,356	17,879	13,459
Entertainment, leisure and tourism	11,267	10,934	58	138	3,192	3,404	14,517	14,476
Financial, investment and insurance	71,889	52,230	306,318	236,430	53,970	46,971	432,177	335,631
Government and official institutions	7,272	4,621	58,342	65,429	910	1,113	66,524	71,163
Manufacturing	24,645	20,143	664	369	39,279	30,794	64,588	51,306
Personal lending	282,095	278,526	912	638	47,596	45,886	330,603	325,050
Property services	42,592	37,580	531	379	15,640	14,424	58,763	52,383
Retail trade	10,048	8,273	74	82	6,279	7,298	16,401	15,653
Transport and storage	11,231	10,564	270	339	7,252	7,229	18,753	18,132
Wholesale trade	13,055	10,345	791	380	24,185	17,462	38,031	28,187
Other	22,884	21,386	5,721	3,982	13,369	14,018	41,974	39,386
Gross total	538,249	491,214	375,209	309,146	247,395	221,119	1,160,853	1,021,479
Allowance for ECL	(2,925)	(3,387)	(1)	(1)	(673)	(674)	(3,599)	(4,062)
Subtotal	535,324	487,827	375,208	309,145	246,722	220,445	1,157,254	1,017,417
Unearned income	(480)	(390)	-	-	-	-	(480)	(390)
Capitalised brokerage and other origination costs	2,501	1,050	-	-	-	-	2,501	1,050
Maximum exposure to credit risk	537,345	488,487	375,208	309,145	246,722	220,445	1,159,275	1,018,077

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products, such as margin loans and reverse repurchase agreements that are secured by the securities purchased using the lending. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, such as guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading assets, Investment securities, Derivatives and Other financial assets	For trading assets, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

Consolidated	Maximum exposure to credit risk 2022 $m	2021 $m	Total value of collateral 2022 $m	2021 $m	Unsecured portion of credit exposure 2022 $m	2021 $m
Net loans and advances	672,407	629,719	531,815	515,866	140,592	113,853
Other financial assets	389,611	322,268	24,758	24,410	364,853	297,858
Off-balance sheet positions	285,041	259,789	60,544	52,512	224,497	207,277
Total	1,347,059	1,211,776	617,117	592,788	729,942	618,988

The Company	Maximum exposure to credit risk 2022 $m	2021 $m	Total value of collateral 2022 $m	2021 $m	Unsecured portion of credit exposure 2022 $m	2021 $m
Net loans and advances	537,345	488,487	407,610	387,273	129,735	101,214
Other financial assets	375,208	309,145	19,492	22,027	355,716	287,118
Off-balance sheet positions	246,722	220,445	38,618	36,676	208,104	183,769
Total	1,159,275	1,018,077	465,720	445,976	693,555	572,101

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlations between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR measures the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR; and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2022				2021			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	1.8	4.8	1.1	2.4	3.8	10.0	1.3	3.9
Interest rate	7.9	22.7	5.0	9.5	9.6	19.6	4.3	8.8
Credit	2.6	11.8	1.6	4.9	6.3	22.2	5.3	13.7
Commodity	4.3	7.0	1.4	2.9	3.1	5.0	1.3	2.8
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(7.2)	n/a	n/a	(7.1)	(9.4)	n/a	n/a	(9.7)
Total VaR	9.4	26.9	5.6	12.6	13.4	30.0	8.7	19.5

	2022				2021			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	2.0	5.1	0.9	2.4	3.4	7.6	1.5	3.5
Interest rate	6.7	18.6	4.9	8.8	9.0	16.4	4.1	7.5
Credit	2.0	11.9	1.3	4.7	5.8	22.1	5.3	13.3
Commodity	1.4	7.2	0.9	2.8	2.3	5.4	1.4	2.7
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(4.2)	n/a	n/a	(7.4)	(6.0)	n/a	n/a	(10.1)
Total VaR	7.9	23.4	5.4	11.3	14.5	26.0	9.6	16.9

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future Net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2022				2021			
Consolidated	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	78.5	93.4	63.0	76.1	67.0	81.8	61.9	69.8
New Zealand	25.4	27.1	20.2	23.9	21.6	32.8	21.6	26.7
Asia Pacific, Europe & America	21.7	38.0	16.8	25.8	31.5	34.9	29.0	32.0
Diversification benefit[1]	(38.1)	n/a	n/a	(33.7)	(32.9)	n/a	n/a	(53.7)
Total VaR	87.5	104.9	66.8	92.1	87.2	87.2	59.3	74.8

	2022				2021			
The Company	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	78.5	93.4	63.0	76.1	67.0	81.8	61.9	69.8
New Zealand	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Asia Pacific, Europe & America	22.1	37.7	16.7	25.6	30.8	35.2	27.5	31.2
Diversification benefit[1]	(17.1)	n/a	n/a	(20.2)	(31.9)	n/a	n/a	(36.2)
Total VaR	83.5	94.5	62.9	81.5	65.9	69.9	55.0	64.8

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

18. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our Net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported Net interest income.

	Consolidated		The Company	
	2022	2021	2022	2021
Impact of 1% rate shock on 12 months of net interest income				
As at period end	1.29%	2.43%	0.90%	2.02%
Maximum exposure	2.08%	2.43%	1.65%	2.02%
Minimum exposure	1.15%	0.98%	0.71%	0.54%
Average exposure (in absolute terms)	1.56%	1.55%	1.11%	1.08%

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise Bank of Tianjin and equity holding in 1835i Ventures Trust business unit. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 12 Investment Securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

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

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF was established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The CLF is collateralised by assets, including internal residential mortgage backed securities, that are eligible to be pledged as security with the RBA. In September 2021, APRA wrote to ADI's to advise that APRA and the RBA consider there to be sufficient HQLA for ADI's to meet their LCR requirements, and therefore the use of the CLF should no longer be required beyond 2022 calendar year.

Consistent with APRA's requirement to reduce the $10.7 billion CLF with four equal reductions during the 2022 calendar year to $0 on 1 January 2023, ANZ's CLF was $2.7 billion as at 30 September 2022 (2021: $10.7 billion).

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment and to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio - ANZ's Liquidity Coverage Ratio (LCR) averaged 131% for 2022, a decrease from the 2021 average of 137%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio - ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2022 was 119% (2021: 124%), above the regulatory minimum of 100%.

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of the Group's planning process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a Term Funding Facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25% for drawdowns up to 4 November 2020, and reduced to 0.10% for new drawdowns from 4 November 2020 onwards. The TFF was closed to drawdowns on 30 June 2021.

As at 30 September 2022, ANZ had drawn $20.1 billion under the RBA's TFF.

RBNZ Funding for Lending Programme and Term Lending Facility

Between May 2020 and July 2021, the RBNZ made funds available under a Term Lending Facility (TLF) to promote lending to businesses. The TLF is a five-year secured funding facility for New Zealand banks at a fixed rate of 0.25%.

In November 2020 the RBNZ announced a Funding for Lending Programme (FLP) which aimed to lower the cost of borrowing for New Zealand businesses and households. The FLP is a three-year secured funding facility for New Zealand banks at a floating rate of the New Zealand Official Cash Rate (OCR). New Zealand banks were able to obtain initial funding of up to 4% of their lending to New Zealand resident households, non-financial businesses and non-profit institutions serving households as at 31 October 2020 (eligible loans). The initial allocation closed on 6 June 2022. An additional allocation of up to 2% of eligible loans is available, subject to certain conditions until 6 December 2022.

As at 30 September 2022, ANZ Bank New Zealand had drawn $0.3 billion under the TLF and $2.3 billion under the FLP.

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the 'Less than 3 months' category unless there is a longer minimum notice period. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 187.

Consolidated	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022					
Settlement balances owed by ANZ	13,766	-	-	-	13,766
Collateral received	16,230	-	-	-	16,230
Deposits and other borrowings	667,568	117,166	15,960	160	800,854
Liability for acceptances	352	-	-	-	352
Debt issuances[1,2]	7,591	22,315	60,716	13,667	104,289
Derivative liabilities (excluding those held for balance sheet management)[3]	71,073	-	-	-	71,073
Lease liabilities	81	210	654	168	1,113
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(33,155)	(49,030)	(66,661)	(12,851)	(161,697)
Pay leg	30,845	49,191	68,211	12,913	161,160
- Other balance sheet management:					
Receive leg	(125,122)	(44,835)	(29,188)	(10,063)	(209,208)
Pay leg	120,959	44,126	31,026	15,170	211,281
As at 30 September 2021					
Settlement balances owed by ANZ	17,427	-	-	-	17,427
Collateral received	5,657	-	-	-	5,657
Deposits and other borrowings	634,145	84,357	25,247	227	743,976
Liability for acceptances	392	-	-	-	392
Debt issuances[1]	4,218	24,928	65,198	14,588	108,932
Derivative liabilities (excluding those held for balance sheet management)[3]	30,474	-	-	-	30,474
Lease liabilities	86	224	755	301	1,366
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(29,186)	(36,462)	(62,061)	(14,334)	(142,043)
Pay leg	28,538	35,082	61,867	14,473	139,960
- Other balance sheet management:					
Receive leg	(104,036)	(37,275)	(14,982)	(8,029)	(164,322)
Pay leg	103,586	36,804	15,457	9,974	165,821

1. Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group and subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not qualify as the APRA Tier 2 requirements.
2. Perpetual debt instrument of USD 300 million has been included in the '3 to 12 months' category to reflect the end of the APRA Basel III capital transitional period (December 2021). This was included in the 'After 5 years' category in 2021.
3. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.
4. Includes derivatives designated into hedging relationships of $356 million (2021: $202 million) and $13,720 million (2021: $5,359 million) categorised as held for trading but form part of the Group's balance sheet managed activities.

At 30 September 2022, $236,051 million (2021: $212,265 million) of the Group's undrawn facilities and $49,765 million (2021: $48,330 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

The Company	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
As at 30 September 2022					
Settlement balances owed by ANZ	10,224	-	-	-	10,224
Collateral received	14,425	-	-	-	14,425
Deposits and other borrowings	564,147	93,197	10,639	157	668,140
Liability for acceptances	144	-	-	-	144
Debt issuances[1,2]	7,648	18,951	48,323	9,970	84,892
Derivative liabilities (excluding those held for balance sheet management)[3]	75,810	-	-	-	75,810
Lease liabilities	76	202	744	826	1,848
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(29,397)	(39,350)	(46,997)	(8,857)	(124,601)
Pay leg	27,413	40,237	48,281	9,064	124,995
- Other balance sheet management:					
Receive leg	(121,112)	(40,061)	(21,417)	(9,498)	(192,088)
Pay leg	116,992	39,921	24,081	14,666	195,660
As at 30 September 2021					
Settlement balances owed by ANZ	14,922	-	-	-	14,922
Collateral received	5,148	-	-	-	5,148
Deposits and other borrowings	524,654	60,427	21,844	227	607,152
Liability for acceptances	223	-	-	-	223
Debt issuances[1]	4,108	20,244	54,465	8,965	87,782
Derivative liabilities (excluding those held for balance sheet management)[3]	34,240	-	-	-	34,240
Lease liabilities	81	208	814	989	2,092
Derivative assets and liabilities (balance sheet management)[4]					
- Funding:					
Receive leg	(25,170)	(26,362)	(48,026)	(7,364)	(106,922)
Pay leg	24,523	25,344	47,467	7,318	104,652
- Other balance sheet management:					
Receive leg	(102,921)	(35,426)	(11,063)	(7,633)	(157,043)
Pay leg	102,346	34,908	11,501	9,587	158,342

1. Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company.
2. Perpetual debt instrument of USD 300 million has been included in the '3 to 12 months' category to reflect the end of the APRA Basel III capital transitional period (December 2021). This was included in the 'After 5 years' category in 2021.
3. The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.
4. Includes derivatives designated into hedging relationships of $300 million (2021: $158 million) and $8,390 million (2021: $2,607 million) categorised as held for trading but form part of the Company's balance sheet managed activities.

At 30 September 2022, $201,204 million (2021: $176,077 million) of the Company's undrawn facilities and $46,191 million (2021: $45,042 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Company may be required to pay.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group recognises and measures financial instruments at either fair value or amortised cost, with a significant number of financial instruments on the balance sheet at fair value.

Fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The following tables set out the classification of financial asset and liabilities according to their measurement bases together with their carrying amounts as recognised on the balance sheet.

		2022			2021		
Consolidated	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	168,132	-	168,132	151,260	-	151,260
Settlement balances owed to ANZ		4,762	-	4,762	7,530	-	7,530
Collateral paid		12,700	-	12,700	9,166	-	9,166
Trading assets	10	-	35,237	35,237	-	44,688	44,688
Derivative financial instruments	11	-	90,174	90,174	-	38,736	38,736
Investment securities	12	7,943	78,210	86,153	7,031	76,095	83,126
Net loans and advances	13	667,732	4,675	672,407	626,099	3,620	629,719
Regulatory deposits		632	-	632	671	-	671
Other financial assets		2,943	-	2,943	2,054	-	2,054
Total		864,844	208,296	1,073,140	803,811	163,139	966,950
Financial liabilities							
Settlement balances owed by ANZ		13,766	-	13,766	17,427	-	17,427
Collateral received		16,230	-	16,230	5,657	-	5,657
Deposits and other borrowings	15	794,621	2,660	797,281	738,772	4,284	743,056
Derivative financial instruments	11	-	85,149	85,149	-	36,035	36,035
Payables and other liabilities		6,596	3,239	9,835	4,734	3,913	8,647
Debt issuances	17	92,623	1,111	93,734	99,092	1,962	101,054
Total		923,836	92,159	1,015,995	865,682	46,194	911,876

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

		2022			2021		
The Company	Note	At amortised cost $m	At fair value $m	Total $m	At amortised cost $m	At fair value $m	Total $m
Financial assets							
Cash and cash equivalents	9	155,483	-	155,483	141,436	-	141,436
Settlement balances owed to ANZ		4,024	-	4,024	7,183	-	7,183
Collateral paid		11,368	-	11,368	8,343	-	8,343
Trading assets	10	-	28,073	28,073	-	34,752	34,752
Derivative financial instruments	11	-	88,056	88,056	-	38,292	38,292
Investment securities	12	6,115	66,284	72,399	5,263	62,677	67,940
Net loans and advances	13	533,082	4,263	537,345	485,015	3,472	488,487
Regulatory deposits		249	-	249	213	-	213
Due from controlled entities		20,360	2,500	22,860	21,489	2,041	23,530
Other financial assets		1,882	-	1,882	1,371	-	1,371
Total		732,563	189,176	921,739	670,313	141,234	811,547
Financial liabilities							
Settlement balances owed by ANZ		10,224	-	10,224	14,922	-	14,922
Collateral received		14,425	-	14,425	5,148	-	5,148
Deposits and other borrowings	15	665,567	40	665,607	606,673	50	606,723
Derivative financial instruments	11	-	84,500	84,500	-	37,005	37,005
Due to controlled entities		25,305	-	25,305	23,079	-	23,079
Payables and other liabilities		5,705	2,857	8,562	3,999	3,245	7,244
Debt issuances	17	72,757	3,071	75,828	77,053	4,035	81,088
Total		793,983	90,468	884,451	730,874	44,335	775,209

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

The fair valuation of financial assets and financial liabilities is generally determined at the individual instrument level.

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

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow ensuring we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated hedging instruments; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (which we use to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

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

Asset or Liability	Fair Value Approach
Financial instruments held for trading: - Securities sold short - Derivative financial assets and financial liabilities - Debt and equity securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity securities where an active market does not exist are measured using comparable company valuation multiples (such as price-to-book ratios).
Financial instruments classified as: - Derivative financial assets and financial liabilities (not held for trading) - Net loans and advances - Deposits and other borrowings	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curve appropriate for the remaining term to maturity.
Financial instruments classified as: - Investment securities – debt or equity	Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy in accordance with AASB 13 based on the observability of inputs used to measure the fair value:

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

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Trading assets[1]	28,455	36,025	6,782	8,663	-	-	35,237	44,688
Derivative financial instruments	944	494	89,185	38,187	45	55	90,174	38,736
Investment securities[1]	68,211	68,007	8,614	6,756	1,385	1,332	78,210	76,095
Net loans and advances[2]	-	-	4,272	3,510	403	110	4,675	3,620
Total	97,610	104,526	108,853	57,116	1,833	1,497	208,296	163,139
Liabilities								
Deposits and other borrowings	-	-	2,660	4,284	-	-	2,660	4,284
Derivative financial instruments	309	1,131	84,809	34,874	31	30	85,149	36,035
Payables and other liabilities[2,3]	2,842	3,690	397	223	-	-	3,239	3,913
Debt issuances (designated at fair value)	-	-	1,111	1,962	-	-	1,111	1,962
Total	3,151	4,821	88,977	41,343	31	30	92,159	46,194

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Assets								
Trading assets[1]	23,037	27,764	5,036	6,988	-	-	28,073	34,752
Derivative financial instruments	848	470	87,181	37,788	27	34	88,056	38,292
Investment securities[1]	58,259	56,277	7,006	5,354	1,019	1,046	66,284	62,677
Net loans and advances[2]	-	-	3,860	3,362	403	110	4,263	3,472
Due from controlled entities	-	-	2,500	2,041	-	-	2,500	2,041
Total	82,144	84,511	105,583	55,533	1,449	1,190	189,176	141,234
Liabilities								
Deposits and other borrowings	-	-	40	50	-	-	40	50
Derivative financial instruments	301	1,121	84,179	35,854	20	30	84,500	37,005
Payables and other liabilities[2,3]	2,510	3,040	347	205	-	-	2,857	3,245
Debt issuances (designated at fair value)	985	998	2,086	3,037	-	-	3,071	4,035
Total	3,796	5,159	86,652	39,146	20	30	90,468	44,335

1. During 2022, $1,043 million of assets were transferred from Level 1 to Level 2 (2021: $3,845 million transferred from Level 1 to Level 2), as well as $ 1,677 million of assets were transferred from Level 2 to Level 1 (2021: nil transferred from Level 2 to Level 1) for the Group and the Company due to a change of the observability of valuation inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. During 2022, the Group revised its accounting treatment of ongoing trail commission payable to mortgage brokers to recognise a liability within Payables and other liabilities equal to the present value of expected future trail commission payments and a corresponding increase in capitalised brokerage costs in Net loans and advances. The balance at 30 September 2022 was $1,320 million for the Group and the Company. Comparatives have not been restated.
3. Payables and other liabilities relate to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

Level 3 financial instruments are a net asset of $1,802 million (2021: $1,467 million) for the Group and $1,429 million (2021: $1,160 million) for the Company.

The assets and liabilities which incorporate significant unobservable inputs are:

- equity securities for which there is no active market or traded prices cannot be observed;
- loans and advances measured at fair value for which there is no observable market data; and
- derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Level 3 Transfers

During the year, the Group and the Company transferred $312 million of Loan and advances measured at fair value from Level 2 to Level 3, as a result of valuation parameters becoming unobservable during the year. There were no other transfers into or out of Level 3 in the current or prior year.

The material Level 3 financial instruments as at 30 September 2022 are listed as below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the Bank of Tianjin. The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived resulted in the Level 3 classification. As at September 2022, the BoT equity holding balance was $854 million (2021: $991 million). A decrease in the BoT fair valuation in the financial year was mainly due to a decrease in the P/B multiple used in the valuation.

1835i Ventures Trust

The Group holds $324 million (2021: $241 million) of unlisted equities in its 1835i Ventures Trust business unit classified as FVOCI, for which there are no active markets or traded price observed resulting in Level 3 classification. The increase in the 1835i equity holding balance in the financial year were mainly due to new equity investments as well as revaluation increases.

Institutional division - Equity Holdings

The Group holds $137 million (2021: $4 million) of unlisted equities in the Institutional division classified as FVOCI, for which there are no active markets or traded prices available, resulting in Level 3 classification. The increase in the Institutional division equity holdings balance was mainly due to new equity purchases during the financial year.

ii) Net loans and advances - classified as FVTPL

Syndication Loans

The Group holds $403 million (2021: $110 million) of syndication loans for sale which are measured at FVTPL. These loans are classified as Level 3 when there is no observable market data available for the valuation. During the financial year the Group transferred $312 million of syndication loans measured at fair value from Level 2 to Level 3, due to valuation parameters for these financial instruments becoming unobservable.

Sensitivity to Level 3 data inputs

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

Investment Securities - equity holdings

The valuation of the equity investments are sensitive to variations in select unobservable inputs, with valuation techniques used including P/B multiples and discounted cashflow techniques. If for example, a 10% increase or decrease to the primary input into the valuations were to occur (such as the P/B multiple), it would result in a $135 million increase or decrease in the fair value of the portfolio, which would be recognised in shareholders' equity in the Group ($102m for the Company), with no impact to net profit or loss.

Net Loans and Advances

Syndicated loan valuations are sensitive to credit spreads and discount curves in determining their fair valuation. However as these are primarily investment-grade loans, an increase or decrease in credit spreads and / or interest yield would have an immaterial impact on net profit or net assets of the Group.

Other

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

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight-line basis over the life of the transaction or until all inputs become observable. Day one gains and losses which have been deferred are not material.

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The financial assets and financial liabilities listed below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the tables below.

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
Consolidated	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Financial assets										
Investment securities	7,943	7,031	-	-	7,918	7,043	-	-	7,918	7,043
Net loans and advances	667,732	626,099	-	-	29,460	16,906	634,272	609,541	663,732	626,447
Total	675,675	633,130	-	-	37,378	23,949	634,272	609,541	671,650	633,490
Financial liabilities										
Deposits and other borrowings	794,621	738,772	-	-	794,124	738,840	-	-	794,124	738,840
Debt issuances	92,623	99,092	22,982	27,785	69,028	73,332	-	-	92,010	101,117
Total	887,244	837,864	22,982	27,785	863,152	812,172	-	-	886,134	839,957

			Categorised into fair value hierarchy							
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
The Company	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Financial assets										
Investment securities	6,115	5,263	-	-	6,092	5,275	-	-	6,092	5,275
Net loans and advances	533,082	485,015	-	-	28,708	16,050	501,795	469,363	530,503	485,413
Due from controlled entities	20,360	21,489	-	-	-	-	20,360	21,489	20,360	21,489
Total	559,557	511,767	-	-	34,800	21,325	522,155	490,852	556,955	512,177
Financial liabilities										
Deposits and other borrowings	665,567	606,673	-	-	665,242	606,723	-	-	665,242	606,723
Due to controlled entities	25,305	23,079	-	-	-	-	25,305	23,079	25,305	23,079
Debt issuances	72,757	77,053	19,741	24,280	52,453	54,421	-	-	72,194	78,701
Total	763,629	706,805	19,741	24,280	717,695	661,144	25,305	23,079	762,741	708,503

19. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE (continued)

The following table sets out the Group's basis of estimating the fair values of financial assets and liabilities carried at amortised cost where the carrying value is not typically a reasonable approximation of fair value.

The carrying values of certain on-balance sheet financial instruments approximate fair values. These financial instruments are short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

KEY JUDGEMENTS AND ESTIMATES

A significant portion of financial instruments are carried on the Group and the Company balance sheets at fair value. The Group therefore regularly evaluates the key valuation assumptions used in the determination of the fair valuation of financial instruments incorporated within the financial statements, as this can involve a high degree of judgement and estimation in determining the carrying values at the balance sheet date.

In determining the fair valuation of financial instruments, the Group has considered the impact of related economic and market conditions on fair value measurement assumptions and the appropriateness of valuation inputs in these estimates, notably valuation adjustments, as well as the impact of these matters on the classification of financial instruments in the fair value hierarchy.

Most of the valuation models the Group uses employ only observable market data as inputs. For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available. When establishing the fair value of a financial instrument using a valuation technique, the Group also considers any required valuation adjustments in determining the fair value. We may apply adjustments (such as credit valuation adjustments and funding valuation adjustments – refer to Note 11 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in determining fair value of a particular financial instrument.

20. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement under which most of our derivatives are executed.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Securities sold under arrangements to repurchase[1]	52,757	51,208	47,846	48,663
Residential mortgages provided as security for covered bonds	27,575	28,816	17,953	17,925
Other	5,601	4,039	5,527	3,963

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial transactions. Under certain arrangements ANZ has the right to sell, or to repledge, the collateral received. These arrangements are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Fair value of assets which can be sold or repledged	32,389	26,814	30,647	25,679
Fair value of assets sold or repledged	21,269	18,741	20,359	18,189

21. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
Consolidated	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2022						
Derivative financial assets	90,174	(6,983)	83,191	(56,491)	(16,951)	9,749
Reverse repurchase, securities borrowing and similar agreements[1]	29,776	(6,697)	23,079	(1,985)	(21,094)	-
Total financial assets	119,950	(13,680)	106,270	(58,476)	(38,045)	9,749
Derivative financial liabilities	(85,149)	9,936	(75,213)	56,491	9,964	(8,758)
Repurchase, securities lending and similar agreements[2]	(47,229)	12,497	(34,732)	1,985	32,747	-
Total financial liabilities	(132,378)	22,433	(109,945)	58,476	42,711	(8,758)
As at 30 September 2021						
Derivative financial assets	38,736	(3,078)	35,658	(24,186)	(5,750)	5,722
Reverse repurchase, securities borrowing and similar agreements[1]	26,082	(3,166)	22,916	(1,052)	(21,864)	-
Total financial assets	64,818	(6,244)	58,574	(25,238)	(27,614)	5,722
Derivative financial liabilities	(36,035)	2,822	(33,213)	24,186	5,530	(3,497)
Repurchase, securities lending and similar agreements[2]	(46,147)	11,461	(34,686)	1,052	33,634	-
Total financial liabilities	(82,182)	14,283	(67,899)	25,238	39,164	(3,497)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

21. OFFSETTING (continued)

The Company	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Amount subject to master netting agreement or similar: Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
As at 30 September 2022						
Derivative financial assets	88,056	(4,242)	83,814	(61,038)	(14,876)	7,900
Reverse repurchase, securities borrowing and similar agreements[1]	28,045	(5,323)	22,722	(1,629)	(21,093)	-
Total financial assets	116,101	(9,565)	106,536	(62,667)	(35,969)	7,900
Derivative financial liabilities	(84,500)	6,839	(77,661)	61,038	8,548	(8,075)
Repurchase, securities lending and similar agreements[2]	(42,940)	11,021	(31,919)	1,629	30,290	-
Total financial liabilities	(127,440)	17,860	(109,580)	62,667	38,838	(8,075)
As at 30 September 2021						
Derivative financial assets	38,292	(1,539)	36,753	(27,288)	(5,189)	4,276
Reverse repurchase, securities borrowing and similar agreements[1]	24,958	(2,042)	22,916	(1,052)	(21,864)	-
Total financial assets	63,250	(3,581)	59,669	(28,340)	(27,053)	4,276
Derivative financial liabilities	(37,005)	1,343	(35,662)	27,288	5,425	(2,949)
Repurchase, securities lending and similar agreements[2]	(43,925)	10,480	(33,445)	1,052	32,393	-
Total financial liabilities	(80,930)	11,823	(69,107)	28,340	37,818	(2,949)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

22. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
Consolidated	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Balance at start of year	3,089	3,264	960	1,039	75	76	4,124	4,379
Additions[2]	78	-	315	356	10	-	403	356
Amortisation expense	-	-	(375)	(434)	(4)	(2)	(379)	(436)
Impairment expense[3]	-	(251)	(3)	(1)	-	-	(3)	(252)
Written-off on disposal/exit[3,4]	(40)	(13)	-	-	-	-	(40)	(13)
Foreign currency exchange difference	(221)	89	(1)	-	(6)	1	(228)	90
Balance at end of year	2,906	3,089	896	960	75	75	3,877	4,124
Cost[5]	2,906	3,089	7,843	7,639	83	78	10,832	10,806
Accumulated amortisation	n/a	n/a	(6,947)	(6,679)	(8)	(3)	(6,955)	(6,682)
Carrying amount	2,906	3,089	896	960	75	75	3,877	4,124

	Goodwill[1]		Software		Other Intangibles		Total	
The Company	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
Balance at start of year	62	62	952	1,030	3	5	1,017	1,097
Additions	-	-	287	345	-	-	287	345
Amortisation expense	-	-	(363)	(422)	(3)	(2)	(366)	(424)
Impairment expense	-	-	(3)	(1)	-	-	(3)	(1)
Foreign currency exchange difference	-	-	(1)	-	1	-	-	-
Balance at end of year	62	62	872	952	1	3	935	1,017
Cost[5]	62	62	7,544	7,342	7	6	7,613	7,410
Accumulated amortisation	n/a	n/a	(6,672)	(6,390)	(6)	(3)	(6,678)	(6,393)
Carrying amount	62	62	872	952	1	3	935	1,017

1. Goodwill excludes notional goodwill in equity accounted investments.
2. 2022 goodwill addition relates to acquisition of Cashrewards.
3. 2021 goodwill impairment expense relates to the write-off on reclassification of ANZ Share Investing business to held for sale with a remaining $13 million derecognised on sale of the business. This impairment was recognised in Other income to align with the classification on completion of the disposal in 2021.
4. 2022 goodwill written-off on disposal/exit relates to the exit of the financial planning and advice business.
5. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

Goodwill acquired in a business combination is tested for impairment annually and whenever there are indicators of potential impairment. Goodwill is allocated at the date of acquisition to the cash generating unit (CGU) or group of CGUs that are expected to benefit from the synergies of the related business combination.

Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount. We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value-in-use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

During the year ended 30 September 2022, the Group restructured its business to establish separate Australia Retail and Australia Commercial divisions. For the purpose of goodwill impairment testing, these changes led to the creation of new CGUs which reflect the new divisional structure. Goodwill is allocated to the following CGUs based on the lowest level at which goodwill is monitored.

Cash generating units:	2022 $m	2021 $m
Australia Retail	178	100
Australia Commercial	-	40
New Zealand	1,706	1,849
Institutional	1,022	1,100

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

We estimate the FVLCOD of each CGU to which goodwill is allocated by applying observable price earnings multiples of comparable companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management's approach and the key assumptions used in determining FVLCOD are as follows:

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	Future maintainable earnings for each CGU is estimated as the sum of: • The Group's 2023 financial plan for each CGU; and • An allocation of the central costs recorded outside of the CGUs to which goodwill is allocated. Where relevant, adjustments are made to the Group's financial plan to reflect the long-term expectations for items such as expected credit losses and investment spend.
Price/Earnings (P/E) multiple	P/E multiples applicable to each CGU have been derived from a comparator group of publicly traded companies, and include a 30% control premium, discussed below. In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to P/E multiples to address specific factors relevant to those CGUs. A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.
Costs of disposal	Costs of disposal have been estimated as 2% of the fair value of the CGU based on those observed from historical and recent transactions.

As noted above, our impairment testing did not result in any material impairment of goodwill being identified as at 30 September 2022.

The FVLCOD estimates for each CGU are sensitive to assumptions about P/E multiples, future maintainable earnings and control premium (30%). However, each CGU would continue to show a surplus in recoverable amount over carrying amount even where other reasonably possible alternative estimates were used.

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangibles
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchased software owned by the Group is capitalised. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and other intangible assets arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less accumulated amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. Other intangible assets are amortised over 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight-line method for assets with a finite life.

22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill and other intangible assets, and the useful economic life of an asset, or whether an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired including:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU including:
  - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
  - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

Software and other intangible assets

At each reporting date, software and other intangible assets are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the pace of technological change.

23. OTHER PROVISIONS

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
ECL allowance on undrawn and contingent facilities[1]	775	806	673	674
Customer remediation	662	886	600	791
Restructuring costs	68	99	47	44
Non-lending losses, frauds and forgeries[2]	105	133	93	115
Other[2]	262	290	235	249
Total other provisions	1,872	2,214	1,648	1,873

Consolidated	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries[2] $m	Other[2] $m
Balance at 1 October 2021	886	99	133	290
New and increased provisions made during the year	231	64	122	191
Provisions used during the year	(404)	(67)	(148)	(202)
Unused amounts reversed during the year	(51)	(28)	(2)	(17)
Balance at 30 September 2022	662	68	105	262

The Company	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries[2] $m	Other[2] $m
Balance at 1 October 2021	791	44	115	249
New and increased provisions made during the year	228	54	13	170
Provisions used during the year	(375)	(27)	(35)	(181)
Unused amounts reversed during the year	(44)	(24)	-	(3)
Balance at 30 September 2022	600	47	93	235

1. Refer to Note 14 Allowance for Expected Credit Losses for movement analysis.
2. Certain provisions have been reclassified during 2022 from Other to Non-lending losses, frauds and forgeries to better reflect their nature. Comparatives have been restated accordingly, with a reclassification impact of $72 million to the Group and $61 million to the Company.

23. OTHER PROVISIONS (continued)

Customer remediation

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

Restructuring costs

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

Non-lending losses, frauds and forgeries

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

Other

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

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. There is a heightened level of estimation uncertainty where the customer remediation provision relates to a legal proceeding or matter. The appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advice, and adjustments are made to the provisions where appropriate.

24. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Ordinary share capital	28,797	25,984	28,720	25,907
Reserves				
Foreign currency translation reserve[1]	(148)	611	(6)	(145)
Share option reserve	78	76	78	76
FVOCI reserve	(478)	170	(557)	26
Cash flow hedge reserve	(2,036)	393	(2,061)	384
Transactions with non-controlling interests reserve	(22)	(22)	-	-
Total reserves	(2,606)	1,228	(2,546)	341
Retained earnings	39,716	36,453	32,859	29,132
Share capital and reserves attributable to shareholders of the Company	65,907	63,665	59,033	55,380
Non-controlling interests[2]	494	11	-	-
Total shareholders' equity	66,401	63,676	59,033	55,380

1. As a result of the dissolution of Minerva Holdings Limited in the United Kingdom and ANZ Asia Limited in Hong Kong, $65 million of the associated foreign currency translation reserve was recycled from Other comprehensive income to profit or loss in 2022.
2. ANZ Bank New Zealand has issued $484 million of perpetual preference shares in 2022 that are considered non-controlling interests to the Group.

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2022		2021	
Consolidated	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,823,563,652	25,984	2,840,370,225	26,531
Dividend reinvestment plan issuances	7,195,108	183	4,242,368	94
Bonus option plan	2,890,268	-	2,259,507	-
Group employee share acquisition scheme	-	(21)	-	13
Share buy-back[1]	(30,831,227)	(846)	(23,308,448)	(654)
Share entitlement issue[2]	187,105,950	3,497	-	-
Balance at end of year	2,989,923,751	28,797	2,823,563,652	25,984
Less: Treasury Shares	(4,209,150)		(4,401,593)	-
Balance at end of year	2,985,714,601	28,797	2,819,162,059	25,984

	2022		2021	
The Company	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,823,563,652	25,907	2,840,370,225	26,454
Dividend reinvestment plan issuances	7,195,108	183	4,242,368	94
Bonus option plan	2,890,268	-	2,259,507	-
Group employee share acquisition scheme	-	(21)	-	13
Share buy-back[1]	(30,831,227)	(846)	(23,308,448)	(654)
Share entitlement issue[2]	187,105,950	3,497	-	-
Balance at end of year	2,989,923,751	28,720	2,823,563,652	25,907

1. The Company completed its $1.5 billion on-market share buy-back of ANZ ordinary shares in 2022, purchasing $846 million (2021: $654 million) worth of shares resulting in 31 million (2021: 23 million) shares being cancelled in 2022.
2. On 18 July 2022, the Group announced a fully underwritten pro rata accelerated renounceable entitlement offer of new ANZ ordinary shares to help fund the Group's anticipated acquisition of Suncorp Bank. All eligible shareholders were invited to purchase one new ordinary share for every 15 existing ordinary shares held on 21 July 2022 at an issue price of $18.90 per share. The Company issued a total of 187.1 million ordinary shares under the offer, raising $3,497 million of new share capital (net of issue costs).

24. SHAREHOLDERS' EQUITY (continued)

NON-CONTROLLING INTERESTS

	Profit attributable to non-controlling interests		Equity attributable to non-controlling interests		Dividend paid to non-controlling interests	
Consolidated	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
ANZ Bank New Zealand PPS	-	-	484	-	-	-
Other	1	1	10	11	2	-
Total	1	1	494	11	2	-

ANZ Bank New Zealand Preference Shares

ANZ Bank New Zealand Limited (ANZ Bank New Zealand), a wholly owned subsidiary of the Group, has perpetual preference shares (PPS) on issue that are considered non-controlling interests to the Group.

The key terms of the PPS are summarised below:

PPS dividends

PPS dividends are payable at the discretion of the Directors of ANZ Bank New Zealand and are non-cumulative. ANZ Bank New Zealand must not resolve to pay any dividend or make any other distribution on its ordinary shares until the next PPS dividend payment date if a PPS is not paid.

Should ANZ Bank New Zealand elect to pay a PPS dividend, the PPS dividend is 6.95% per annum up until 18 July 2028 and thereafter a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed), with PPS dividend payments due on 18 January, 18 April, 18 July and 18 October each year.

Redemption features

Holders of PPS have no right to require that the PPS be redeemed. ANZ Bank New Zealand may at its option redeem all of the PPS on an optional redemption date (each PPS dividend date from 18 July 2028), or at any time following the occurrence of a tax event or regulatory event , subject to prior written approval of RBNZ and meeting of other conditions.

24. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other operating income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

25. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital (stress capital buffer) needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth).* ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision (BCBS). APRA requirements are summarised below:

Regulatory Capital Definition

Common Equity Tier 1 (CET1) Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.

Minimum Prudential Capital Ratios (PCRs)

CET1 Ratio	Tier 1 Ratio	Total Capital Ratio
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.

Reporting Levels

Level 1	Level 2	Level 3
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

25. CAPITAL MANAGEMENT (continued)

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk-based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	Consolidated	
	2022 $m	2021 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	66,401	63,676
Prudential adjustments to shareholders' equity	(175)	3
Gross Common Equity Tier 1 capital	66,226	63,679
Deductions	(10,354)	(12,320)
Common Equity Tier 1 capital	55,872	51,359
Additional Tier 1 capital[2]	7,686	8,114
Tier 1 capital	63,558	59,473
Tier 2 capital[3]	19,277	17,125
Total qualifying capital	82,835	76,598
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	12.3%	12.3%
Tier 1	14.0%	14.3%
Tier 2	4.2%	4.1%
Total capital ratio	18.2%	18.4%
Risk weighted assets	454,718	416,086

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. This includes Additional Tier 1 capital of $7,705 million (2021: $8,506 million) (refer to Note 17 Debt Issuances), regulatory adjustments and deductions of -$19 million (2021: -$392 million).
3. This includes Tier 2 capital of $17,907 million (2021: $16,207 million) (refer to Note 17 Debt Issuances), general reserve for impairment of financial assets of $1,233 million (2021: $1,412 million) and regulatory adjustments and deductions of $137 million (2021: -$494 million).

26. CONTROLLED ENTITIES

	Incorporated in	Nature of Business
The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Australia	Banking
The Group holds 100% of the voting interests in all controlled entities, unless noted otherwise.		
The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ New Zealand Investments Holdings Limited (formerly ANZ Wealth New Zealand Limited)[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
Institutional Securitisation Services Limited (formerly ANZ Capel Court Limited)	Australia	Securitisation Manager
PT Bank ANZ Indonesia[1] **(99% ownership)**	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

CHANGES TO MATERIAL CONTROLLED ENTITIES

ANZ Asia Limited was deregistered in July 2022.

SIGNIFICANT RESTRICTIONS

Controlled entities that are subject to prudential regulation may be required to maintain minimum capital or other regulatory requirements which may, from time to time, limit the entity's ability to transfer assets, pay dividends or make other capital distributions to the parent entity or to other entities in the Group. The Group manages such restrictions within our risk management framework, as outlined in Note 18 Financial Risk Management and our capital management strategy, as outlined in Note 25 Capital Management.

As at 30 September 2022, there were no significant restrictions on the ability of an entity within the Group to transfer assets, pay dividends or make other capital distributions to other entities in the Group.

26. CONTROLLED ENTITIES (continued)

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

27. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

		Ordinary share interest		Carrying amount $m	
Name of entity	Principal activity	2022	2021	2022	2021
AMMB Holdings Berhad (AmBank)	Banking and insurance	22%	22%	790	719
PT Bank Pan Indonesia (PT Panin)	Consumer and business bank	39%	39%	1,318	1,210
Worldline Australia Pty Ltd (Worldline)	Payment and transactional services	49%	-	47	-
Aggregate other individually immaterial associates		n/a	n/a	26	43
Total carrying value of associates[1]				2,181	1,972

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as each associate has a different financial year to the Group (PT Panin 31 December, AmBank 31 March, Worldline 31 December).

	AMMB Holdings Berhad		PT Bank Pan Indonesia		Worldline Australia Pty Ltd[1]
Principal place of business and country of incorporation	Malaysia		Indonesia		Australia
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m
Summarised results					
Operating income[2]	1,511	1,560	1,206	1,222	57
Profit/(Loss) for the year	529	(1,192)	198	298	(21)
Other comprehensive income/(loss)	(128)	(39)	6	(56)	-
Total comprehensive income/(loss)	401	(1,231)	204	242	(21)
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(18)	(25)	25	1	-
Total comprehensive income/(loss) attributable to owners of associate	383	(1,256)	229	243	(21)
Summarised financial position					
Total assets[3]	57,220	55,711	20,537	18,323	203
Total liabilities[3]	53,234	49,773	17,234	15,377	90
Total net assets[3]	3,986	5,938	3,303	2,946	113
Less: Non-controlling interests of associate	(402)	(327)	(315)	(304)	-
Net assets attributable to owners of associate	3,584	5,611	2,988	2,642	113
Reconciliation to carrying amount of Group's interest in associate					
Carrying amount at the beginning of the year	719	1,056	1,210	1,084	-
Acquired	-	-	-	-	57
Group's share of total comprehensive income/(loss)	81	(313)	71	90	(10)
Dividends received from associate	(12)	-	(18)	-	-
Foreign currency translation reserve adjustments	2	(24)	55	36	-
Carrying amount at the end of the year	790	719	1,318	1,210	47
Market value of Group's investment in associate	929	756	2,016	675	n/a

1. During 2022, the Group entered into a partnership with Worldline SA. This included the creation of a new entity, Worldline Australia Pty Ltd, which commenced operations on 8 March 2022.
2. 2021 operating income was restated for AmBank to align with the change in presentation in AmBank's financial statements.
3. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).

27. INVESTMENTS IN ASSOCIATES (continued)

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill recognised by the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in-use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

Investments in associates and joint ventures are assessed at each reporting date and tested for impairment when there is an indication that the investment may be impaired. In addition, the Group is required to assess at each reporting date whether the recoverable amount of the Group's investment has increased to such a level as to support the reversal of prior period impairments.

During the year ended 30 September 2022, the fair value less costs of disposal of the Group's investment in PT Bank Pan Indonesia (PT Panin) as determined by reference to the quoted share price increased significantly and as at 30 September 2022 was greater than its carrying value. The increase in fair value is a significant reversal of the position at 30 September 2021 when the fair value less cost of disposal determined by reference to share price was lower than the carrying value of the investment.

In considering whether a full or partial reversal of previous periods' impairments of PT Panin is appropriate, the Group has assessed particular features of the PT Panin stock. Given the recent rapid increase and ongoing elevated volatility in the share price, the Group has determined that none of the prior period impairment will be reversed.

If management had assessed these factors differently, then the amount of impairment reversed could be anywhere between nil and $220 million.

28. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 29 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 29 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below.

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2021: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

28. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2022 $m	2021 $m	2022 $m	2021 $m	2022 $m	2021 $m
On-balance sheet interests						
Investment securities	3,352	2,624	-	-	3,352	2,624
Gross loans and advances	9,433	7,697	43	53	9,476	7,750
Total on-balance sheet	12,785	10,321	43	53	12,828	10,374
Off-balance sheet interests						
Commitments (facilities undrawn)	2,078	2,034	-	-	2,078	2,034
Guarantees	50	50	-	-	50	50
Total off-balance sheet	2,128	2,084	-	-	2,128	2,084
Maximum exposure to loss	14,913	12,405	43	53	14,956	12,458

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $181 million (2021: $192 million) during the year.

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place - regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with the largest single SE having a value of approximately $5.2 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2021: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

28. STRUCTURED ENTITIES (continued)

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns); and
- exposure to variable returns of the entity.

29. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances, the Group is also the holder of the securitised notes issued by the SEs. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

29. TRANSFERS OF FINANCIAL ASSETS (continued)

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Company is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Company is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Company retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Company.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The tables below set out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities.

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2022	2021	2022	2021	2022	2021	2022	2021
Consolidated	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,121	1,430	27,575	28,816	52,757	51,208	36	55
Carrying amount of associated liabilities	1,115	1,424	12,967	15,399	47,229	46,147	36	55

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2022	2021	2022	2021	2022	2021	2022	2021
The Company	$m	$m	$m	$m	$m	$m	$m	$m
Current carrying amount of assets transferred	1,121	1,430	17,953	17,925	47,846	48,663	-	-
Carrying amount of associated liabilities	1,121	1,430	17,953	17,925	42,940	43,925	-	-

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Defined benefit obligation and scheme assets				
Present value of funded defined benefit obligation	(930)	(1,477)	(809)	(1,319)
Fair value of scheme assets	1,123	1,679	988	1,514
Net defined benefit asset	193	202	179	195
As represented in the Balance Sheet				
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(6)	(11)	(6)	(11)
Net assets arising from defined benefit obligations included in other assets	199	213	185	206
Net defined benefit asset	193	202	179	195
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.8	14.9	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $69 million (2021: $109 million surplus). In 2022, the Group made defined benefit contributions totalling $2 million (2021: $3 million). It expects to make contributions of approximately $2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an effect on the Statement of Other Comprehensive Income and Balance Sheet.

Consolidated	2022	2021	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2022 $m	2021 $m
Discount rate (% p.a.)	1.35-5.45	0.4-2.15	0.5% increase	(49)	(103)
Future salary increases (% p.a.)	1.5-3.8	1.9-3.5			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	3.1-3.5/3.0	1.05-3.35/2.7	0.5% increase	32	84
Life expectancy at age 60 for current pensioners			1 year increase	40	74
– Males (years)	26.2-28.3	26.1-28.8			
– Females (years)	29.1-30.2	29.0-30.5			

The Company	2022	2021	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2022 $m	2021 $m
Discount rate (% p.a.)	5.1-5.45	1.95-2.15	0.5% increase	(43)	(94)
Future salary increases (% p.a.)	3.8	3.5			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a.)	3.1-3.5/3.0	2.0-3.35/2.7	0.5% increase	26	75
Life expectancy at age 60 for current pensioners			1 year increase	35	67
– Males (years)	26.2-28.3	26.1-28.8			
– Females (years)	29.1-30.2	29.0-30.5			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

The Deferred Share Plan was the only ANZ Employee Share Acquisition Plan scheme that operated during 2022 and 2021.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives: Based on the 2021 and 2020 Performance and Remuneration Review (granted in the 2022 and 2021 financial years)

Eligibility	CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Short Term Variable Remuneration (STVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, was received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.

ii) ANZIP: Based on the 2021 and 2020 Performance and Remuneration Reviews (granted in the 2022 and 2021 financial years)

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e., other BEAR Accountable Executive), and select roles in the United Kingdom (UK)/China[1].
Grant	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares.
Conditions	Deferred over three years from grant date.

iii) Exceptional circumstances

Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.

iv) Further information

Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2022 and 2021 grants	During the 2022 year, we granted 1,971,715 deferred shares (2021: 1,653,585) with a weighted average grant price of $27.52 (2021: $23.31).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2022 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2022 (2021: nil).

1. Specific deferral arrangements also exist under ANZIP for roles defined as UK Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2022 under the Deferred Share Plan, measured as at the date of grant of the shares, is $52.6 million (2021: $38.9 million) based on 1,971,715 shares (2021: 1,653,585) at VWAP of $26.69 (2021: $23.53).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2022 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2022 Remuneration Report.

Option Plans that operated during 2022 and 2021

i) Performance Rights	
Allocation	We grant performance rights to the CEO and ExCo as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.5 of the 2022 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2022 (and 2021), the performance rights that vested (previously granted in November/December 2018 (and in November/December 2017)) were satisfied through a share allocation, other than 24,011 performance rights for which a cash payment was made (2021: 36,103).
2022 and 2021 grants	During 2022, we granted 542,747 performance rights (2021: 485,032).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2022 (2021: nil).

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 55,977 deferred share rights (2021: 89,296) for which a cash payment was made.
2022 and 2021 grants	During the 2022 year, 2,576,907 deferred share rights (no performance hurdles) were granted (2021: 2,258,774).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any deferred share rights in 2022 (2021: 8,414).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Options, Deferred Share Rights and Performance Rights on Issue

As at 26 October 2022, there were 457 holders of 4,804,445 deferred share rights on issue and 22 holders of 1,402,847 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2022 and the movements during 2022:

	Opening balance 1 Oct 2021	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2022
Number of options/rights	6,307,778	3,119,654	(747,744)	0	(2,470,648)	6,209,040
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.56
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						141,633

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2021 and the movements during 2021:

	Opening balance 1 Oct 2020	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2021
Number of options/rights	6,724,557	2,743,806	(918,589)	0	(2,241,996)	6,307,778
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$25.34
WA remaining contractual life						1.8 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						227,412

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2022 and 2021, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 26 October 2022:

- no options/rights over ordinary shares have been granted since the end of 2022; and
- no shares issued as a result of the exercise of options/rights since the end of 2022.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2022		2021	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	26.62	26.92	23.37	23.32
Expected volatility of ANZ share price (%)[1]	20.0	20.0	26.5	25.0
Equity term (years)	2.2	6.0	2.3	6.0
Vesting period (years)	2.1	4.0	2.0	4.0
Expected life (years)	2.1	4.0	2.0	4.0
Expected dividend yield (%)	5.50	5.50	4.85	5.25
Risk free interest rate (%)	0.80	1.25	0.10	0.21
Fair value ($)	23.71	10.38	21.15	9.56

1. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2022 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 4,230,962 shares at an average price of $27.57 per share (2021: 3,593,574 shares at an average price of $22.03 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are Directors of Australia and New Zealand Banking Group Limited (whether executive directors or otherwise), and those personnel with a key responsibility for the strategic direction and management of the Group (i.e., members of the Group Executive Committee (ExCo)) who have Banking Executive Accountability Regime (BEAR) accountability and who report to the Chief Executive Officer (CEO). KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

	Consolidated	
	2022[1] $'000	2021 $'000
Short-term benefits	18,294	21,107
Post-employment benefits	394	403
Other long-term benefits	160	258
Termination benefits	-	250
Share-based payments	7,368	5,066
Total	26,216	27,084

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provisions raised in respect of these balances. Details of the terms and conditions of lending products can be found on anz.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loans advanced[1]	24,340	25,445	11,270	12,534
Undrawn facilities[1]	489	531	277	277
Interest charged[2]	790	777	293	434

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.
2. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	Consolidated	
	2022 Number	2021 Number
Shares, options and rights[1]	2,911,138	2,471,577
Subordinated debt[1]	29,948	25,870

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP. Comparatives have been amended to include opening balances (at date of commencement) for new KMP in the current period.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $30 million (2021: $28 million) and with the Company were $21 million (2021: $20 million).

During the year, KMP participated in the ANZ Retail Entitlement Offer in their capacity as shareholders on the same terms and conditions as other shareholders of the Group. Refer to Note 24 Shareholders' Equity for additional details regarding the ANZ Retail Entitlement Offer.

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts were provided to KMP on retirement amounting to $4,944 during the year.

ASSOCIATES

We disclose significant associates in Note 27 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amounts receivable from associates	86,469	7	18,572	-
Amounts payable to associates	102,042	1,739	101,198	716
Interest revenue from associates	5,570	-	4,477	-
Interest expense to associates	34	2	26	-
Other revenue from associates	14,296	-	14,296	-
Other expenses paid to associates	11,159	9,988	8,592	8,063
Guarantees given to associates	72	28	72	28
Dividend income from associates	38,692	-	-	-
Undrawn facilities	94,097	-	94,097	-

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

SUBSIDIARIES

We disclose material controlled entities in Note 26 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As of 30 September 2022, we consider all outstanding amounts on these transactions to be fully collectible.

Transactions between the Company and its subsidiaries include providing a wide range of banking and other financial facilities. Details of amounts paid to, or received from, related parties, in the form of dividends or interest, are set out in Note 2 Net Interest Income and Note 3 Non-Interest Income.

Other intragroup transactions include providing management and administrative services, staff training, data processing facilities, transfer of tax losses, and the leasing of Premises and equipment. The Company also issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	Consolidated		The Company	
	2022 $m	2021 $m	2022 $m	2021 $m
Contract amount of:				
Undrawn facilities	236,051	212,265	201,204	176,077
Guarantees and letters of credit	23,729	30,027	21,557	27,957
Performance related contingencies	26,036	18,303	24,634	17,085
Total	285,816	260,595	247,395	221,119

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of undrawn facilities for the Group and the Company mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Group has entered into as principal – including guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group or the Company may be required to pay, the full amount of guarantees and letters of credit and performance related contingencies for the Group and the Company mature within 12 months.

OTHER CONTINGENT LIABILITIES

As at 30 September 2022, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 23 Other Provisions) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

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

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

BENCHMARK/RATE ACTIONS

In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company. The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on certain benchmark rates. The claimants sought damages or compensation in amounts not specified, and alleged that the defendant banks, including the Company, violated US anti-trust laws, antiracketeering laws, and (in one case only), the Commodity Exchange Act and unjust enrichment principles. As at 30 September 2022, ANZ has reached agreements to settle each of these matters. The financial impact is not material. The settlements are without admission of liability and remain subject to finalisation and court approval.

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

CAPITAL RAISING ACTION

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

CONSUMER CREDIT INSURANCE LITIGATION

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

ESANDA DEALER CAR LOAN LITIGATION

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

ONEPATH SUPERANNUATION LITIGATION

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

NEW ZEALAND LOAN INFORMATION LITIGATION

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

CREDIT CARDS LITIGATION

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

UNLICENSED THIRD PARTIES ACTION

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

AVAILABLE FUNDS ACTION

In May 2022, ASIC commenced civil penalty proceedings against the Company in relation to fees charged to customers in some circumstances for credit card cash advance transactions made using recently deposited unprocessed funds. ASIC alleges that the Company made false or misleading representations, engaged in misleading or deceptive conduct and breached certain statutory obligations as a credit licensee. The Company is defending the allegations.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES (continued)

ROYAL COMMISSION

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

SECURITY RECOVERY ACTIONS

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

WARRANTIES, INDEMNITIES AND PERFORMANCE MANAGEMENT FEES

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

The Group has entered an arrangement to pay performance management fees to external fund managers in the event predetermined performance criteria are satisfied in relation to certain Group investments. The satisfaction of the performance criteria and associated performance management fee remains uncertain.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESS

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the *Foreign Exchange Regulation Act, 1973*. Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	Consolidated		The Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
KPMG Australia				
Audit or review of financial reports	8,217	7,434	7,726	7,021
Audit-related services[1]	6,037	2,772	5,956	2,696
Non-audit services[2]	8	106	8	106
Total[3]	14,262	10,312	13,690	9,823
Overseas related practices of KPMG Australia				
Audit or review of financial reports	5,808	5,511	2,033	1,965
Audit-related services[1]	1,459	1,657	831	917
Non-audit services[2]	-	85	-	85
Total	7,267	7,253	2,864	2,967
Total auditor fees	21,529	17,565	16,554	12,790

1. Group audit-related services comprise prudential and regulatory services of $6.26 million (2021: $3.27 million), comfort letters $0.52 million (2021: $0.49 million) and other services $0.71 million (2021: $0.67 million). Company audit-related services comprise prudential and regulatory services of $5.90million (2021: $2.78 million), comfort letters $0.48 million (2021: $0.45 million) and other services $0.41 million (2021: $0.38 million).
2. The nature of non-audit services for the Group and the Company include controls related assessments and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group and the Company's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. PENDING ORGANISATIONAL CHANGES IMPACTING FUTURE REPORTING PERIODS

Non-Operating Holding Company

On 4 May 2022, the Group announced its intention to lodge a formal application with APRA, the Federal Treasurer and other applicable regulators to establish a non-operating holding company and create distinct bank and non-bank groups within the organisation to assist ANZ to better deliver its strategy to strengthen and grow its core business further.

Should the proposed restructure proceed, ANZ will establish a non-operating holding company, ANZ Group Holdings Limited, as the new listed parent holding company of the ANZ Group by a scheme of arrangement and to separate ANZ's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group. The 'ANZ Bank Group' would comprise the current Australia and New Zealand Banking Group Limited and the majority of its present-day subsidiaries. The 'ANZ Non-Bank Group' would house banking-adjacent businesses developed or acquired by the ANZ Group, as we continue to seek ways to bring the best new technology and banking-adjacent services to our customers.

The Explanatory Memorandum has been registered with the Australian Securities and Investments Commission and ANZ shareholders will be asked to vote on the scheme on 15 December 2022. A copy of the Explanatory Memorandum will be made available on ANZ's website (www.anz.com/schememeeting).

Suncorp Bank Acquisition

On 18 July 2022, the Group announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition is subject to a minimum completion period of 12 months and to certain conditions, being 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)*. Unless the parties agree otherwise, the last date for satisfaction of these conditions is 24 months after signing (after which either party may terminate the agreement). The final purchase price is subject to completion adjustments and may be more or less than $4.9 billion. In addition, ANZ will also acquire Suncorp Bank's Additional Tier I capital notes at face value ($0.6 billion as at June 2022). Completion is expected in the second half of calendar year 2023.

36. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2022 to the date of signing this report.

Directors' Declaration

The Directors of Australia and New Zealand Banking Group Limited declare that:

a) in the Directors' opinion, the financial statements and notes of the Company and the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 September 2022 and of their performance for the year ended on that date; and

b) the notes to the financial statements of the Company and the Consolidated Entity include a statement that the financial statements and notes of the Company and the Consolidated Entity comply with International Financial Reporting Standards; and

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

26 October 2022

Shayne C Elliott
Managing Director

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDITS OF THE FINANCIAL REPORTS

OPINIONS

We have audited the consolidated **Financial Report** of Australia and New Zealand Banking Group Limited (the Group Financial Report). We have also audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group**'s and of the **Company**'s financial position as at 30 September 2022 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- balance sheets as at 30 September 2022
- income statements, statements of comprehensive income, statements of changes in equity, and cash flow statements for the year then ended
- notes 1 to 36 including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Australia and New Zealand Banking Group Limited (the **Company**) and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINIONS

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants ((including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KEY AUDIT MATTERS

The **Key Audit Matters** we identified for the Group and Company are:

- Allowance for expected credit losses;
- Subjective and complex valuation of financial instruments held at fair value;
- Provisions for customer remediation; and
- IT systems and controls.

The additional **Key Audit Matter** we identified for the Group (only) is:

- Carrying value of investment in PT Bank Pan Indonesia (PT Panin).

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

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

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (Group $4,395m; Company $3,599m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 14 to the Group and Company Financial Reports.

The Key Audit Matter

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

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

Additional subjectivity and judgement has been introduced into the Group and Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Group and Company's customers, increasing our audit effort thereon.

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

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

How the matter was addressed in our audits

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

Testing key controls of the Company and Group in relation to:

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

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

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Company and Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Company and Group as showing signs of deterioration, or in areas of emerging risk. For each loan sampled, we challenged the Company and Group's assessment of CCR and SI using the customer's financial position, the valuation of security, and, where relevant, the risk of stranded assets, to inform our overall assessment of loan recoverability and the impact on the credit allowance. To do this, we used the information on the Company's and Group's loan file and discussed the facts and circumstances of the case with the loan officer. Exercising our judgement, our procedures included using our understanding of relevant industries and the macro-economic environment and comparing data and assumptions used by the Company and Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Company and Group's processes to determine ECL allowances, evaluating the Company and Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with our Credit risk specialists, we assessed the accuracy of the Company and Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Company and Group;
- Working with our economic specialists, we challenged the Company and Group's forward-looking macro-economic assumptions and scenarios incorporated in the Company and Group's ECL models. We compared the Company and Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Company and Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination and comparing our result to actual staging applied on an individual account level in the Company and Group's ECL model;
- Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance and CCR to relevant source systems.

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

- Assessing post-model adjustments against the Company and Group's ECL model and data deficiencies identified by the Company and Group's ECL model validation processes, particularly in light of the significant volatility in economic scenarios;
- Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks in the Company and Group's loan portfolios;
- Assessing certain post-model adjustments identified by the Group and Company against internal and external information;
- Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Company and Group's assessment.

Assessing the appropriateness of the Company and Group's disclosures in the financial reports using our understanding obtained from our testing and against the requirements of the accounting standards.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:

GROUP

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,833m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $108,853m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $31m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $88,977m

COMPANY

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,449m

- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $105,583m

- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $20m

- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $86,652m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 19 to the Group and Company Financial Reports.

The Key Audit Matter

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

In assessing this Key Audit Matter, we involved our valuation specialists to supplement our senior team members who understand the Company and Group's methods, assumptions and data relevant to their valuation of Financial Instruments.

The Company and Group's valuation of Level 3 and Level 2 financial instruments held at fair value is a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable.
- The complexity associated with the Company and Group's valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty.

These factors increased the level of judgement applied by us and our audit effort thereon.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audits

Our audit procedures in relation to the valuation of financial instruments held at fair value included:

- Performing an assessment of the population of financial instruments held at fair value by the Company and Group to identify portfolios with a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including those in relation to:
  - Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - model validation at inception and periodically, including assessment of model limitation and assumptions;
  - review, approval and challenge of daily profit and loss by a control function;
  - collateral management process, including review and approval of margin reconciliations with clearing houses; and
  - review and approval of fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- In relation to the subjective valuation of complex Level 2 and Level 3 financial instruments, with our valuation specialists:
  - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives;
  - Comparing the Company and Group's valuation methodology to industry practice and the criteria in the accounting standards.
- With the assistance of our valuation specialists, independently re-valuing a selection of financial instruments and FVAs of the Company and Group. This involved sourcing independent inputs from comparable data in the market and available alternatives. We challenged the Company and Group where our revaluations significantly differed from the Company and Group's valuations.
- Assessing the appropriateness of the Company and Group's disclosures in the financial reports using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN PT BANK PAN INDONESIA (PT PANIN) (Group $1,318m)

Refer to the critical accounting estimates, judgements and disclosures in Note 27 to the Group Financial Report.

The Key Audit Matter

The carrying value of the Group's investment in associate, PT Panin, is a key audit matter as:

- The investment is equity accounted as an associate and where indicators of impairment are identified the recoverable amount must be assessed. This involves judgement and consideration of valuation models given historical volatility in the market price of the shares and limited liquidity in the market for the shares. Impairment has been recognised in prior periods.
- The Group's impairment assessment identified that the Group's investment in associate, PT Panin, experienced a significant increase in the quoted share price during the period. At 30 September 2022, this indicated a value greater than its carrying value, indicating a possible reversal of previous impairment under accounting standard requirements.
- We critically evaluated the Group's conclusion not to reverse the impairment losses recorded against the investment in PT Panin in prior periods. This required analysis of the market and comparison against the Group's value in use modelled outcome and other fair value approaches.
- We focused on critically evaluating the Group's judgement in relation to key assumptions for assessing the recoverable amount, including:
  - The nature of alternative valuation methodologies;
  - Forecast earnings, forecast growth rates and terminal growth rates – the Group's model is highly sensitive to small changes in these assumptions;
  - Discount rates – these are complicated in nature and vary according to the conditions and environment the associate investment operates in.
- We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the recoverable amount assessment used by the Group to conclude the carrying value of the Group's investment in associate, PT Panin, is supportable;
- Understanding the features of the PT Panin stock and the drivers of the recent significant increase in fair value indicated by reference to the quoted share price. This included analysis of the volatility of movements, the nature and size of the Group's shareholdings and the volumes of trading of the limited free float of shares;
- Critically evaluating other fair valuation approaches and comparing this to the quoted share price value, and the Group's value in use outcome;
- Considering the appropriateness of the value in use valuation method applied by the Group against the requirements of the accounting standards. This included:
  - Assessing the integrity of the model used, including the accuracy of the underlying calculation formulas;
  - Assessing the Group's key assumptions used in the model, such as, discount rates, forecast earnings, forecast growth rates and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;

KEY AUDIT MATTERS (continued)

  - Independently developing a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the investment and the market and industry it operates in;
  - Comparing the forecast earnings contained in the model to broker consensus reports, and released financial results;
  - Assessing the accuracy of previous forecasts to inform our evaluation of current forecasts incorporated in the model;
  - Considering the sensitivity of the model by varying key assumptions, such as, discount rates and terminal growth rates, within a reasonable possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- Assessing the recoverable amount at the reporting date against the recoverable amount of the investment when it was last impaired to critically assess reversal of previous impairment losses;
- Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

PROVISIONS FOR CUSTOMER REMEDIATION (Group $662m; Company $600m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 23 and 33 to the Group and Company Financial Reports.

The Key Audit Matter

The Company and Group have recognised provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

Provisions for customer remediation activities is a key audit matter due to the judgements required by us in assessing the Company and Group's determination of:

- The completeness of the population of matters requiring remediation;
- The existence of a present legal or constructive obligation arising from a past event, considering the conditions of the event against the criteria in the accounting standards;
- Reliable estimates of the remediation amounts which may be paid arising from investigations and legal actions, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from their regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audits

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Company and Group's processes and controls for identifying and assessing the impact of the investigations into customer remediation activities;
- Enquiring with the Company and Group regarding ongoing legal, regulatory and other investigations into past activities which may require remediation;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Company's Board of Directors, Board Committees, various management committees, and attending the Company's Audit and Risk Committee meetings, for consistency to the basis used to estimate the provision;
- Inspecting correspondence with relevant regulatory bodies and comparing the status and positioning with the basis for estimation used by the Company and Group;
- For a sample of individual customer remediation matters, evaluating the basis for recognition of a provision and associated costs against the requirements of the accounting standards and for consistency with the Group and Company's policies. We did this by obtaining an understanding of the matter and its status and independently assessing this against the recognition requirements of the accounting standards;
- For a sample of individual customer remediation matters:
  - Assessing and challenging the methods, data and assumptions used by the Company and Group to provide for customer remediation matters;
  - Sample checking data accuracy to underlying systems;
  - Performing model integrity checks;
  - Testing the accuracy of historical remediation provisions by comparing to actual payments. We used this knowledge to challenge the Group's and Company's current estimates and to inform our further procedures.
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Company and Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;

KEY AUDIT MATTERS (continued)

- Assessing the appropriateness of the Company and Group's conclusions against the requirements of Australian Accounting Standards where estimates were unable to be reliably made for a provision to be recognised;
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Company and Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial reports which provide a true and fair view of the Company and Group's financial positions and performance.

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

How the matter was addressed in our audits

Our testing focused on the technology control environments for key IT applications (systems) used in processing significant transactions and recording balances in the general ledgers, and the automated controls embedded within these systems which link the technology-enabled business processes. Working with our IT specialists, our audit procedures included:

- Assessing the governance and higher-level controls across the IT environments, including those regarding policy design, policy review and awareness, and IT Risk and cyber security management practices;
- Design and operating effectiveness testing of key controls across the user access management lifecycle, including how users are on-boarded, reviewed for access levels assigned, and removed on a timely basis from key IT applications and supporting infrastructure. We also examined the management of privileged roles and functions across relevant IT application and the supporting infrastructure;
- Design and operating effectiveness testing of key controls for IT change management including authorisation of changes prior to development, testing performed and approvals prior to migration into the production environment of key IT applications. We assessed user access to release changes to IT application production environments across the Company and Group and whether access was commensurate with their job responsibilities;
- Design and operating effectiveness testing of key controls used by the Company and Group's technology teams to restrict access to and monitor system batch job schedules;
- Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Our testing included:
  - Configurations to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of key system reporting used by us in our audit to select samples and analyse data used by the Company and Group to generate financial reporting.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORTS

The Directors are responsible for:

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL REPORTS

Our objective is:

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

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

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

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2022 complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

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

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in pages 62 to 103 of the Directors' report for the year ended 30 September 2022.

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

KPMG

KPMG

Martin McGrath
Partner

Melbourne
26 October 2022