



FINANCIAL REPORT

Consolidated Financial Statements

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INCOME STATEMENT

For the year ended 30 September	Note	2023 \$m	2022 \$m
Interest income ¹		49,902	23,609
Interest expense		(33,321)	(8,735)
Net interest income	2	16,581	14,874
Other operating income	3	3,568	4,235
Net income from insurance business	3	89	140
Share of associates' profit/(loss)	3	221	177
Operating income		20,459	19,426
Operating expenses	4	(10,139)	(9,579)
Profit before credit impairment and income tax		10,320	9,847
Credit impairment (charge)/release	14	(245)	232
Profit before income tax		10,075	10,079
Income tax expense	5	(2,949)	(2,940)
Profit after tax from continuing operations		7,126	7,139
Profit/(Loss) after tax from discontinued operations		-	(19)
Profit for the year		7,126	7,120
Comprising:			
Profit attributable to shareholders of the Company		7,098	7,119
Profit attributable to non-controlling interests		28	1
Earnings per ordinary share (cents) including discontinued operations			
Basic	7	236.8	250.0
Diluted	7	227.2	233.2
Earnings per ordinary share (cents) from continuing operations			
Basic	7	236.8	250.7
Diluted	7	227.2	233.8
Dividend per ordinary share (cents)	6	175	146

¹ Includes interest income calculated using the effective interest method on financial assets measured at amortised cost or fair value through other comprehensive income of \$46,893 million (2022: \$22,844 million) in the Group.

The notes appearing on pages 93 to 206 form an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2023 \$m	2022 \$m
Profit after tax from continuing operations	7,126	7,139
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Investment securities - equity securities at FVOCI	(27)	(55)
Other reserve movements ¹	(80)	127
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation reserve	718	(759)
Other reserve movements	199	(4,180)
Income tax attributable to the above items	(23)	1,172
Share of associates' other comprehensive income²	31	(40)
Other comprehensive income after tax from continuing operations	818	(3,735)
Profit/(Loss) after tax from discontinued operations	-	(19)
Total comprehensive income for the year	7,944	3,385
Comprising total comprehensive income attributable to:		
Shareholders of the Company	7,889	3,399
Non-controlling interests ¹	55	(14)

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

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

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

The notes appearing on pages 93 to 206 form an integral part of these financial statements.

BALANCE SHEET

As at 30 September	Note	2023 \$m	2022 \$m
Assets			
Cash and cash equivalents ¹	9	168,154	168,132
Settlement balances owed to ANZ		9,349	4,762
Collateral paid		8,558	12,700
Trading assets	10	37,004	35,237
Derivative financial instruments	11	60,406	90,174
Investment securities	12	97,429	86,153
Net loans and advances	13	707,044	672,407
Regulatory deposits		646	632
Investments in associates	28	2,349	2,181
Current tax assets		114	46
Deferred tax assets	5	3,336	3,384
Goodwill and other intangible assets	22	4,058	3,877
Premises and equipment		2,053	2,431
Other assets		5,120	3,613
Total assets		1,105,620	1,085,729
Liabilities			
Settlement balances owed by ANZ		19,267	13,766
Collateral received		10,382	16,230
Deposits and other borrowings	15	814,711	797,281
Derivative financial instruments	11	57,482	85,149
Current tax liabilities		305	829
Deferred tax liabilities	5	82	83
Payables and other liabilities	16	15,045	9,835
Employee entitlements		569	549
Other provisions	23	1,717	1,872
Debt issuances	17	116,014	93,734
Total liabilities		1,035,574	1,019,328
Net assets		70,046	66,401
Shareholders' equity			
Ordinary share capital	24	29,082	28,797
Reserves	24	(1,735)	(2,606)
Retained earnings	24	42,177	39,716
Share capital and reserves attributable to shareholders of the Company	24	69,524	65,907
Non-controlling interests	24	522	494
Total shareholders' equity	24	70,046	66,401

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

The notes appearing on pages 93 to 206 form an integral part of these financial statements.



CASH FLOW STATEMENT

	2023 \$m	2022 \$m
For the year ended 30 September		
Profit after income tax	7,126	7,120
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Allowance for expected credit losses	245	(232)
Depreciation and amortisation	923	1,008
(Gain)/Loss on sale of premises and equipment	43	(8)
Net derivatives/foreign exchange adjustment	3,505	(4,434)
(Gain)/Loss on sale from divestments	(29)	(252)
Other non-cash movements ¹	(66)	(48)
<i>Net (increase)/decrease in operating assets:</i>		
Collateral paid	4,143	(2,638)
Trading assets	(23)	8,020
Net loans and advances ¹	(27,639)	(46,364)
Other assets ¹	(1,706)	(190)
<i>Net increase/(decrease) in operating liabilities:</i>		
Deposits and other borrowings	21,601	48,879
Settlement balances owed by ANZ	5,278	(3,486)
Collateral received	(5,848)	9,468
Other liabilities	(1,065)	3,333
Total adjustments	(638)	13,056
Net cash (used in)/provided by operating activities²	6,488	20,176
Cash flows from investing activities		
Investment securities assets:		
Purchases	(52,030)	(34,292)
Proceeds from sale or maturity	41,401	32,797
Proceeds from divestments, net of cash disposed	558	394
Net movement in shares in controlled entities	(10)	(65)
Net investments in other assets	(605)	(651)
Net cash (used in)/provided by investing activities	(10,686)	(1,817)
Cash flows from financing activities		
Deposits and other borrowings drawn down	(11,105)	1,226
Debt issuances: ³		
Issue proceeds	44,182	23,422
Redemptions	(23,985)	(26,017)
Dividends paid ⁴	(4,380)	(3,784)
On market purchase of treasury shares	(21)	(117)
Repayment of lease liabilities	(306)	(218)
Share buyback	-	(846)
ANZ Bank New Zealand Perpetual Preference Shares	-	492
Share entitlement issue	-	3,497
Net cash (used in)/provided by financing activities	4,385	(2,345)
Net (decrease)/increase in Cash and cash equivalents	187	16,014
Cash and cash equivalents at beginning of year	168,132	151,260
Effects of exchange rate changes on Cash and cash equivalents	(165)	858
Cash and cash equivalents at end of year	168,154	168,132

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

² Net cash (used in)/provided by operating activities for the Group includes interest received of \$48,345 million (2022: \$22,748 million), interest paid of \$30,707 million (2022: \$7,857 million) and income taxes paid of \$3,501 million (2022: \$2,171 million).

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

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

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital \$m	Reserves \$m	Retained earnings \$m	Share capital and reserves attributable to shareholders of the Company \$m	Non- controlling interests \$m	Total shareholders' equity \$m
As at 1 October 2021	25,984	1,228	36,453	63,665	11	63,676
Profit or loss from continuing operations	-	-	7,138	7,138	1	7,139
Profit or loss from discontinued operations	-	-	(19)	(19)	-	(19)
Other comprehensive income for the year from continuing operations	-	(3,835)	115	(3,720)	(15)	(3,735)
Total comprehensive income for the year	-	(3,835)	7,234	3,399	(14)	3,385
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(3,965)	(3,965)	(2)	(3,967)
Dividend reinvestment plan ¹	183	-	-	183	-	183
Group share buy-back ²	(846)	-	-	(846)	-	(846)
Share entitlement issue ³	3,497	-	-	3,497	-	3,497
Other equity movements:						
Employee share and option plans	(21)	-	-	(21)	-	(21)
Preference shares issued ⁴	-	-	(7)	(7)	499	492
Other items	-	1	1	2	-	2
As at 30 September 2022	28,797	(2,606)	39,716	65,907	494	66,401
Profit or loss from continuing operations	-	-	7,098	7,098	28	7,126
Other comprehensive income for the year from continuing operations	-	865	(74)	791	27	818
Total comprehensive income for the year	-	865	7,024	7,889	55	7,944
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(4,559)	(4,559)	(27)	(4,586)
Dividend reinvestment plan ¹	206	-	-	206	-	206
Other equity movements:						
Employee share and option plans	79	-	-	79	-	79
Other items	-	6	(4)	2	-	2
As at 30 September 2023	29,082	(1,735)	42,177	69,524	522	70,046

¹ No shares were issued under the Dividend Reinvestment Plan for the 2023 interim dividend (2022 final dividend: 8.4 million; 2022 interim dividend: 7.2 million; 2021 final dividend: nil). On-market share purchases for the DRP in 2023 were \$326 million (2022: \$204 million).

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

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

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

The notes appearing on pages 93 to 206 form an integral part of these financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ABOUT OUR FINANCIAL STATEMENTS

ORGANISATIONAL RESTRUCTURE

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

Accordingly, these consolidated financial statements reflect a continuation of the existing ANZ Group and have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2022 ANZ Annual Report.

GENERAL INFORMATION

These are the consolidated financial statements for ANZGHL (the Company) and its controlled entities (together, the Group or Consolidated Entity) for the year ended 30 September 2023. 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 29 markets.

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

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

This section of the financial statements:

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

BASIS OF PREPARATION

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

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

BASIS OF MEASUREMENT AND PRESENTATION

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

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

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

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

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

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

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

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

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

FIDUCIARY ACTIVITIES

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



KEY JUDGEMENTS AND ESTIMATES

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

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

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

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



1. ABOUT OUR FINANCIAL STATEMENTS (continued)

INTEREST RATE BENCHMARK REFORM

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

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

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

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

Accounting policies have been consistently applied, unless otherwise noted.

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

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

ACCOUNTING STANDARDS NOT EARLY ADOPTED

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

GENERAL HEDGE ACCOUNTING

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

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS NOT EARLY ADOPTED (continued)

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

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

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

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

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

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

LEASE LIABILITY IN A SALE AND LEASEBACK

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

2. NET INTEREST INCOME

	2023 \$m	2022 \$m
Net interest income		
Interest income by type of financial asset		
Financial assets at amortised cost	44,278	21,737
Investment securities at FVOCI	2,615	1,107
Trading assets	1,654	700
Financial assets at FVTPL	1,355	65
Interest income	49,902	23,609
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(31,303)	(8,019)
Securities sold short	(451)	(214)
Financial liabilities designated at FVTPL	(1,214)	(162)
Interest expense	(32,968)	(8,395)
Major bank levy	(353)	(340)
Net interest income	16,581	14,874



RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

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

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

Major Bank Levy

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

3. NON-INTEREST INCOME

	2023 \$m	2022 \$m
Non-interest income		
Fee and commission income		
Lending fees ¹	397	374
Non-lending fees	2,312	2,394
Commissions	85	103
Funds management income	246	261
Fee and commission income	3,040	3,132
Fee and commission expense	(1,087)	(1,160)
Net fee and commission income	1,953	1,972
Other income		
Net foreign exchange earnings and other financial instruments income ²	1,536	1,993
Gain on completion of ANZ Worldline partnership	-	307
Release of foreign currency translation reserve	43	(65)
Loss on disposal of financial planning and advice business	-	(62)
Loss on disposal of data centres in Australia	(43)	-
Other	79	90
Other income	1,615	2,263
Other operating income	3,568	4,235
Net income from insurance business	89	140
Share of associates' profit/(loss)	221	177
Non-interest income	3,878	4,552

¹ Lending fees exclude fees treated as part of the effective yield calculation in Interest income.

² Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at FVTPL.

3. NON-INTEREST INCOME (continued)

RECOGNITION AND MEASUREMENT

OTHER OPERATING INCOME

Fee and Commission Revenue

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

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

Net Foreign Exchange Earnings and Other Financial Instruments Income

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

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

Gain or Loss on Disposal of Non-Financial Assets

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

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

3. NON-INTEREST INCOME (continued)



RECOGNITION AND MEASUREMENT

NET INCOME FROM INSURANCE BUSINESS

We recognise:

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

SHARE OF ASSOCIATES' PROFIT/(LOSS)

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

4. OPERATING EXPENSES

	2023 \$m	2022 \$m
Personnel		
Salaries and related costs	5,180	4,754
Superannuation costs	396	375
Other	186	167
Personnel	5,762	5,296
Premises		
Rent	71	88
Depreciation	410	419
Other	177	214
Premises	658	721
Technology		
Depreciation and amortisation	505	578
Subscription licences and outsourced services	1,007	899
Other	188	144
Technology	1,700	1,621
Restructuring	169	101
Other		
Advertising and public relations	191	165
Professional fees	861	935
Freight, stationery, postage and communication	175	172
Other	623	568
Other	1,850	1,840
Operating expenses	10,139	9,579

4. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

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

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

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

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

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

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

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

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 32 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:

	2023 \$m	2022 \$m
Profit before income tax from continuing operations	10,075	10,079
Prima facie income tax expense at 30%	3,023	3,024
Tax effect of permanent differences:		
Net (gain)/loss from divestments/closures	-	(83)
Share of associates' (profit)/loss	(66)	(53)
Interest on convertible instruments	92	49
Overseas tax rate differential	(163)	(128)
Provision for foreign tax on dividend repatriation	41	155
Other	22	4
Subtotal	2,949	2,968
Income tax (over)/under provided in previous years	-	(28)
Income tax expense	2,949	2,940
Current tax expense	2,897	2,694
Adjustments recognised in the current year in relation to the current tax of prior years	-	(28)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	52	274
Income tax expense	2,949	2,940
Australia	1,642	1,844
Overseas	1,307	1,096
Effective tax rate	29.3%	29.2%

5. INCOME TAX (continued)

DEFERRED TAX ASSETS AND LIABILITIES

	2023 \$m	2022 \$m
Deferred tax assets balances comprise temporary differences attributable to:		
Amounts recognised in the Income Statement:		
Collectively assessed allowances for expected credit losses	1,128	1,065
Individually assessed allowances for expected credit losses	102	148
Provision for employee entitlements	294	252
Other provisions	263	314
Software	917	867
Other	266	285
Total	2,970	2,931
Amounts recognised directly in Other Comprehensive Income:		
Cash flow hedge reserve	818	882
Other reserves	29	20
Total	847	902
Total deferred tax assets (before set-off)	3,817	3,833
Set-off of deferred tax balances pursuant to set-off provisions	(481)	(449)
Net deferred tax assets	3,336	3,384

	2023 \$m	2022 \$m
Deferred tax liabilities balances comprise temporary differences attributable to:		
Amounts recognised in the Income Statement:		
Finance leases	96	79
Other	323	300
Total	419	379
Amounts recognised directly in Other Comprehensive Income:		
Foreign currency translation reserve	36	36
Cash flow hedge reserve	17	8
FVOCI reserve	44	57
Defined benefit obligations	47	52
Total	144	153
Total deferred tax liabilities (before set-off)	563	532
Set-off of deferred tax balances pursuant to set-off provisions	(481)	(449)
Net deferred tax liabilities	82	83

5. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Following the Restructure on 3 January 2023, 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 (2022: \$1 million) for the Group. Unrecognised deferred tax assets related to unused capital losses amount to \$370 million (2022: nil) for the Group.

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



RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

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

CURRENT TAX EXPENSE

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

DEFERRED TAX ASSETS AND LIABILITIES

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

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

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



KEY JUDGEMENTS AND ESTIMATES

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

6. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends determined by the ANZ Board are recognised with a corresponding reduction of retained earnings on the dividend payment date. Accordingly, the final dividend announced for the current financial year is paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend \$m
Financial Year 2022			
2021 final dividend paid ^{1,2}		72 cents	2,030
2022 interim dividend paid ^{1,2}		72 cents	2,012
Bonus option plan adjustment			(77)
Dividends paid during the year ended 30 September 2022			3,965
Cash	90.2%		3,577
Dividend reinvestment plan ³	9.8%		388
Dividends paid during the year ended 30 September 2022			3,965
Financial Year 2023			
2022 final dividend paid ^{1,2}		74 cents	2,213
2023 interim dividend paid ^{1,2}		81 cents	2,433
Bonus option plan adjustment			(87)
Dividends paid during the year ended 30 September 2023			4,559
Cash	88.3%		4,027
Dividend reinvestment plan ³	11.7%		532
Dividends paid during the year ended 30 September 2023			4,559
Dividends announced and to be paid after year-end			
2023 final dividend (partially franked at 56% for Australian tax, New Zealand imputation credit NZD 11 cents per share)	Payment date	Amount per share	Total dividend \$m
	22 December 2023	94 cents	2,825

¹ Carries New Zealand imputation credits of NZD 9 cents for the 2023 interim dividend, 2022 final dividend and 2022 interim dividend, and NZD 8 cents for the 2021 final dividend.

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

³ Includes on-market share purchases for the DRP of \$326 million (2022: \$204 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 2023 final dividend, ANZ intends that the DRP participation will be satisfied by the allocation of shares purchased on-market and the 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	2023 \$m	2022 \$m
Australian franking credits available at 30% tax rate	AUD	(137)	396
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	5,728	5,000

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

- franking credits/debits that will arise from the settlement of the 2023 income tax position; 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.

Instalment tax payments on account of the 2023 and 2024 financial year, which will be made after 30 September 2023, will generate sufficient franking credits to enable the 2023 final dividend to be partially 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

The Company's ability to pay dividends on ANZ ordinary shares is largely dependent on the receipt of broadly similar amounts in dividend from the ANZ Bank Group, which in turn requires APRA's prior written approval if:

- the aggregate dividends exceed the ANZ Bank Group'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 ANZ Bank Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the ANZ Bank Group 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 its ordinary shares issued to the Company.

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.

	2023 cents	2022 cents
Earnings per ordinary share - Basic		
Earnings Per Share	236.8	250.0
Earnings Per Share from continuing operations	236.8	250.7
Earnings Per Share from discontinued operations	-	(0.7)

	2023 cents	2022 cents
Earnings per ordinary share - Diluted		
Earnings Per Share	227.2	233.2
Earnings Per Share from continuing operations	227.2	233.8
Earnings Per Share from discontinued operations	-	(0.6)

	2023 \$m	2022 \$m
Reconciliation of earnings used in earnings per share calculations		
Basic:		
Profit for the year	7,126	7,120
Less: Profit attributable to non-controlling interests	28	1
Earnings used in calculating basic earnings per share	7,098	7,119
Less: Profit/(Loss) after tax from discontinued operations	-	(19)
Earnings used in calculating basic earnings per share from continuing operations	7,098	7,138
Diluted:		
Earnings used in calculating basic earnings per share	7,098	7,119
Add: Interest on convertible subordinated debt	332	199
Earnings used in calculating diluted earnings per share	7,430	7,318
Less: Profit/(Loss) after tax from discontinued operations	-	(19)
Earnings used in calculating diluted earnings per share from continuing operations	7,430	7,337

	2023 millions	2022 millions
Reconciliation of WANOS used in earnings per share calculations¹		
WANOS used in calculating basic earnings per share	2,997.2	2,847.5
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	265.3	282.9
Share based payments (options, rights and deferred shares)	8.0	7.7
WANOS used in calculating diluted earnings per share	3,270.5	3,138.1

¹ WANOS excludes the weighted average number of treasury shares held in ANZEST Pty Ltd of \$4.1 million (2022: 4.4 million).



8. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

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

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

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

- Business Restructure - the non-banking businesses held in the Australia Commercial and Institutional divisions were transferred to the Group Centre division. As a result of this transfer, Group Centre division holds all interests in the ANZ Non-Bank Group.
- Corporate customer re-segmentation - certain business and property finance customers were transferred from the New Zealand division to the Institutional division.
- Cost reallocations - certain costs were reallocated across the Australia Retail, Australia Commercial, Institutional and Group Centre divisions.

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

Australia Retail

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

Australia Commercial

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

Institutional

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

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

New Zealand

The New Zealand division comprises the following business units:

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

Pacific

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

Group Centre

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

8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS

Year ended 30 September 2023	Australia Retail \$m	Australia Commercial \$m	Institutional \$m	New Zealand \$m	Pacific \$m	Group Centre \$m	Group Total \$m
Net interest income	5,716	3,224	4,040	3,149	123	329	16,581
Net fee and commission income	546	322	685	398	19	(17)	1,953
Net income from insurance business	89	-	-	-	-	-	89
Other income ^{1,2}	16	43	2,009	11	66	(96)	2,049
Share of associates' profit/(loss)	-	-	-	-	-	221	221
Other operating income	651	365	2,694	409	85	108	4,312
Operating income ^{1,2}	6,367	3,589	6,734	3,558	208	437	20,893
Operating expenses	(3,542)	(1,423)	(2,708)	(1,291)	(145)	(1,030)	(10,139)
Cash profit before credit impairment and income tax	2,825	2,166	4,026	2,267	63	(593)	10,754
Credit impairment (charge)/release	(135)	(107)	80	(112)	28	1	(245)
Cash profit before income tax	2,690	2,059	4,106	2,155	91	(592)	10,509
Income tax expense and non-controlling interests ^{1,2}	(816)	(619)	(1,143)	(603)	(20)	97	(3,104)
Cash profit/(loss) from continuing operations	1,874	1,440	2,963	1,552	71	(495)	7,405
Cash profit/(loss) from discontinued operations							-
Cash profit/(loss)							7,405
Economic hedges ¹							(217)
Revenue and expense hedges ²							(90)
Profit after tax attributable to shareholders							7,098
<i>Includes non-cash items:</i>							
Share of associates' profit/(loss)	-	-	-	-	-	221	221
Depreciation and amortisation	(77)	(5)	(164)	(105)	(10)	(562)	(923)
Equity-settled share based payment expenses	(6)	(2)	(73)	(4)	-	(20)	(105)
Credit impairment (charge)/release	(135)	(107)	80	(112)	28	1	(245)

Financial position	Australia Retail \$m	Australia Commercial \$m	Institutional \$m	New Zealand \$m	Pacific \$m	Group Centre \$m	Group Total \$m
Goodwill	178	-	1,261	1,617	-	-	3,056
Investments in associates	-	-	-	-	-	2,349	2,349
Total external assets	315,184	61,916	538,827	125,178	3,391	61,124	1,105,620
Total external liabilities	168,866	119,341	452,779	122,924	3,862	167,802	1,035,574

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

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



8. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

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

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

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

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

8. SEGMENT REPORTING (continued)

SEGMENT INCOME BY PRODUCTS AND SERVICES

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

GEOGRAPHICAL INFORMATION

The reportable segments operate across three geographical regions as follows:

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

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

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

	Australia		New Zealand		Rest of World		Total	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Total operating income ¹	12,674	12,462	4,459	4,501	3,326	2,547	20,459	19,510
Assets to be recovered in more than one year ²	406,571	384,724	119,278	109,191	28,877	32,350	554,726	526,265

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

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

FINANCIAL ASSETS

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

CLASSIFICATION AND MEASUREMENT

Financial assets - general

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

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

The resultant financial asset classifications are as follows:

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

Fair value option for financial assets

A financial asset may be irrevocably designated on initial recognition:

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

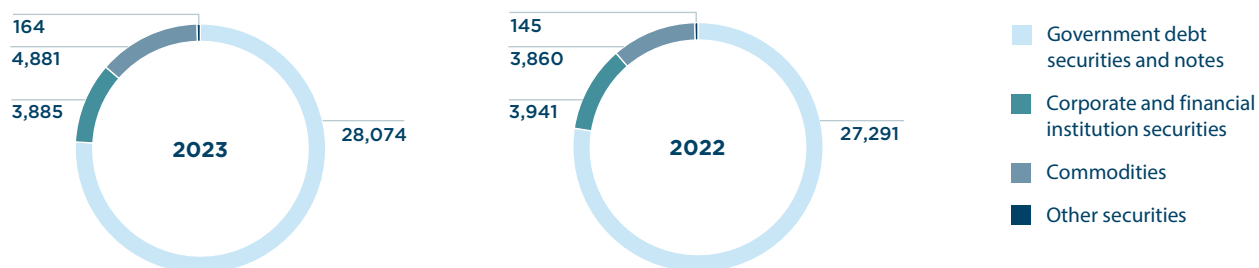
9. CASH AND CASH EQUIVALENTS

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.

	2023 \$m	2022 \$m
Coins, notes and cash at bank	1,070	1,147
Securities purchased under agreements to resell in less than 3 months ¹	31,711	15,996
Balances with central banks	105,689	127,790
Settlement balances owed to ANZ within 3 months	29,684	23,199
Cash and cash equivalents	168,154	168,132

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

10. TRADING ASSETS



	2023 \$m	2022 \$m
Government debt securities and notes	28,074	27,291
Corporate and financial institution securities	3,885	3,941
Commodities	4,881	3,860
Other securities	164	145
Total	37,004	35,237

✓ 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 113.

☒ 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

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

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

TYPES

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

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

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:

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

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



11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

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

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

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



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:

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

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

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:

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

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:

	Balance sheet presentation	Hedged risk	Carrying amount		Accumulated fair value hedge adjustments on the hedged item	
			Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
As at 30 September 2023						
Fixed rate loans and advances	Net loans and advances	Interest rate	3,472	-	(139)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(66,190)	-	4,163
Fixed rate investment securities at FVOCI ¹	Investment securities	Interest rate	61,082	-	(5,121)	-
Equity securities at FVOCI ¹	Investment securities	Foreign exchange	607	-	79	-
Total			65,161	(66,190)	(5,181)	4,163
As at 30 September 2022						
Fixed rate loans and advances	Net loans and advances	Interest rate	10,252	-	(369)	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(51,531)	-	3,721
Fixed rate investment securities at FVOCI ¹	Investment securities	Interest rate	53,915	-	(5,349)	-
Equity securities at FVOCI ¹	Investment securities	Foreign exchange	604	-	75	-
Total			64,771	(51,531)	(5,643)	3,721

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS (continued)

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

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



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:

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

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

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)



RECOGNITION AND MEASUREMENT

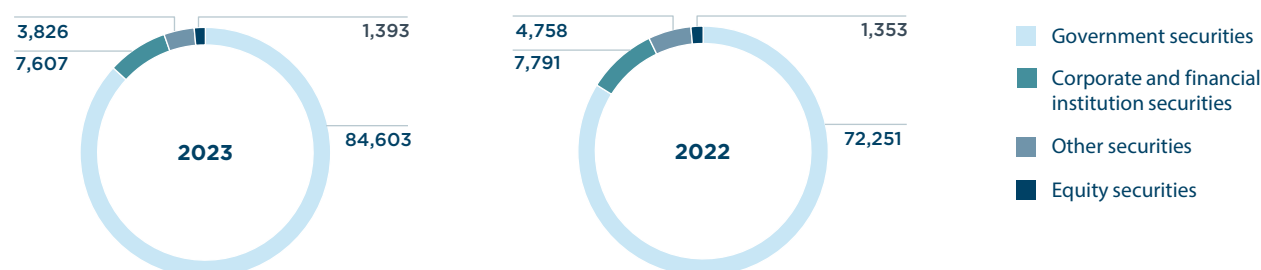
Recognition	<p>Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability.</p> <p>Valuation adjustments are integral in determining the fair value of derivatives. This includes:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p>
Impact on the Income Statement	<p>The recognition of gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedge accounting relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss.</p> <p>For an instrument designated in a hedge accounting relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the table on page 117 for details of the recognition approach applied for each type of hedge accounting relationship.</p> <p>Sources of hedge accounting ineffectiveness may arise from differences in the interest rate reference rate, margins, or rate set differences and differences in discounting between the hedged items and the hedging instruments.</p>
Hedge effectiveness	<p>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:</p> <ul style="list-style-type: none"> • 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). <p>The Group monitors hedge effectiveness on a regular basis but at a minimum at each reporting date.</p>



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



	2023 \$m	2022 \$m
Investment securities measured at FVOCI		
Debt securities	88,271	76,817
Equity securities	1,393	1,353
Investment securities measured at amortised cost		
Debt securities	7,752	7,943
Investment Securities measured at FVTPL		
Debt securities	13	40
Total	97,429	86,153

The maturity profile of investment securities is as follows:

	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	After 5 years \$m	No maturity \$m	Total \$m
As at 30 September 2023						
Government securities	8,807	10,233	29,482	36,081	-	84,603
Corporate and financial institution securities	358	1,218	5,973	58	-	7,607
Other securities	617	591	602	2,016	-	3,826
Equity securities	-	-	-	-	1,393	1,393
Total	9,782	12,042	36,057	38,155	1,393	97,429
As at 30 September 2022						
Government securities	6,544	14,045	29,806	21,856	-	72,251
Corporate and financial institution securities	324	2,462	4,906	97	2	7,791
Other securities	429	423	543	3,363	-	4,758
Equity securities	-	-	-	-	1,353	1,353
Total	7,297	16,930	35,255	25,316	1,355	86,153

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

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 113. Additionally, expected credit losses associated with 'Investment securities - debt securities at amortised cost' and 'Investment securities - debt securities at FVOCI' are recognised and measured in accordance with the accounting policy outlined in Note 14 Allowance for Expected Credit Losses. For 'Investment securities - debt securities at FVOCI', the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 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:

	2023 \$m	2022 \$m
Overdrafts	5,552	5,266
Credit cards	6,805	6,755
Commercial bills	4,682	5,214
Term loans – housing	404,491	374,625
Term loans – non-housing ¹	284,808	279,730
Other	1,292	2,035
Subtotal	707,630	673,625
Unearned income ²	(515)	(518)
Capitalised brokerage and other origination costs ²	3,475	2,882
Gross loans and advances	710,590	675,989
Allowance for expected credit losses (refer to Note 14)	(3,546)	(3,582)
Net loans and advances	707,044	672,407
<i>Residual contractual maturity:</i>		
Within one year	152,318	146,142
More than one year	554,726	526,265
Net loans and advances	707,044	672,407
<i>Carried on Balance Sheet at:</i>		
Amortised cost	685,156	667,732
Fair value through profit or loss ¹	21,888	4,675
Net loans and advances	707,044	672,407

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

² Amortised over the expected life of the loan.



RECOGNITION AND MEASUREMENT

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

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage and other origination costs which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any allowance for expected credit losses, or at fair value when they are specifically designated on initial recognition as FVTPL, are classified as held for sale or when held for trading. Refer to Note 19 Fair Value of Financial Assets and Financial Liabilities for further details.

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

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

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

Assets disclosed as Net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 113. 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

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

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

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

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

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

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

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



14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

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

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

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

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

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

Investment securities - debt securities at FVOCI

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

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

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	2023 \$m	2022 \$m
New and increased provisions (net of releases) ^{1,2}		
- Collectively assessed	152	(311)
- Individually assessed	476	520
Write-backs ³	(216)	(233)
Recoveries of amounts previously written-off	(167)	(208)
Total credit impairment charge	245	(232)

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

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

	Consolidated			
	2023		2022	
	Collectively assessed \$m	Individually assessed \$m	Collectively assessed \$m	Individually assessed \$m
Net loans and advances at amortised cost	106	472	(308)	520
Off-balance sheet commitments	43	4	(5)	-
Investment securities - debt securities at amortised cost	(1)	-	3	-
Investment securities - debt securities at FVOCI	4	-	(1)	-
Total	152	476	(311)	520

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

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

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 for ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance for ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification with ECL measured accordingly.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

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

MEASUREMENT OF EXPECTED CREDIT LOSS

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

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

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

EXPECTED LIFE

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

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

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

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

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

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

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

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 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, Gross Domestic Product (GDP) growth rates, residential property price indices, commercial property price indices and consumer price indices.

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

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

KEY JUDGEMENTS AND ESTIMATES

Collectively assessed allowance for expected credit losses

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

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

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

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

Judgement/Assumption	Description	Considerations for the year ended 30 September 2023
Determining when a Significant Increase in Credit Risk has occurred or reversed	In the measurement of ECL, judgement is involved in determining whether there has been a SICR since initial recognition of a loan, which would result in it moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default (PD) in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise SICR trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The determination of SICR has been applied consistent with prior periods.

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2023
Measuring both 12-month and lifetime expected credit losses	<p>The PD, LGD and EAD factors used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information is relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.</p> <p>In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility which is used in measuring ECL.</p>	<p>The PD, LGD and EAD models are subject to the Group's model risk policy that stipulates periodic model monitoring and re-validation, and defines approval procedures and authorities according to model materiality.</p> <p>There were no material changes to the policy.</p>
Base case economic forecast	<p>The Group derives a forward-looking 'base case' economic scenario which reflects ANZ Research - Economics' (ANZ Economics) view of future macroeconomic conditions.</p>	<p>There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs.</p> <p>As at 30 September 2023, the base case assumptions have been updated to reflect slowing economies and reduced levels of household consumption in Australia and New Zealand associated with continuing high interest rates and elevated levels of inflation.</p> <p>The expected outcomes of key economic drivers for the base case scenario at 30 September 2023 are described below under the heading "Base case economic forecast assumptions".</p>
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios) ¹	<p>Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.</p> <p>The assigned probability weightings in Australia, New Zealand and Rest of World are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.</p>	<p>Probability weightings in the current period have been adjusted to reflect our assessment of the downside risks from the impact of continued high interest rates and inflation on the economies in which the Group operates. Weightings for current and prior periods are as detailed in the section below under the heading on 'Probability weightings'.</p>
Management temporary adjustments	<p>Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, natural disasters, and natural hazards that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances.</p>	<p>Management have continued to apply adjustments to accommodate uncertainty associated with higher inflation and interest rates.</p> <p>Management overlays have been made for risks particular to retail, including home loans, credit cards and small business in Australia, and for mortgages, commercial property and agri in New Zealand.</p> <p>Management has considered and concluded no temporary adjustment is required at 30 September 2023 to the ECL in relation to climate- or weather-related events during the year.</p>

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

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

Base case economic forecast assumptions

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

The economic drivers of the base case economic forecasts, reflective of ANZ Economics' view of future macroeconomic conditions used at 30 September 2023 are set out below. For the years following the near term forecasts below, the ECL models apply simplified assumptions for the economic conditions to calculate lifetime loss.

	Forecast calendar year		
	2023	2024	2025
Australia			
GDP (annual % change)	1.5	1.3	2.2
Unemployment rate (annual average)	3.6	4.4	4.5
Residential property prices (annual % change)	5.9	2.8	4.3
Consumer price index (annual average % change)	5.6	3.5	2.9
New Zealand			
GDP (annual % change)	0.7	0.3	1.5
Unemployment rate (annual average)	3.8	4.8	5.1
Residential property prices (annual % change)	-0.6	2.3	3.2
Consumer price index (annual average % change)	6.0	3.8	2.2
Rest of World			
GDP (annual % change)	1.8	0.9	2.0
Consumer price index (annual average % change)	3.9	2.9	2.2

The base case economic forecasts for Australia, New Zealand and Rest of World are for continuing slowdowns in economic activity. Continued high inflation in Australia and New Zealand is expected to keep interest rates high and dampen growth over the forecast period.

Probability weightings

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

The average base case weighting has increased to 45.9% (Sep 22: 45%) as the downside and severe downside scenario weightings have been revised. The average downside case weighting has increased to 41.2% (Sep 22: 40%), and the average severe downside case weighting has decreased to 12.9% (Sep 22: 15%).

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

	2023	2022
Base	45.9%	45.0%
Upside	0.0%	0.0%
Downside	41.2%	40.0%
Severe downside	12.9%	15.0%

14. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)



KEY JUDGEMENTS AND ESTIMATES (continued)

ECL - Sensitivity analysis

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

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2023:

	ECL \$m	Impact \$m
If 1% of Stage 1 facilities were included in Stage 2	4,116	84
If 1% of Stage 2 facilities were included in Stage 1	4,027	(5)
100% upside scenario	1,274	(2,758)
100% base scenario	1,790	(2,242)
100% downside scenario	3,123	(909)
100% severe downside scenario	9,251	5,219

Individually assessed allowance for expected credit losses

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

FINANCIAL LIABILITIES

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



CLASSIFICATION AND MEASUREMENT

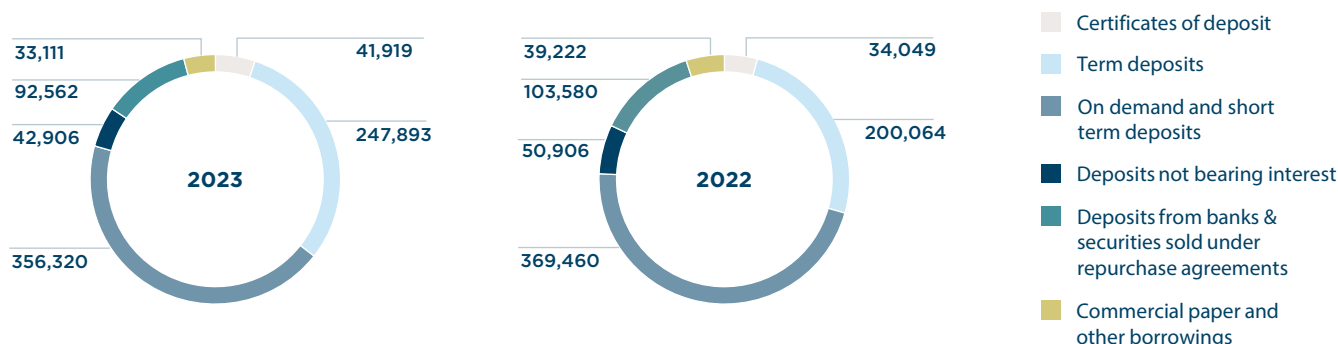
Financial liabilities

Financial liabilities are measured at amortised cost, or FVTPL when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

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

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

15. DEPOSITS AND OTHER BORROWINGS



	2023 \$m	2022 \$m
Certificates of deposit	41,919	34,049
Term deposits	247,893	200,064
On demand and short term deposits	356,320	369,460
Deposits not bearing interest	42,906	50,906
Deposits from banks & securities sold under repurchase agreements ¹	92,562	103,580
Commercial paper and other borrowings	33,111	39,222
Deposits and other borrowings	814,711	797,281
<i>Residual contractual maturity:</i>		
Within one year	805,505	781,573
More than one year	9,206	15,708
Deposits and other borrowings	814,711	797,281
<i>Carried on Balance Sheet at:</i>		
Amortised cost	780,822	794,621
Fair value through profit or loss ¹	33,889	2,660
Deposits and other borrowings	814,711	797,281

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

✓ RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

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

Refer to Note 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

	2023 \$m	2022 \$m
Payables and accruals	5,739	2,896
Liabilities at fair value ¹	5,267	3,239
Lease liabilities	951	1,040
Trail commission liabilities	1,469	1,320
Other liabilities	1,619	1,340
Payables and other liabilities	15,045	9,835

¹ Relate to securities sold short classified as held for trading and measured at FVTPL.

RECOGNITION AND MEASUREMENT

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

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

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

17. DEBT ISSUANCES

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

	2023 \$m	2022 \$m
Senior debt	63,233	52,324
Covered bonds	18,223	12,967
Securitisation	880	1,115
Total unsubordinated debt	82,336	66,406
Subordinated debt		
- ANZBGL Additional Tier 1 capital	8,232	7,705
- ANZBGL Tier 2 capital	23,707	17,907
- Other subordinated debt securities	1,739	1,716
Total subordinated debt	33,678	27,328
Total debt issued	116,014	93,734
<i>Residual contractual maturity¹:</i>		
Within one year	21,746	25,208
More than one year	92,856	66,660
No maturity date (instruments in perpetuity)	1,412	1,866
Total debt issued	116,014	93,734
<i>Carried on Balance Sheet at:</i>		
Amortised cost	114,678	92,623
Fair value through profit or loss	1,336	1,111
Total debt issued	116,014	93,734

¹: Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

TOTAL DEBT ISSUED BY CURRENCY

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

		2023 \$m	2022 \$m
USD	United States dollars	32,723	25,527
EUR	Euro	26,990	19,923
AUD	Australian dollars	47,043	36,398
NZD	New Zealand dollars	1,575	1,628
JPY	Japanese yen	1,993	2,159
CHF	Swiss francs	1,039	954
GBP	Pounds sterling	2,230	5,261
HKD	Hong Kong dollars	1,407	771
Other	Chinese yuan and Singapore dollars	1,014	1,113
Total debt issued		116,014	93,734

SUBORDINATED DEBT

Subordinated debt is issued by the Group out of its banking subsidiaries, ANZBGL and ANZ Bank New Zealand. The subordinated debt constitutes subordinated debt of both the Group and the relevant issuer but does not constitute regulatory capital for the Group.

At 30 September 2023, all subordinated debt issued by ANZBGL (other than ANZBGL's USD 300 million perpetual subordinated notes) qualifies as regulatory capital for ANZBGL. Depending on their terms and conditions, the subordinated debt instruments issued by ANZBGL are classified as either Additional Tier 1 (AT1) capital for ANZBGL (in the case of the ANZ Capital Notes (ANZ CN) and ANZ Capital Securities (ANZ CS)) or Tier 2 capital for ANZBGL (in the case of the term subordinated notes) for APRA's capital adequacy purposes.

Subordinated debt issued externally by ANZ Bank New Zealand will constitute Tier 2 capital for ANZ Bank New Zealand for the purposes of the Reserve Bank of New Zealand's (RBNZ) capital requirements.

17. DEBT ISSUANCES (continued)

AT1 Capital

All outstanding AT1 capital instruments issued by ANZBGL are Basel III fully compliant instruments (refer to Note 25 Capital Management for further information about Basel III) for APRA's capital adequacy purposes. Each of the ANZ CN and ANZ CS rank equally with each other.

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

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

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

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

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

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

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

If the AT1 capital securities convert, and the holders receive ANZGHL ordinary shares, then:

- the AT1 capital securities are transferred to ANZGHL for their face value;
- ANZBGL shall redeem the securities and simultaneously issue ordinary shares to its parent ANZ BH Limited (based on its share price calculated by reference to its consolidated net assets, subject to a maximum conversion number); and
- ANZ BH Limited will issue shares to ANZGHL (calculated on the same basis).

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 ANZBGL 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 ANZBGL's AT1 capital instruments on issue at 30 September in both the current and prior years:

			2023 \$m	2022 \$m
ANZBGL's Additional Tier 1 capital (perpetual subordinated securities)¹				
ANZ Capital Notes (ANZ CN)				
AUD	970m	ANZ CN3 ²	-	970
AUD	1,622m	ANZ CN4	1,621	1,619
AUD	931m	ANZ CN5	929	928
AUD	1,500m	ANZ CN6	1,489	1,487
AUD	1,310m	ANZ CN7	1,298	1,297
AUD	1,500m	ANZ CN8	1,483	-
ANZ Capital Securities (ANZ CS)				
USD	1,000m	ANZ Capital Securities	1,412	1,404
Total ANZBGL Additional Tier 1 capital³			8,232	7,705

¹ Carrying values are net of issuance costs.

² All of the ANZ Capital Notes 3 were redeemed on 24 March 2023 with approximately \$502 million of the proceeds from redemption reinvested into ANZ Capital Notes 8 on the same date.

³ This forms part of ANZBGL's qualifying Additional Tier 1 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN3	CN4	CN5
Issuer	ANZBGL, acting through its New Zealand branch	ANZBGL	ANZBGL
Issue date	5 March 2015	27 September 2016	28 September 2017
Issue amount	\$970 million	\$1,622 million	\$931 million
Face value	\$100	\$100	\$100
Distribution frequency	Semi-annually in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	24 March 2023 ¹	20 March 2024	20 March 2025
Mandatory conversion date	24 March 2025 ²	20 March 2026	20 March 2027
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	nil (2022: \$970 million)	\$1,621 million (2022: \$1,619 million)	\$929 million (2022: \$928 million)

	CN6	CN7	CN8
Issuer	ANZBGL	ANZBGL	ANZBGL
Issue date	8 July 2021	24 March 2022	24 March 2023
Issue amount	\$1,500 million	\$1,310 million	\$1,500 million
Face value	\$100	\$100	\$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +3.0%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +2.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +2.75%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2028	20 March 2029	20 March 2030
Mandatory conversion date	20 September 2030	20 September 2031	20 September 2032
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value (net of issue costs)	\$1,489 million (2022: \$1,487 million)	\$1,298 million (2022: \$1,297 million)	\$1,483 million (2022: nil)

¹ All of the ANZ Capital Notes 3 were redeemed on 24 March 2023 with approximately \$502 million of the proceeds from redemption reinvested into ANZ Capital Notes 8 on the same date.

² The mandatory conversion date is no longer applicable as all of CN3 have been redeemed.



17. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZBGL, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value (net of issue costs)	\$1,412 million (2022: \$1,404 million)

17. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

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

If the Tier 2 capital securities convert, and the holders receive ANZGHL ordinary shares, then ANZBGL shall issue ordinary shares to its parent ANZ BH Limited (based on ANZBGL's share price calculated by reference to its consolidated net assets, subject to a maximum conversion number) and ANZ BH Limited will issue shares to ANZGHL (calculated on the same basis).

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

Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	2023 \$m	2022 \$m
ANZBGL Tier 2 capital (term subordinated notes)						
USD	800m	2024	N/A	Fixed	1,220	1,189
JPY	20,000m	2026	N/A	Fixed	207	213
USD	1,500m	2026	N/A	Fixed	2,125	2,113
JPY	10,000m	2028	2023	Fixed	-	106
AUD	225m	2032	2027	Fixed	225	225
AUD	1,750m	2029	2024	Floating	1,750	1,750
EUR	1,000m	2029	2024	Fixed	1,555	1,410
AUD	265m	2039	N/A	Fixed	170	179
USD	1,250m	2030	2025	Fixed	1,808	1,785
AUD	1,250m	2031	2026	Floating	1,250	1,250
USD	1,500m	2035	2030	Fixed	1,786	1,830
AUD	330m	2040	N/A	Fixed	202	214
AUD	195m	2040	N/A	Fixed	117	124
EUR	750m	2031	2026	Fixed	1,104	1,003
GBP	500m	2031	2026	Fixed	830	714
AUD	1,450m	2032	2027	Fixed	1,400	1,390
AUD	300m	2032	2027	Floating	300	300
JPY	59,400m	2032	2027	Fixed	606	627
SGD	600m	2032	2027	Fixed	659	618
AUD	900m	2034	2029	Fixed	871	867
USD	1,250m	2032	N/A	Fixed	1,803	-
EUR	1,000m	2033	2028	Fixed	1,594	-
AUD	1,000m	2038	2033	Fixed	975	-
AUD	275m	2033	2028	Fixed	275	-
AUD	875m	2033	2028	Floating	875	-
Total ANZBGL Tier 2 capital^{1,2}					23,707	17,907

¹ Carrying values are net of issuance costs, and, where applicable, include fair value hedge accounting adjustments.

² This forms part of ANZBGL's qualifying Tier 2 capital. Refer to Note 25 Capital Management for further details.

17. DEBT ISSUANCES (continued)

OTHER SUBORDINATED DEBT SECURITIES

The term subordinated notes issued by ANZ Bank New Zealand constitute tier 2 capital under RBNZ requirements. However, they do not (among other things) contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the ANZBGL Group.

Currency	Face value	Maturity	Next optional call date ¹	Interest rate	2023 \$m	2022 \$m
Non-Basel III compliant perpetual subordinated notes issued by ANZBGL²						
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	464	462
Term subordinated notes issued by ANZ Bank New Zealand Limited						
NZD	600m	2031	2026	Fixed	555	524
USD	500m	2032	2027	Fixed	720	730
Other subordinated debt					1,739	1,716

¹ Subject to APRA's or RBNZ's prior approval (as applicable).

² The USD 300 million perpetual subordinated notes were redeemed by ANZBGL on 31 October 2023.



RECOGNITION AND MEASUREMENT

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

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

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

Credit risk

The risk of financial loss resulting from:

- a counterparty failing to fulfil its obligations; or
- a decrease in credit quality of a counterparty resulting in a financial loss.

Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change, changes to laws, regulations, or other policies adopted by governments or regulatory authorities. Climate change impacts include both physical risks (climate- or weather-related events) and transition risks resulting from the adjustment to a low emissions economy. Transition risks include resultant changes to laws, regulations and policies noted above.

Market risk

The risk to the Group's earnings arising from:

- changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or
- fluctuations in bond, commodity or equity prices.

Liquidity and funding risk

The risk that the Group is unable to meet payment obligations as they fall due, including:

- repaying depositors or maturing wholesale debt; or
- the Group having insufficient capacity to fund increases in assets.

Key sections applicable to this risk

- Credit risk overview, management and control responsibilities
- Maximum exposure to credit risk
- Credit quality
- Concentrations of credit risk
- Collateral management

- Market risk overview, management and control responsibilities
- Measurement of market risk
- Traded and non-traded market risk
- Equity securities designated at FVOCI
- Foreign currency risk – structural exposure

- Liquidity risk overview, management and control responsibilities
- Key areas of measurement for liquidity risk
- Liquidity risk outcomes
- Residual contractual maturity analysis of the Group's liabilities

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

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

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

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

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

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

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 the Group has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending

Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.

Retail and some small business lending

Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is subject to manual assessment.

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

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



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.

	Reported		Excluded ¹		Maximum exposure to credit risk	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
On-balance sheet positions						
Net loans and advances	707,044	672,407	-	-	707,044	672,407
Other financial assets:						
Cash and cash equivalents	168,154	168,132	1,070	1,147	167,084	166,985
Settlement balances owed to ANZ	9,349	4,762	9,349	4,762	-	-
Collateral paid	8,558	12,700	-	-	8,558	12,700
Trading assets	37,004	35,237	4,881	3,860	32,123	31,377
Derivative financial instruments	60,406	90,174	-	-	60,406	90,174
Investment securities						
- debt securities at amortised cost	7,752	7,943	-	-	7,752	7,943
- debt securities at FVOCI	88,271	76,817	-	-	88,271	76,817
- equity securities at FVOCI	1,393	1,353	1,393	1,353	-	-
- debt securities at FVTPL	13	40	-	-	13	40
Regulatory deposits	646	632	-	-	646	632
Other financial assets ²	4,300	2,943	-	-	4,300	2,943
Total other financial assets	385,846	400,733	16,693	11,122	369,153	389,611
Subtotal	1,092,890	1,073,140	16,693	11,122	1,076,197	1,062,018
Off-balance sheet positions						
Undrawn and contingent facilities ³	290,055	285,041	-	-	290,055	285,041
Total	1,382,945	1,358,181	16,693	11,122	1,366,252	1,347,059

¹ Coins, notes and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; precious metal exposures and carbon credits within Trading assets; and Equity securities within Investment securities were excluded as they do not have credit risk exposure.

² Other financial assets mainly comprise accrued interest and acceptances.

³ Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

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

	Stage 1 \$m	Stage 2 \$m	Stage 3		Total \$m
			Collectively assessed \$m	Individually assessed \$m	
As at 30 September 2023					
Strong	410,933	17,063	-	-	427,996
Satisfactory	193,170	37,977	-	-	231,147
Weak	11,306	10,398	-	-	21,704
Defaulted	-	-	3,858	1,037	4,895
Gross loans and advances at amortised cost	615,409	65,438	3,858	1,037	685,742
Allowance for ECL	(1,227)	(1,624)	(329)	(366)	(3,546)
Net loans and advances at amortised cost	614,182	63,814	3,529	671	682,196
Coverage ratio	0.20%	2.48%	8.53%	35.29%	0.52%
Loans and advances at FVTPL					21,888
Unearned income					(515)
Capitalised brokerage and other origination costs					3,475
Net carrying amount					707,044
As at 30 September 2022					
Strong	443,571	15,880	-	-	459,451
Satisfactory	154,823	31,864	-	-	186,687
Weak	9,197	9,244	-	-	18,441
Defaulted	-	-	3,328	1,043	4,371
Gross loans and advances at amortised cost	607,591	56,988	3,328	1,043	668,950
Allowance for ECL	(1,141)	(1,548)	(360)	(533)	(3,582)
Net loans and advances at amortised cost	606,450	55,440	2,968	510	665,368
Coverage ratio	0.19%	2.72%	10.82%	51.10%	0.54%
Loans and advances at FVTPL					4,675
Unearned income					(518)
Capitalised brokerage and other origination costs					2,882
Net carrying amount					672,407



18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

	Stage 1 \$m	Stage 2 \$m	Stage 3		Total \$m
			Collectively assessed \$m	Individually assessed \$m	
As at 30 September 2023					
Strong	189,980	1,234	-	-	191,214
Satisfactory	30,007	4,276	-	-	34,283
Weak	975	746	-	-	1,721
Defaulted	-	-	79	47	126
Gross undrawn and contingent facilities subject to ECL	220,962	6,256	79	47	227,344
Allowance for ECL included in Other provisions (refer to Note 23)	(630)	(162)	(25)	(10)	(827)
Net undrawn and contingent facilities subject to ECL	220,332	6,094	54	37	226,517
Coverage ratio	0.29%	2.59%	31.65%	21.28%	0.36%
Undrawn and contingent facilities not subject to ECL ¹					63,538
Net undrawn and contingent facilities					290,055
As at 30 September 2022					
Strong	191,363	1,703	-	-	193,066
Satisfactory	18,583	3,078	-	-	21,661
Weak	774	706	-	-	1,480
Defaulted	-	-	113	19	132
Gross undrawn and contingent facilities subject to ECL	210,720	5,487	113	19	216,339
Allowance for ECL included in Other provisions (refer to Note 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

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 1 \$m	Stage 2 \$m	Stage 3		Total \$m
			Collectively assessed \$m	Individually assessed \$m	
As at 30 September 2023					
Strong	6,117	-	-	-	6,117
Satisfactory	112	-	-	-	112
Weak	1,558	-	-	-	1,558
Gross investment securities - debt securities at amortised cost	7,787	-	-	-	7,787
Allowance for ECL	(35)	-	-	-	(35)
Net investment securities - debt securities at amortised cost	7,752	-	-	-	7,752
Coverage ratio	0.45%	-	-	-	0.45%
As at 30 September 2022					
Strong	6,279	-	-	-	6,279
Satisfactory	113	-	-	-	113
Weak	1,589	-	-	-	1,589
Gross investment securities - debt securities at amortised cost	7,981	-	-	-	7,981
Allowance for ECL	(38)	-	-	-	(38)
Net investment securities - debt securities at amortised cost	7,943	-	-	-	7,943
Coverage ratio	0.48%	-	-	-	0.48%



18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

	Stage 1 \$m	Stage 2 \$m	Stage 3		Total \$m
			Collectively assessed \$m	Individually assessed \$m	
As at 30 September 2023					
Strong	88,271	-	-	-	88,271
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	88,271	-	-	-	88,271
Allowance for ECL recognised in Other comprehensive income	(15)	-	-	-	(15)
Coverage ratio	0.02%	-	-	-	0.02%
As at 30 September 2022					
Strong	76,668	-	-	-	76,668
Satisfactory	149	-	-	-	149
Investment securities - debt securities at FVOCI	76,817	-	-	-	76,817
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Other financial assets

	2023 \$m	2022 \$m
Strong	269,934	301,735
Satisfactory ¹	2,592	2,164
Weak	604	945
Defaulted	-	7
Total carrying amount	273,130	304,851

¹ Includes Investment Securities - debt securities at FVTPL of \$13 million (2022: \$40 million) for the Group.

CONCENTRATIONS OF CREDIT RISK

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

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

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Agriculture, forestry, fishing and mining	35,797	33,668	612	781	16,707	17,694	53,116	52,143
Business services	8,138	9,252	207	242	7,003	6,245	15,348	15,739
Construction	5,506	6,155	36	48	7,212	6,594	12,754	12,797
Electricity, gas and water supply	8,626	9,650	463	790	11,837	9,865	20,926	20,305
Entertainment, leisure and tourism	13,486	12,886	78	89	3,889	3,691	17,453	16,666
Financial, investment and insurance	77,454	75,118	278,153	305,148	62,409	58,075	418,016	438,341
Government and official institutions	8,300	7,280	80,544	71,139	1,075	1,592	89,919	80,011
Manufacturing	30,261	28,072	1,287	1,279	47,302	46,701	78,850	76,052
Personal lending	392,702	363,539	1,394	955	59,185	57,989	453,281	422,483
Property services	57,414	55,203	439	606	17,503	17,862	75,356	73,671
Retail trade	12,900	11,648	113	98	8,131	7,076	21,144	18,822
Transport and storage	12,110	12,311	369	327	9,215	8,423	21,694	21,061
Wholesale trade	12,538	15,215	660	1,235	25,783	28,042	38,981	44,492
Other	32,398	33,628	4,833	6,912	13,631	15,967	50,862	56,507
Gross total	707,630	673,625	369,188	389,649	290,882	285,816	1,367,700	1,349,090
Allowance for ECL	(3,546)	(3,582)	(35)	(38)	(827)	(775)	(4,408)	(4,395)
Subtotal	704,084	670,043	369,153	389,611	290,055	285,041	1,363,292	1,344,695
Unearned income	(515)	(518)	-	-	-	-	(515)	(518)
Capitalised brokerage and other origination costs	3,475	2,882	-	-	-	-	3,475	2,882
Maximum exposure to credit risk	707,044	672,407	369,153	389,611	290,055	285,041	1,366,252	1,347,059

18. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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.

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

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

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

	Maximum exposure to credit risk		Total value of collateral		Unsecured portion of credit exposure	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Net loans and advances	707,044	672,407	569,283	531,815	137,761	140,592
Other financial assets	369,153	389,611	38,612	24,758	330,541	364,853
Off-balance sheet positions	290,055	285,041	65,723	60,544	224,332	224,497
Total	1,366,252	1,347,059	673,618	617,117	692,634	729,942

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, commodities, equities and the volatility within these asset classes.

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

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

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

Traded Market Risk	Non-Traded Market Risk
<p>Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are:</p> <ol style="list-style-type: none"> 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices. 	<p>Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.</p>

MEASUREMENT OF MARKET RISK

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

VaR measures the Group's possible daily loss based on historical market movements. The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over a 500 business day window using a one-day holding period. Back testing is used to ensure our VaR models remain accurate.

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



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:

	2023				2022			
	As at \$m	High for year \$m	Low for year \$m	Average for year \$m	As at \$m	High for year \$m	Low for year \$m	Average for year \$m
Traded value at risk 99% confidence								
Foreign exchange	2.8	6.2	1.6	3.0	1.8	4.8	1.1	2.4
Interest rate	6.7	18.3	5.1	8.5	7.9	22.7	5.0	9.5
Credit	5.9	7.7	2.5	4.5	2.6	11.8	1.6	4.9
Commodities	4.0	6.6	1.8	3.0	4.3	7.0	1.4	2.9
Equity	-	-	-	-	-	-	-	-
Diversification benefit ¹	(9.7)	n/a	n/a	(8.1)	(7.2)	n/a	n/a	(7.1)
Total VaR	9.7	18.2	7.2	10.9	9.4	26.9	5.6	12.6

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.

Non-traded market risk

Balance sheet risk management

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

Interest rate risk management

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

	2023				2022			
	As at \$m	High for year \$m	Low for year \$m	Average for year \$m	As at \$m	High for year \$m	Low for year \$m	Average for year \$m
Non-traded value at risk 99% confidence								
Australia	81.2	93.2	72.0	82.2	78.5	93.4	63.0	76.1
New Zealand	35.3	35.3	26.1	31.1	25.4	27.1	20.2	23.9
Rest of World	32.2	32.8	23.2	27.9	21.7	38.0	16.8	25.8
Diversification benefit ¹	(52.6)	n/a	n/a	(45.6)	(38.1)	n/a	n/a	(33.7)
Total VaR	96.1	101.5	86.4	95.6	87.5	104.9	66.8	92.1

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)

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.

	2023	2022
Impact of 1% rate shock on the next 12 months' net interest income		
As at period end	0.96%	1.29%
Maximum exposure	1.17%	2.08%
Minimum exposure	0.38%	1.15%
Average exposure (in absolute terms)	0.80%	1.56%

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise Bank of Tianjin and equity holding in the 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 considered appropriate, the Group enters into hedges of the foreign exchange exposures from its foreign operations.

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



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

Following the Restructure on 3 January 2023, the Group has operated under a non-operating holding company structure whereby:

- ANZBGL's liquidity risk management framework remains unchanged and continues to operate its own liquidity and funding program, governance frameworks and reporting regime reflecting its authorised deposit-taking institution (ADI) operations;
- ANZGHL (parent entity) has no material liquidity risk given the structure and nature of the balance sheet; and
- ANZ Non-Bank Group is not expected to have separate funding arrangements and will rely on ANZGHL for funding.

A separate liquidity policy has been established for ANZGHL and ANZ Bank Group to reflect the differing nature of liquidity risk inherent in each business model. ANZGHL will ensure that the parent entity and ANZ Non-Bank Group holds sufficient cash reserves to meet operating and financing requirements.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

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

The objective of this framework is to:

- Provide protection against shorter term extreme market dislocation and stress.
- Maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding.
- Ensure that no undue timing concentrations exist in the ANZBGL Group's funding profile.

Key components of this framework are the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario and Net Stable Funding Ratio (NSFR) a longer term structural liquidity measure, both of which are mandated by banking regulators including APRA.

Liquid assets

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

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

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

18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

LIQUIDITY RISK OUTCOMES¹

Liquidity Coverage Ratio - ANZBGL's Liquidity Coverage Ratio (LCR) averaged 130% for 2023, (2022: 131%) and above the regulatory minimum of 100%.

Net Stable Funding Ratio - ANZBGL's Net Stable Funding Ratio (NSFR) as at 30 September 2023 was 116% (2022: 119%), above the regulatory minimum of 100%.

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

Liquidity crisis contingency planning

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

Ongoing business management	Early signs/ mild stress	Severe stress
<ul style="list-style-type: none"> establish crisis/severity levels liquidity limits early warning indicators 	<ul style="list-style-type: none"> monitoring and review management actions not requiring business rationalisation 	<ul style="list-style-type: none"> activate contingency funding plans management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

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

Group funding

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

Funding plans prepared	Considerations in preparing funding plans
<ul style="list-style-type: none"> 3 year strategic plan prepared annually annual funding plan as part of the ANZBGL Group's planning process forecasting in light of actual results as a calibration to the annual plan 	<ul style="list-style-type: none"> customer balance sheet growth changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

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

As at 30 September 2023, \$8.1 billion remains drawn under the RBA's TFF (2022: \$20.1 billion).

RBNZ Funding for Lending Programme and Term Lending Facility

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

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

As at 30 September 2023, ANZ Bank New Zealand had drawn \$0.3 billion under the TLF (2022: \$0.3 billion) and \$3.2 billion under the FLP (2022: \$2.3 billion).



18. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF THE GROUP'S LIABILITIES

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

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 159.

	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	After 5 years \$m	Total \$m
As at 30 September 2023					
Settlement balances owed by ANZ	19,267	-	-	-	19,267
Collateral received	10,382	-	-	-	10,382
Deposits and other borrowings	674,473	137,463	9,629	147	821,712
Liability for acceptances	646	-	-	-	646
Debt issuances ¹	4,738	23,908	88,270	16,017	132,933
Derivative liabilities (excluding those held for balance sheet management) ²	48,150	-	-	-	48,150
Lease liabilities	85	217	609	104	1,015
Derivative assets and liabilities (balance sheet management) ³					
- Funding:					
Receive leg	(29,459)	(40,907)	(90,906)	(14,001)	(175,273)
Pay leg	28,852	41,385	90,230	13,986	174,453
- Other balance sheet management:					
Receive leg	(142,289)	(44,586)	(35,720)	(19,866)	(242,461)
Pay leg	138,899	42,867	34,198	19,872	235,836
As at 30 September 2022					
Settlement balances owed by ANZ	13,766	-	-	-	13,766
Collateral received	16,230	-	-	-	16,230
Deposits and other borrowings	667,568	117,166	15,960	160	800,854
Liability for acceptances	352	-	-	-	352
Debt issuances ¹	7,591	22,315	60,716	13,667	104,289
Derivative liabilities (excluding those held for balance sheet management) ²	71,073	-	-	-	71,073
Lease liabilities	81	210	654	168	1,113
Derivative assets and liabilities (balance sheet management) ³					
- Funding:					
Receive leg	(33,155)	(49,030)	(66,661)	(12,851)	(161,697)
Pay leg	30,845	49,191	68,211	12,913	161,160
- Other balance sheet management:					
Receive leg	(125,122)	(44,835)	(29,188)	(10,063)	(209,208)
Pay leg	120,959	44,126	31,026	15,170	211,281

¹ Callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Group and subordinated debt issued by ANZ New Zealand which constitutes Tier 2 capital under RBNZ requirements but does not qualify as the APRA Tier 2 requirements.

² The full mark-to-market after any adjustments for Settle to Market of derivative liabilities (excluding those held for balance sheet management) is included in the 'Less than 3 months' category.

³ Includes derivatives designated into hedging relationships of \$272 million (2022: \$356 million) and \$9,060 million (2022: \$13,720 million) categorised as held for trading but form part of the Group's balance sheet managed activities.

At 30 September 2023, \$240,711 million (2022: \$236,051 million) of the Group's undrawn facilities and \$50,171 million (2022: \$49,765 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

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.

	Note	2023			2022		
		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 ¹	9	140,588	27,566	168,154	168,132	-	168,132
Settlement balances owed to ANZ		9,349	-	9,349	4,762	-	4,762
Collateral paid		8,558	-	8,558	12,700	-	12,700
Trading assets	10	-	37,004	37,004	-	35,237	35,237
Derivative financial instruments	11	-	60,406	60,406	-	90,174	90,174
Investment securities	12	7,752	89,677	97,429	7,943	78,210	86,153
Net loans and advances ¹	13	685,156	21,888	707,044	667,732	4,675	672,407
Regulatory deposits		646	-	646	632	-	632
Other financial assets		4,300	-	4,300	2,943	-	2,943
Total		856,349	236,541	1,092,890	864,844	208,296	1,073,140
Financial liabilities							
Settlement balances owed by ANZ		19,267	-	19,267	13,766	-	13,766
Collateral received		10,382	-	10,382	16,230	-	16,230
Deposits and other borrowings ¹	15	780,822	33,889	814,711	794,621	2,660	797,281
Derivative financial instruments	11	-	57,482	57,482	-	85,149	85,149
Payables and other liabilities	16	9,778	5,267	15,045	6,596	3,239	9,835
Debt issuances	17	114,678	1,336	116,014	92,623	1,111	93,734
Total		934,927	97,974	1,032,901	923,836	92,159	1,015,995

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

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. The Group measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

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

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

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

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

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

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

Asset or Liability	Fair Value Approach
Financial instruments classified as: <ul style="list-style-type: none"> - Derivative financial assets and financial liabilities (including trading and non-trading) - Repurchase agreements < 90 days - Net loans and advances - Deposits and other borrowings - Debt issuances 	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt or loans with similar maturities or yield curve appropriate for the remaining term to maturity.
Other financial instruments held for trading: <ul style="list-style-type: none"> - Securities sold short - Debt and equity securities 	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity securities where an active market does not exist are measured using comparable company valuation multiples (such as price-to-book ratios).
Financial instruments classified as: <ul style="list-style-type: none"> - Investment securities – debt or equity 	Valuation techniques use comparable multiples (such as price-to-book ratios) or discounted cashflow (DCF) techniques incorporating, to the extent possible, observable inputs from instruments with similar characteristics.

There were no significant changes to valuation approaches during the current or prior periods.

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	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets								
Cash and cash equivalents (measured at fair value) ¹	-	-	27,566	-	-	-	27,566	-
Trading assets ²	26,388	28,455	10,614	6,782	2	-	37,004	35,237
Derivative financial instruments	935	944	59,448	89,185	23	45	60,406	90,174
Investment securities ²	71,356	68,211	16,924	8,614	1,397	1,385	89,677	78,210
Net loans and advances ¹	-	-	21,159	4,272	729	403	21,888	4,675
Total	98,679	97,610	135,711	108,853	2,151	1,833	236,541	208,296
Liabilities								
Deposits and other borrowings (designated at fair value) ¹	-	-	33,889	2,660	-	-	33,889	2,660
Derivative financial instruments	218	309	57,241	84,809	23	31	57,482	85,149
Payables and other liabilities	4,841	2,842	426	397	-	-	5,267	3,239
Debt issuances (designated at fair value)	-	-	1,336	1,111	-	-	1,336	1,111
Total	5,059	3,151	92,892	88,977	23	31	97,974	92,159

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

² During 2023, \$3,624 million of assets were transferred from Level 1 to Level 2 (2022: \$1,043 million transferred from Level 1 to Level 2) and \$1,452 million of assets were transferred from Level 2 to Level 1 (2022: \$1,677 million transferred from Level 2 to Level 1) for the Group due to a change of the observability of valuation inputs. There were no other material transfers between Level 1 and Level 2 during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.



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 \$2,128 million (2022: \$1,802 million) for the Group. The assets and liabilities which incorporate significant unobservable inputs are:

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

Level 3 Transfers

During the year, the Group transferred \$218 million (2022: \$312 million) of Loan and advances measured at fair value from Level 2 to Level 3, as a result of valuation parameters becoming unobservable during the year. There were no other material transfers into or out of Level 3 during the period.

The material Level 3 financial instruments as at 30 September 2023 are listed as below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the Bank of Tianjin. The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived resulted in the Level 3 classification. As at September 2023, the BoT equity holding balance was \$849 million (2022: \$854 million). The decrease in the BoT fair valuation was due to a decrease in the P/B multiple used in the valuation.

Other equity investments

The Group holds \$535 million (2022: \$491 million) of unlisted equities classified as FVOCI, for which there are no active markets or traded prices available, resulting in a Level 3 classification. The increase in unlisted equity holdings balance was mainly due to new investments made, partially offset by a net revaluation decrease to other unlisted equity instruments.

ii) Net loans and advances - classified as FVTPL

Syndication Loans

The Group holds \$729 million (2022: \$403 million) of syndication loans for sale which are measured at FVTPL for which there is no observable market data available for the valuation. The increase in the Level 3 loan balances was mainly due to increased syndication loans for sale at reporting date, and loans and advances transferred from Level 2 to Level 3.

Sensitivity to Level 3 data inputs

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

Investment Securities - equity holdings

The valuations 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 \$138 million increase or decrease in the fair value of the portfolio, which would be recognised in shareholders' equity in the Group, with no impact to net profit or loss.

Net Loans and Advances

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

Other

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

Deferred fair value gains and losses

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

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.

Fair values of financial assets and liabilities carried at amortised cost not included in the table below approximate their carrying values. These financial assets and liabilities are either short term in nature or are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

	Categorised into fair value hierarchy									
	At amortised cost		Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Total fair value	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Financial assets										
Investment securities ¹	7,752	7,943	-	-	7,712	7,918	-	-	7,712	7,918
Net loans and advances	685,156	667,732	-	-	19,619	29,460	663,470	634,272	683,089	663,732
Total	692,908	675,675	-	-	27,331	37,378	663,470	634,272	690,801	671,650
Financial liabilities										
Deposits and other borrowings	780,822	794,621	-	-	780,614	794,124	-	-	780,614	794,124
Debt issuances	114,678	92,623	30,786	22,982	83,867	69,028	-	-	114,653	92,010
Total	895,500	887,244	30,786	22,982	864,481	863,152	-	-	895,267	886,134

¹ Investment securities at amortised cost includes \$4,558 million of assets that are part of the Group's liquidity portfolio (Sep 22: \$3,976 million). These are all short tenor (<1 year) instruments primarily in the Group's Rest of World geography and represent <2% of the Group's total liquid assets at 30 September 2023.

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.

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



KEY JUDGEMENTS AND ESTIMATES

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

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

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

	2023 \$m	2022 \$m
Securities sold under arrangements to repurchase ¹	47,552	52,757
Residential mortgages provided as security for covered bonds	31,188	27,575
Other	6,152	5,601

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:

	2023 \$m	2022 \$m
Fair value of assets which can be sold or repledged	52,184	32,389
Fair value of assets sold or repledged	33,493	21,269



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.

	Total amounts recognised in the Balance Sheet \$m	Amounts not subject to master netting agreement or similar \$m	Amount subject to master netting agreement or similar			
			Total \$m	Financial instruments ⁵ \$m	Financial collateral (received)/pledged ⁵ \$m	Net amount \$m
As at 30 September 2023						
Derivative financial assets ¹	60,406	(3,290)	57,116	(38,070)	(13,049)	5,997
Reverse repurchase, securities borrowing and similar agreements ²						
- at amortised cost	4,145	(124)	4,021	-	(4,021)	-
- at fair value through profit or loss ³	44,088	(10,505)	33,583	(2,401)	(31,182)	-
Total financial assets	108,639	(13,919)	94,720	(40,471)	(48,252)	5,997
Derivative financial liabilities ¹	(57,482)	5,096	(52,386)	38,070	6,547	(7,769)
Repurchase, securities lending and similar agreements ⁴						
- at amortised cost	(12,744)	1,117	(11,627)	-	11,627	-
- at fair value through profit or loss ³	(31,710)	13,304	(18,406)	2,401	16,005	-
Total financial liabilities	(101,936)	19,517	(82,419)	40,471	34,179	(7,769)
As at 30 September 2022						
Derivative financial assets ¹	90,174	(6,983)	83,191	(56,491)	(16,951)	9,749
Reverse repurchase, securities borrowing and similar agreements ²						
- at amortised cost	29,776	(6,697)	23,079	(1,985)	(21,094)	-
Total financial assets	119,950	(13,680)	106,270	(58,476)	(38,045)	9,749
Derivative financial liabilities ¹	(85,149)	9,936	(75,213)	56,491	9,964	(8,758)
Repurchase, securities lending and similar agreements ⁴						
- at amortised cost	(47,229)	12,497	(34,732)	1,985	32,747	-
Total financial liabilities	(132,378)	22,433	(109,945)	58,476	42,711	(8,758)

¹ Derivative assets and liabilities recognised in the Balance Sheet reflect the impact of certain central clearing collateral arrangements, whereby collateral that qualifies as legal settlement has reduced the carrying value of those associated derivative balances.

² Reverse repurchase agreements:

- with less than 90 days to maturity are presented in the Balance Sheet within Cash and cash equivalents; or
- with 90 days or more to maturity are presented in the Balance Sheet within Net loans and advances.

³ During 2023, the Group commenced the management of repurchase agreements and reverse repurchase agreements on a fair value basis within the trading book in its Markets business. This resulted in the associated repurchase and reverse repurchase agreements being recognised and measured at FVTPL.

⁴ Repurchase agreements are presented on the Balance Sheet within Deposits and other borrowings.

⁵ The amount of financial instruments and financial collateral disclosed is limited to the net balance sheet exposure of the relevant financial assets or liabilities, and any over-collateralisation is excluded from the tables.

22. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill ¹		Software		Other Intangibles		Total	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Balance at start of year	2,906	3,089	896	960	75	75	3,877	4,124
Additions ²	-	78	342	315	10	10	352	403
Amortisation expense	-	-	(320)	(375)	(6)	(4)	(326)	(379)
Impairment expense	-	-	-	(3)	-	-	-	(3)
Written-off on disposal/exit ³	-	(40)	-	-	-	-	-	(40)
Foreign currency exchange difference	150	(221)	1	(1)	4	(6)	155	(228)
Balance at end of year	3,056	2,906	919	896	83	75	4,058	3,877
Cost ⁴	3,056	2,906	8,141	7,843	98	83	11,295	10,832
Accumulated amortisation	n/a	n/a	(7,222)	(6,947)	(15)	(8)	(7,237)	(6,955)
Carrying amount	3,056	2,906	919	896	83	75	4,058	3,877

¹ Goodwill excludes notional goodwill in equity accounted investments.

² 2022 goodwill addition relates to acquisition of Cashrewards.

³ 2022 goodwill written-off on disposal/exit relates to the exit of the financial planning and advice business.

⁴ Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS CONTAINING GOODWILL

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

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

Goodwill is allocated to the following CGUs based on the lowest level at which goodwill is monitored.

Cash generating units:	2023 \$m	2022 \$m
Australia Retail	178	178
New Zealand	1,617	1,530
Institutional	1,261	1,198



22. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

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

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

Key assumption	Approach to determining the value (or values) for each key assumption
Future maintainable earnings	<p>Future maintainable earnings for each CGU is estimated as the sum of:</p> <ul style="list-style-type: none"> • The Group's 2024 financial plan for each CGU; and • An allocation of the central costs recorded outside of the CGUs to which goodwill is allocated. <p>Where relevant, adjustments are made to the Group's financial plan to reflect the long-term expectations for items such as expected credit losses and investment spend.</p>
Price/Earnings (P/E) multiple	<p>P/E multiples applicable to each CGU have been derived from a comparator group of publicly traded companies, and include a 30% control premium, discussed below.</p> <p>In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to P/E multiples to address specific factors relevant to those CGUs.</p> <p>A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.</p>
Costs of disposal	<p>Costs of disposal have been estimated as 2% of the fair value of the CGU based on those observed from historical and recent transactions.</p>

As noted above, our impairment testing did not result in the identification of any material impairment of goodwill as at 30 September 2023.

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

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

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

	2023 \$m	2022 \$m
ECL allowance on undrawn and contingent facilities ¹	827	775
Customer remediation	459	662
Restructuring costs	98	68
Non-lending losses, frauds and forgeries	73	105
Other	260	262
Total other provisions	1,717	1,872

	Customer remediation \$m	Restructuring costs \$m	Non-lending losses, frauds and forgeries \$m	Other \$m
Balance at 1 October 2022	662	68	105	262
New and increased provisions made during the year	147	91	11	68
Provisions used during the year	(321)	(40)	(32)	(61)
Unused amounts reversed during the year	(29)	(21)	(11)	(9)
Balance at 30 September 2023	459	98	73	260

¹ Refer to Note 14 Allowance for Expected Credit Losses for movement analysis.

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, frauds and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

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

24. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2023 \$m	2022 \$m
Ordinary share capital	29,082	28,797
Reserves		
Foreign currency translation reserve ¹	570	(148)
Share option reserve	83	78
FVOCI reserve	(494)	(478)
Cash flow hedge reserve	(1,872)	(2,036)
Transactions with non-controlling interests reserve	(22)	(22)
Total reserves	(1,735)	(2,606)
Retained earnings	42,177	39,716
Share capital and reserves attributable to shareholders of the Company	69,524	65,907
Non-controlling interests ²	522	494
Total shareholders' equity	70,046	66,401

¹ As a result of the closure of ANZ (Thai) Public Company Limited, ANZ International (Hong Kong) Limited and ANZ Singapore Limited, the associated foreign currency translation reserve was recycled from Other comprehensive income to profit or loss, resulting in a \$43 million gain recognised in Other operating income in 2023 (2022: \$65 million loss from the dissolution of Minerva Holdings Limited and ANZ Asia Limited).

² ANZ Bank New Zealand issued \$484 million of perpetual preference shares in 2022 that are considered non-controlling interests to the Group.

ORDINARY SHARE CAPITAL

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

	2023		2022	
	Number of shares	\$m	Number of shares	\$m
Balance at start of the year	2,989,923,751	28,797	2,823,563,652	25,984
Dividend reinvestment plan issuances	8,406,978	206	7,195,108	183
Bonus option plan	3,577,526	-	2,890,268	-
Employee share and option plans	3,378,631	79	-	(21)
Share buy-back ¹	-	-	(30,831,227)	(846)
Share entitlement issue ²	-	-	187,105,950	3,497
Balance at end of year	3,005,286,886	29,082	2,989,923,751	28,797
Less: Treasury Shares	(4,044,925)	-	(4,209,150)	-
Balance at end of year	3,001,241,961	29,082	2,985,714,601	28,797

¹ The Group completed its \$1.5 billion on-market share buy-back of ANZ ordinary shares in 2022, purchasing \$846 million worth of shares resulting in 31 million shares being cancelled in 2022.

² On 18 July 2022, the Group announced a fully underwritten pro rata accelerated renounceable entitlement offer of new ANZ ordinary shares to help fund the Group's anticipated acquisition of Suncorp Bank. All eligible shareholders were invited to purchase one new ordinary share for every 15 existing ordinary shares held on 21 July 2022 at an issue price of \$18.90 per share. The Group issued a total of 187.1 million ordinary shares under the offer, raising \$3,497 million of new share capital (net of issue costs).

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	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
ANZ Bank New Zealand PPS	26	-	512	484	26	-
Other	2	1	10	10	1	2
Total	28	1	522	494	27	2

ANZ Bank New Zealand Preference Shares

ANZ Bank New Zealand Limited (ANZ Bank New Zealand), a member of the Group, issued \$484 million (NZD 550 million) of Perpetual Preference Shares (PPS) on 18 July 2022. These are considered non-controlling interests of the Group.

The key terms of the PPS are as follows:

PPS dividends

PPS dividends are payable at the discretion of the Directors of ANZ Bank New Zealand and are non-cumulative. ANZ Bank New Zealand must not authorise or pay a dividend on its ordinary shares, acquire its ordinary shares or otherwise undertake a capital reduction in respect of its ordinary shares until the next PPS dividend payment date if a PPS dividend is not paid.

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

Redemption features

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

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 of the Company in person, or by proxy, is entitled to:

- on a show of hands, one vote; and
- on a poll, one vote, for each share held.

Treasury shares

Treasury shares are shares in the Company which:

- the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or
- the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed.

Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.

Reserves:

Foreign currency translation reserve

Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.

Cash flow hedge reserve

Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.

FVOCI reserve

Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect.

In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in other operating income.

In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.

Share option reserve

Includes amounts which arise on the recognition of share-based compensation expense.

Transactions with non-controlling interests reserve

Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.

Non-controlling interests

Share in the net assets of controlled entities attributable to equity interests which the Group does not own directly or indirectly.



25. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT FRAMEWORK

ANZ's capital management framework includes managing capital at Level 1, Level 2 and ANZGHL Group.

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

APRA's authority for ANZGHL to be a non-operating holding company (NOHC) of an ADI includes five conditions for ANZ's capital management framework. Two of these are quantitative requirements being:

- ANZGHL must always ensure that the quality and quantity of the total capital of the Level 3 group is equivalent to, or greater than, the quality and quantity of the sum of the total capital of the consolidated ANZ Bank Group and the consolidated ANZ Non-Bank Group.
- ANZGHL must calculate and manage capital for the ANZ Non-Bank Group in accordance with an Economic Capital Model (ECM), which requires the amount of capital held, in the form of Common Equity Tier 1 (CET1), to be equal to or greater than the capital requirement as calculated under the ECM.

ANZ has implemented an ECM to calculate the capital to support the ANZ Non-Bank Group operations. The material risks included in the Non-Bank Group currently are investment risk and fixed asset risk.

All requirements were satisfied as at 30 September 2023.

CAPITAL MANAGEMENT STRATEGY

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

The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital (stress capital buffer) needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital position and targets against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, ECM requirements, 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.

25. CAPITAL MANAGEMENT (continued)

REGULATORY ENVIRONMENT

Australia

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

Regulatory Capital Definition			
Common Equity Tier 1 (CET1) Capital	Tier 1 Capital	Tier 2 Capital	Total Capital
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.
Minimum Prudential Capital Ratios (PCRs)			
CET1 Ratio	Tier 1 Ratio	Total Capital Ratio	
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%. For D-SIBs, Total Capital Ratio must be of at least 11% from 1st Jan 2024. Refer below for details.	
Reporting Levels			
Level 1	Level 2	Level 3	
The ADI on a stand-alone basis (that is ANZBGL and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated ANZBGL Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate ANZGHL Group at the widest level.	

As at 30 September 2023, APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 4.75% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set at 1% for Australia.

Additionally in December 2021, APRA announced that it requires all D-SIBs including ANZ to increase its minimum total capital ratio requirement by 3% of RWA by January 2024, and a further 1.5% of RWA by January 2026 (total increase of 4.5%). APRA expects this to be predominantly met by Tier 2 Capital, with an equivalent decrease in other senior funding. ANZ is on track to meet these requirements as at reporting date.

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).

Insurance and Funds Management

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

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

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

Outside Australia

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



25. CAPITAL MANAGEMENT (continued)

APRA Capital Reform

APRA released new bank capital adequacy requirements applying to Australian incorporated registered banks, which are set out in APRA's Banking Prudential Standard documents. ANZ implemented these new requirements from January 2023.

The new capital adequacy key requirements include changes to APS 110 *Capital Adequacy* (APS 110), APS 112 *Capital Adequacy: Standardised Approach to Credit Risk* (APS 112) and APS 113 *Capital Adequacy: Internal Ratings-based Approach to Credit Risk* (APS 113) with key features of the reforms including:

- improving the flexibility of the capital framework, through larger capital buffers that can be used by banks to support lending during periods of stress;
- changes to risk weighted assets (RWA) through more risk-sensitive risk weights increasing capital requirements for higher risk lending and decreasing it for lower risks;
- changes to loss given default rates (LGD) including approved use of an internal ratings-based (IRB) approved LGD model for mortgage portfolios;
- an increase in the IRB scaling factor (from 1.06x to 1.1x);
- requirement that IRB ADIs calculate and disclose RWA under the standardised approach and the introduction of a capital floor at 72.5% of standardised RWA; and
- use of prescribed New Zealand authority's equivalent prudential rules for the purpose of calculating the Level 2 regulatory capital requirement.

In addition, operational RWA is now calculated under APS 115 *Capital Adequacy: Standardised Measurement Approach to Operational Risk* (APS 115) which replaced the previous advanced methodology from December 2022.

The application of APRA Capital Reform reduced RWA by \$34.5 billion, equivalent to a 100 bps CET1 ratio benefit. This was partially offset by APRA's expectations that ADIs operate a higher capital ratio to maintain an unquestionably strong level.

ANZ's compliance with the quantitative conditions for capital management under the APRA NOHC authority is presented in the following two tables¹:

	2023				2022
	ANZ Bank Group \$m	ANZ Non-Bank Group \$m	ANZGHL \$m	ANZ Group \$m	ANZ Group \$m
Allocated equity ²	69,114	749	183	70,046	66,401
Prudential adjustments to allocated equity	(425)	-	-	(425)	(175)
Gross Common Equity Tier 1 capital	68,689	749	183	69,621	66,226
Deductions	(10,895)	-	-	(10,895)	(10,354)
Common Equity Tier 1 capital	57,794	749	183	58,726	55,872
Tier 1 capital	66,026	749	183	66,958	63,558
Tier 2 capital	24,959	-	-	24,959	19,277
Total qualifying capital	90,985	749	183	91,917	82,835

ANZ NON-BANK GROUP

	2023 \$m
Economic Capital Required	563
Actual Capital ³	744
Actual vs Economic Capital	181

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 reported to APRA under the conditions of ANZ's NOHC authority which will be subject to audit in accordance with *Prudential Standard 3PS310 Audit and Related Matters*.

² Allocated in accordance with prudential capital management view.

³ This represents the aggregation of ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd's shareholders' equity.

25. CAPITAL MANAGEMENT (continued)

ANZ BANK GROUP¹

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

	2023 \$m	2022 \$m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	69,114	66,401
Prudential adjustments to shareholders' equity	(425)	(175)
Gross Common Equity Tier 1 capital	68,689	66,226
Deductions	(10,895)	(10,354)
Common Equity Tier 1 capital	57,794	55,872
Additional Tier 1 capital ²	8,232	7,686
Tier 1 capital	66,026	63,558
Tier 2 capital³	24,959	19,277
Total qualifying capital	90,985	82,835
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	13.3%	12.3%
Tier 1	15.2%	14.0%
Tier 2	5.8%	4.2%
Total capital ratio	21.0%	18.2%
Risk weighted assets	433,327	454,718

¹ This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.

² This includes Additional Tier 1 capital of \$8,232 million (2022: \$7,705 million) (refer to Note 17 Debt Issuances), regulatory adjustments and deductions of nil (2022: -\$19 million).

³ This includes Tier 2 capital of \$23,707 million (2022: \$17,907 million) (refer to Note 17 Debt Issuances), general reserve for impairment of financial assets of \$1,776 million (2022: \$1,233 million) and regulatory adjustments and deductions of -\$525 million (2022: \$137 million).



26. PARENT ENTITY FINANCIAL INFORMATION

On 3 January 2023, ANZBGL established a NOHC by a scheme of arrangement, ANZGHL (the parent entity), as the new listed parent holding company of the ANZ Group and implemented a Restructure to separate ANZ's banking and certain non-banking businesses into the ANZ Bank Group and ANZ Non-Bank Group.

ANZGHL was incorporated on 24 June 2022, held ordinary share capital of \$2 and was dormant prior to the Restructure.

SUMMARY FINANCIAL INFORMATION

	2023 \$m
Income statement information for the financial year	
Profit after tax for the year	3,391
Total comprehensive income for the year	3,391
Balance sheet information as at the end of the financial year	
Current assets	287
Shares in controlled entities	59,979
Total assets	60,266
Current liabilities	104
Total liabilities	104
Shareholders' equity	
Ordinary share capital	59,167
Share Option Reserve	(9)
Retained earnings	1,004
Total shareholders' equity	60,162

PARENT ENTITY'S CONTRACTUAL COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

The parent entity has no contractual commitments to acquire property, plant or equipment.

PARENT ENTITY'S GUARANTEES

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

PARENT ENTITY'S CONTINGENT LIABILITIES

There are no other known contingent liabilities of the parent entity. Refer to Note 34 for details of contingent liabilities of Group entities.

27. CONTROLLED ENTITIES

	Incorporated in	Nature of Business
The ultimate parent of the Group is ANZ Group Holdings Limited	Australia	Banking
The Group holds 100% of the voting interests in all controlled entities, unless noted otherwise.		
The material controlled entities of the Group are:		
Australia and New Zealand Banking Group Ltd	Australia	Banking
ANZ NBH Pty Ltd	Australia	Non-Banking
1835i Ventures Trust III	Australia	Non-Banking
ANZ Group Services Pty Ltd	Australia	Non-Banking
ANZ BH Pty Ltd	Australia	Holding Company
ANZ Bank (Vietnam) Limited¹	Vietnam	Banking
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited ¹ (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited ¹	Samoa	Banking
ANZ Bank (Vanuatu) Limited ²	Vanuatu	Banking
ANZ Holdings (New Zealand) Limited ¹	New Zealand	Holding Company
ANZ Bank New Zealand Limited ¹	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited ¹	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited ¹	New Zealand	Finance
ANZ New Zealand Investments Holdings Limited ¹	New Zealand	Holding Company
ANZ New Zealand Investments Limited ¹	New Zealand	Funds Management
ANZNZ Covered Bond Trust ^{1,3}	New Zealand	Finance
ANZ International Private Limited ¹	Singapore	Holding Company
ANZcover Insurance Private Ltd ¹	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust³	Australia	Finance
Australia and New Zealand Bank (China) Company Limited¹	China	Banking
Australia and New Zealand Banking Group (PNG) Limited¹	Papua New Guinea	Banking
Citizens Bancorp⁴	Guam	Holding Company
ANZ Guam Inc ⁴	Guam	Banking
Institutional Securitisation Services Limited	Australia	Securitisation Manager
PT Bank ANZ Indonesia¹ (99% ownership)	Indonesia	Banking

¹ Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.

² Audited by Law Partners.

³ Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

⁴ Audited by Deloitte Guam.

CHANGES TO MATERIAL CONTROLLED ENTITIES

ANZ Singapore Limited was deregistered on 18 August 2023. ANZ International (Hong Kong) Limited, ANZ (Thai) Public Company Limited (formerly ANZ Bank (Thai) Public Company Limited), and Chongqing Liangping ANZ Rural Bank Company Limited are in liquidation as at 30 September 2023.

SIGNIFICANT RESTRICTIONS

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

As at 30 September 2023, restrictions on the ability of an entity within the Group to transfer assets, pay dividends or make other capital distributions to other entities in the Group were not material to the liquidity or capital management of the Group.

27. 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.

28. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

Name of entity	Principal activity	Ordinary share interest		Carrying amount \$m	
		2023	2022	2023	2022
AMMB Holdings Berhad (AmBank)	Banking and insurance	22%	22%	881	790
PT Bank Pan Indonesia (PT Panin)	Consumer and business bank	39%	39%	1,440	1,318
Worldline Australia Pty Ltd (Worldline)	Payment and transactional services	49%	49%	26	47
Aggregate other individually immaterial associates		n/a	n/a	2	26
Total carrying value of associates¹				2,349	2,181

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).

Principal place of business and country of incorporation	AMMB Holdings Berhad		PT Bank Pan Indonesia		Worldline Australia Pty Ltd	
	Malaysia		Indonesia		Australia	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Summarised results						
Operating income	1,517	1,511	1,273	1,206	134	57
Profit/(Loss) for the year	545	529	372	198	(43)	(21)
Other comprehensive income/(loss)	87	(128)	24	6	-	-
Total comprehensive income/(loss)	632	401	396	204	(43)	(21)
Less: Total comprehensive (income)/loss attributable to non-controlling interests	(8)	(18)	(69)	25	-	-
Total comprehensive income/(loss) attributable to owners of associate	624	383	327	229	(43)	(21)
Summarised financial position						
Total assets ¹	62,057	57,220	20,498	20,537	205	203
Total liabilities ¹	58,015	53,234	16,928	17,234	137	90
Total net assets ¹	4,042	3,986	3,570	3,303	68	113
Less: Non-controlling interests of associate	(301)	(402)	(348)	(315)	-	-
Net assets attributable to owners of associate	3,741	3,584	3,222	2,988	68	113
Reconciliation to carrying amount of Group's interest in associate						
Carrying amount at the beginning of the year	790	719	1,318	1,210	47	-
Acquired	-	-	-	-	-	57
Group's share of total comprehensive income/(loss)	138	81	138	71	(21)	(10)
Dividends received from associate	(42)	(12)	-	(18)	-	-
Foreign currency translation reserve adjustments	(5)	2	(16)	55	-	-
Carrying amount at the end of the year	881	790	1,440	1,318	26	47
Market value of Group's investment in associate²	875	929	1,167	2,016	n/a	n/a

¹ Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).

² Market value is based on a price per share and does not include any adjustments for the size of our holding.

28. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

The Group assesses the carrying value of its associates investments for impairment indicators.

At 30 September 2023, the impairment assessment of non-lending assets identified that one of the Group's associated investments PT Panin had indicators of impairment. No impairment was recognised as its carrying value is supported by its VIU calculations.



RECOGNITION AND MEASUREMENT

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

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

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

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



KEY JUDGEMENTS AND ESTIMATES

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

Significant management judgment is required to determine the key assumptions underpinning the VIU calculation. Factors that may change in subsequent periods and lead to potential future impairments include lower than forecast earnings levels in the near term and/or a decrease in the long term growth forecasts, increases to required levels of regulatory capital and an increase in the post-tax discount rate arising from an increase in the risk premium or risk-free rates.

The key assumptions used in the VIU calculation are outlined below:

As at 30 September 2023	PT Panin
Post-tax discount rate	12.2%
Terminal growth rate	5.0%
Expected earnings growth (compound annual growth rate – 5 years)	5.4%
Common Equity Tier 1 ratio (5 year average)	12.8%

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the September 2023 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by \$(91 million)/\$105 million.
- A change in the September 2023 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by \$55 million/(\$51 million).

The investment would not be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

29. STRUCTURED ENTITIES

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

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

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	<p>The Group establishes SEs to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Securitisation programs include customer loans and advances assigned to bankruptcy remote SEs to provide either security for obligations payable on notes issued by the SEs to external investors or create assets held by the Group eligible for repurchase agreements with applicable central banks.</p> <p>The Group retains control over these SEs and therefore they are consolidated. Refer to Note 30 Transfers of Financial Assets for further details.</p> <p>The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.</p>
Covered bond issuances	<p>Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 30 Transfers of Financial Assets for further details.</p>
Structured finance arrangements	<p>The Group is involved with SEs established:</p> <ul style="list-style-type: none"> • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. <p>The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.</p>
Funds management activities	<p>The Group is the scheme manager for a number of Managed Investment Schemes (MIS) in New Zealand. These MIS are financed through the issue of units to investors and the Group considers them to be SEs. The Group's interests in these MIS are limited to receiving fees for services or providing risk management products (derivatives). These interests do not create significant exposures that would allow the Group to control the funds. Therefore, these MIS are not consolidated.</p>

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

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

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

The Group did not provide any non-contractual support to consolidated SEs during the year (2022: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.



29. STRUCTURED ENTITIES (continued)

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

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

For the purpose of disclosing interests in unconsolidated SEs:

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

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

	Securitisation		Structured finance		Total	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
On-balance sheet interests						
Investment securities	2,070	3,352	-	-	2,070	3,352
Gross loans and advances	10,367	9,433	24	43	10,391	9,476
Total on-balance sheet	12,437	12,785	24	43	12,461	12,828
Off-balance sheet interests						
Commitments (facilities undrawn)	3,270	2,078	-	-	3,270	2,078
Guarantees	50	50	-	-	50	50
Total off-balance sheet	3,320	2,128	-	-	3,320	2,128
Maximum exposure to loss	15,757	14,913	24	43	15,781	14,956

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of \$177 million (2022: \$181 million) during the year.

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

The maximum exposure to loss has been determined as:

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

The size of unconsolidated SEs is indicated by total assets which vary by SE with the largest single SE having a value of approximately \$4.3 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2022: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

29. 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.



30. TRANSFERS OF FINANCIAL ASSETS

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

SECURITISATIONS

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

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

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

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. In respect of each program, a covered bond guarantor has guaranteed payments of interest and principal pursuant to a guarantee which is secured over its assets, including these residential mortgages. Substantially all of the assets of each covered bond guarantor consist of that covered bond guarantor's equitable interests in mortgage loans secured by residential real estate.

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

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs (after all payments to the covered bond holders and external parties) and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets.

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

REPURCHASE AGREEMENTS

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

STRUCTURED FINANCE ARRANGEMENTS

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

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

	Securitisations ^{1,2}		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Current carrying amount of assets transferred	886	1,121	31,188	27,575	47,552	52,757	27	36
Carrying amount of associated liabilities	880	1,115	18,223	12,967	44,454	47,229	27	36

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.

31. 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:

	2023 \$m	2022 \$m
Defined benefit obligation and scheme assets		
Present value of funded defined benefit obligation	(959)	(930)
Fair value of scheme assets	1,131	1,123
Net defined benefit asset	172	193
As represented in the Balance Sheet		
Net liabilities arising from defined benefit obligations included in Payables and other liabilities	(4)	(6)
Net assets arising from defined benefit obligations included in Other assets	176	199
Net defined benefit asset	172	193
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	11.4	14.8

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was \$53 million (2022: \$69 million surplus). In 2023, the Group made defined benefit contributions totalling \$2 million (2022: \$2 million). It expects to make contributions of approximately \$2 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

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

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



RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

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

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

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

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

Defined contribution superannuation schemes

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

31. 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.

	2023	2022	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation	
				2023 \$m	2022 \$m
Discount rate (% p.a.)	1.15-5.6	1.35-5.45	0.5% increase	(43)	(49)
Future salary increases (% p.a.)	2.0-3.5	1.5-3.8			
Future pension indexation					
In payment (% p.a./In deferment (% p.a.))	2.9-3.4	3.1-3.5/3.0	0.5% increase	34	32
Life expectancy at age 60 for current pensioners			1 year increase	33	40
– Males (years)	26.3-28.3	26.2-28.3			
– Females (years)	29.2-30.2	29.1-30.2			

32. EMPLOYEE SHARE AND OPTION PLANS

On 3 January 2023, ANZBGL established, by a scheme of arrangement, a non-operating holding company, ANZGHL, as the new listed parent holding company of the ANZ Group. There is no impact to employee equity (deferred shares, deferred share rights, restricted rights and performance rights) as a result of the Restructure.

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan which are operated by the Company. These are Group share based payment arrangements under which shares in ANZGHL (ANZ shares) are allocated or granted to employees of the Group.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during 2023 and 2022 were the Deferred Share Plan and the Variable Pay to Shares (VPS) Offer. The ANZ Incentive Plan (ANZIP) (the variable remuneration plan operating across ANZ) has Short Term Variable Remuneration or Variable Remuneration delivered under the Deferred Share Plan or ANZ Share Option Plan for eligible employees.

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) – Short term Variable Remuneration (STVR) and Variable Remuneration (VR) – deferred shares

Award Type	STVR (deferred shares)	STVR/VR historical (deferred shares)	VR (deferred shares)
Eligibility	Chief Executive Officer (CEO), Group Executive Committee (ExCo) and Group General Manager Internal Audit (GGM IA) ¹ .		All other employees (excluding select roles in the United Kingdom (UK)/China ²)
Financial Year (FY) of grant	2022 Performance and Remuneration Review (PRR): granted in FY23	2021 PRR: granted in FY22 Historical grants: on foot during FY23 & FY22	2022 and 2021 PRR: granted in FY23 & FY22 Historical grants: on foot during FY23 & FY22
Grant approach	50% of the CEO, ExCo and GGM IA's Short Term Variable Remuneration (STVR) deferred as shares.	50% of the CEO's STVR, 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, deferred as shares.	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred as shares.
Conditions	Deferred over years two and three, where year 1 includes the performance period (i.e., 1 October to 30 September). Granted in late November.		Deferred over years two, three and four, where year 1 includes the performance period. Granted in late November.
Allocation value	Deferred shares granted based on the Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the five trading days leading up to and including 1 October.	Deferred shares granted based on the VWAP of ANZ shares traded on the ASX in the five trading days leading up to and including the date of grant.	

¹. All Banking Executive Accountability Regime (BEAR) Accountable Executives.

². Specific deferral arrangements also exist under ANZIP for roles defined as UK Material Risk Takers (MRTs) and China MRTs, in line with local regulatory requirements.

ii) Exceptional circumstances

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

32. EMPLOYEE SHARE AND OPTION PLANS (continued)

iii) Further information

Cessation	Unless the Board ¹ decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity. Deferred shares are expensed based on the one-day VWAP at the date of grant.
2023 and 2022 grants	During the 2023 year, we granted 2,244,181 deferred shares (2022: 1,971,715) with a weighted average allocation value of \$24.37 (2022: \$27.52).
Downward adjustment	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date (malus), and limited to select employees ² , recovery post vesting (i.e., clawback). ANZ's downward adjustment provisions are detailed in section 7.3 of the 2023 Remuneration Report. Board discretion was not exercised to apply malus or clawback to any deferred shares in 2023 (2022: nil).

¹ References to 'the Board' throughout this note means the Boards of ANZGHL and ANZBGL.

² Clawback applies to the CEO, ExCo and GGM IA (for awards granted in 2023 financial year), and to select senior employees in jurisdictions where clawback regulations apply.

Variable Pay to Shares (VPS) Offer

Eligibility, grant approach and conditions	VPS provides employees in Australia the opportunity to receive up to \$1,000 worth of ANZ shares with concessional tax treatment (where criteria are met). All ANZ shares are held by a custodian or nominee appointed by the Trustee on the Trustee's behalf and are restricted for 3 years. During this time employees benefit from dividend payments which are reinvested through the Dividend Reinvestment Plan (DRP) and have voting entitlements. After the restriction period has been reached the shares can sold or transferred.
Allocation value	Granted based on the VWAP of ANZ shares traded on the ASX in the five trading days leading up to and including the date of grant.
Expensing value (fair value)	Expensed based on the one-day VWAP at the date of grant.
2023 grants	During the 2023 year, we granted 55,600 shares on 22 November 2022 at an issue price of \$24.46 (no grants were made in relation to the VPS Offer in the 2022 year).

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2023 under the Deferred Share Plan and VPS Offer, measured as at the date of grant of the shares, is \$56.5 million (2022: \$52.6 million Deferred Share Plan only) based on 2,299,781 shares (2022: 1,971,715 Deferred Share Plan only) at VWAP of \$24.57 (2022: \$26.69).
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32. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	<p>We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights.</p> <p>Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.</p>
Rules	<p>Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required:</p> <ul style="list-style-type: none"> • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. <p> Holders otherwise have no other entitlements to participate:</p> <ul style="list-style-type: none"> • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). <p>Any portion of the award which vests may, at the Boards discretion, be satisfied by a cash equivalent payment rather than shares.</p>
Expensing value (fair value)	<p>We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity. Factors considered in determining the fair value include: the market performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.</p>
Satisfying vesting	<p>Any portion of the award of options/rights (that have met the applicable time and performance conditions) may be satisfied by a cash equivalent payment rather than shares at Board discretion.</p> <p>In financial year 2023, all deferred share rights were satisfied through a share allocation, other than 70,231 deferred share rights (2022: 55,977) for which a cash payment was made.</p> <p>There were no performance rights (PR) due to vest in financial year 2023, as a result of a change in the performance period from three years to four years. In financial year 2022, the PR that vested (previously granted in November/December 2018) were satisfied through a share allocation, other than 24,011 PR for which a cash payment was made.</p>
Cessation	<p>The provisions that apply if the employee's employment ends are in section 10.2.3 of the 2023 Remuneration Report.</p>
Downward adjustment	<p>As per Deferred Share Plan.</p>



32. EMPLOYEE SHARE AND OPTION PLANS (continued)

Option Plans that operated during 2023 and 2022

i) Long Term Variable Remuneration (LTVR) and Variable Remuneration (VR) - restricted rights (RR), performance rights (PR), and deferred share rights (DSR)

Award Type	LTVR (RR & PR)	LTVR / VR historical (PR)	ANZIP VR (DSR)
Eligibility	CEO, ExCo and GGM IA ¹	CEO and ExCo ¹	All other employees (excluding select roles in the UK/China ²) in countries where DSR may be granted instead of deferred shares
FY of grant	2022 PRR: granted in FY23	2021 PRR: granted in FY22 Historical grants: on foot during FY23 & FY22	2022 and 2021 PRR: granted in FY23 & FY22 Historical grants: on foot during FY23 & FY22
Grant approach	50% of the CEO and ExCo's (except for the CRO) LTVR was received as RR and 50% as PR. 100% of the CRO and GGM IA's LTVR was received as RR.	100% of the CEO's LTVR and 50% of ExCo's VR (except for the CRO who received 50% VR as DSR instead) was received as PR.	If VR is at or exceeds AUD 100,000, then 60% of total VR amount is deferred.
Conditions	<p>RR and PR provide a right to acquire one ordinary ANZ share at nil cost – subject to time and performance conditions.</p> <p>Awarded subject to:</p> <ul style="list-style-type: none"> RR: pre-grant assessment (risk-based measures) RR and PR: shareholder approval at Annual General Meeting (AGM) for CEO award <p>Performance condition tested at end of four-year performance period:</p> <ul style="list-style-type: none"> RR: pre-vest assessment (risk-based measures) PR: relative and absolute Total Shareholder Return (TSR) hurdles <p>Deferral period³ = four-year performance period (commencing 1 October) + holding period (which commences the day after end of performance period and finishes on the 4th, 5th or 6th anniversary of grants (CEO only for year 6)).</p> <p>Further details provided in section 7.2 of the 2023 Remuneration Report.</p>	<p>Awarded at the end of the year subject to shareholder approval at AGM for CEO award.</p> <p>PR performance condition tested (relative and absolute TSR hurdles) at the end of four-year performance period.</p> <p>The four-year performance period commenced on 22 November to 21 November four years later.</p> <p>The deferral period is four years.</p> <p>Further details are provided in section 5.2.3a of the 2021 Remuneration Report.</p>	<p>DSR provide a right to acquire one ordinary ANZ share at nil cost after a specified vesting period.</p> <p>Deferred over years two, three and four, where year 1 includes the performance period.</p>
Allocation value	Face value of ANZ shares traded on the ASX in the five trading days leading up to and including 1 October (beginning of the financial year).		The fair value at the date of grant is used to determine the number of DSR to be allocated and is also used for expensing purposes. The fair value is adjusted for the absence of dividends during the vesting period.

¹ All BEAR Accountable Executives.

² Specific deferral arrangements also exist under ANZIP for roles defined as UK MRTs and China MRTs, in line with local regulatory requirements.

³ A dividend equivalent payment (DEP) is paid in cash at the end of the relevant deferral period, but is only made to the extent that all or part of the underlying rights meet the relevant performance condition and vest to the individual. Dividend equivalents accrue over the full deferral period for RR, and only during the holding period for PR.

32. EMPLOYEE SHARE AND OPTION PLANS (continued)

Award Type	LTVR (RR & PR)	LTVR / VR historical (PR)	ANZIP VR (DSR)
Allocation timing	LTVR awarded around late November/December (subject to shareholder approval for CEO). Start of FY	End of FY	Granted in late November.
2023 grants	During 2023, we granted 393,419 RR and 325,880 PR (2022: 542,747 PR).		During 2023, we granted 2,386,278 DSR (no performance hurdles) (2022: 2,576,907).
Downward adjustment	Board discretion was not exercised to apply malus or clawback to any RR or PR in 2023 (2022: nil PR).		Board discretion was not exercised to apply malus or clawback to any deferred share rights in 2023 (2022: nil).

ii) Exceptional circumstances

Remuneration forgone	As per Deferred Share Plan in countries where DSR may be granted instead of deferred shares.
Retention	

Options, Deferred Share Rights, Restricted Rights and Performance Rights on Issue

As at 10 November 2023, there were 396 holders of 4,839,042 DSR on issue, 10 holders of 362,991 RR on issue and 10 holders of 1,510,080 PR on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2023 and the movements during 2023:

	Opening balance 1 Oct 2022	Granted	Forfeited ¹	Expired	Exercised	Closing balance 30 Sep 2023
Number of options/rights	6,209,040	3,105,577	(428,483)	0	(2,166,618)	6,719,516
WA exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WA closing share price						\$24.30
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						\$0.00
Outstanding exercisable options/rights						124,377

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

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

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

All of the shares issued as a result of the exercise of options/rights during 2023 and 2022, were issued at a nil exercise price.



32. EMPLOYEE SHARE AND OPTION PLANS (continued)

As at the date of the signing of the Directors' Report on 10 November 2023:

- no options/rights over ordinary shares have been granted since the end of 2023; and
- no shares issued as a result of the exercise of options/rights since the end of 2023.

Fair Value Assumptions

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

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

	2023			2022	
	Deferred share rights	Restricted rights	Performance rights	Deferred share rights	Performance rights
Exercise price (\$)	0.00	0.00	0.00	0.00	0.00
Share closing price at grant date (\$)	24.67	24.54	24.51	26.62	26.92
Expected volatility of ANZ share price (%) ¹	20.0	20.0	20.0	20.0	20.0
Equity term (years)	2.1	6.6	6.6	2.2	6.0
Vesting period (years)	2.0	4.6	4.6	2.1	4.0
Expected life (years)	2.0	4.6	4.6	2.1	4.0
Expected dividend yield (%)	6.25	6.25	6.25	5.50	5.50
Risk free interest rate (%)	3.20	3.36	3.36	0.80	1.25
Fair value (\$)	21.81	18.61	9.85	23.71	10.38

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

SATISFYING EQUITY AWARDS

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

The equity we purchased on market during the 2023 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 816,023 shares at an average price of \$24.35 per share (2022: 4,230,962 shares at an average price of \$27.57 per share).

33. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are Directors of ANZGHL (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 CEO. KMP compensation included within total personnel expenses in Note 4 Operating Expenses is as follows:

	2023 ¹ \$'000	2022 \$'000
Short-term benefits	20,895	18,294
Post-employment benefits	466	394
Other long-term benefits	212	160
Termination benefits	31	-
Share-based payments	8,303	7,368
Total	29,907	26,216

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

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

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

	2023 \$'000	2022 \$'000
Loans advanced ¹	28,746	28,506
Undrawn facilities ¹	452	711
Interest charged ²	1,241	790

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

² Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

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

	2023 Number	2022 Number
Shares, options and rights ¹	3,294,439	2,641,154
Subordinated debt ¹	24,790	24,790

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



33. 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 \$40 million (2022: \$30 million).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers. Gifts were provided to KMP on retirement amounting to \$2,476 during the year (2022: \$4,944).

ASSOCIATES

We disclose significant associates in Note 28 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.

	2023 \$'000	2022 \$'000
Amounts receivable from associates	37,364	86,469
Amounts payable to associates	15,478	102,042
Interest revenue from associates	25,111	5,570
Interest expense to associates	966	34
Other revenue from associates	23,427	14,296
Other expenses paid to associates	3,088	11,159
Guarantees given to associates	-	72
Dividend income from associates	42,316	38,692
Undrawn facilities	30,739	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 27 Controlled Entities. During the financial year, subsidiaries conducted transactions with each other and with associates on terms equivalent to those on an arm's length basis. As at 30 September 2023, we consider all outstanding amounts on these transactions to be fully collectible.

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

34. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2023 \$m	2022 \$m
Contract amount of:		
Undrawn facilities	240,711	236,051
Guarantees and letters of credit	23,556	23,729
Performance related contingencies	26,615	26,036
Total	290,882	285,816

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 may be required to pay, the full amount of undrawn facilities for the Group 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 may be required to pay, the full amount of guarantees and letters of credit and performance-related contingencies for the Group mature within 12 months.

OTHER CONTINGENT LIABILITIES

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to Note 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.

A description of contingent liabilities and contingent assets as at 30 September 2023 is set out below.

REGULATORY AND CUSTOMER EXPOSURES

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



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

OTHER CONTINGENT LIABILITIES (continued)

SOUTH AFRICAN RATE ACTION

In February 2017, the South African Competition Commission commenced proceedings against local and international banks including ANZBGL 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 ANZBGL alleging failure to comply with continuous disclosure obligations in connection with ANZBGL's August 2015 underwritten institutional share placement. In October 2023, the Federal Court of Australia found that ANZBGL should have notified the ASX of the joint lead managers' take-up of placement shares. No order has yet been made in respect of payment of legal costs or the amount of a civil penalty. The maximum penalty is \$1 million.

ESANDA DEALER CAR LOAN LITIGATION

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

ONEPATH SUPERANNUATION LITIGATION

In December 2020, a class action was brought against OnePath Custodians, OnePath Life and ANZBGL 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 ANZBGL was involved in some of OnePath Custodians' investment breaches. ANZBGL 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 ANZBGL alleging that certain interest terms in credit card contracts were unfair contract terms and that it was unconscionable for ANZBGL to rely on them. ANZBGL is defending the allegations.

ROYAL COMMISSION

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

SECURITY RECOVERY ACTIONS

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

WARRANTIES, INDEMNITIES AND PERFORMANCE MANAGEMENT FEES

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

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

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

OTHER CONTINGENT LIABILITIES (continued)

CLEARING AND SETTLEMENT OBLIGATIONS

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

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

PARENT ENTITY GUARANTEES

Certain group companies have issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the issuing entity undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the subsidiary remains a controlled entity.

SALE OF GRINDLAYS BUSINESS

On 31 July 2000, ANZBGL completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. ANZBGL 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

ANZBGL 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 ANZBGL and NHB.

35. AUDITOR FEES

	2023 \$'000	2022 \$'000
KPMG Australia		
Audit or review of financial reports	9,820	8,217
Audit-related services ¹	3,882	6,037
Non-audit services ²	10	8
Total³	13,712	14,262
Overseas related practices of KPMG Australia		
Audit or review of financial reports	6,157	5,808
Audit-related services ¹	1,933	1,459
Non-audit services ²	95	-
Total	8,185	7,267
Total auditor fees	21,897	21,529

¹ Group audit-related services comprise prudential and regulatory services of \$4.11 million (2022: \$6.26 million), comfort letters \$0.57 million (2022: \$0.52 million) and other services \$1.14 million (2022: \$0.71 million).

² The nature of non-audit services for the Group includes methodology, procedural and administrative reviews. Further details are provided in the Directors' Report.

³ Inclusive of goods and services tax.

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

36. PENDING ORGANISATIONAL CHANGES IMPACTING FUTURE REPORTING PERIODS

Suncorp Bank Acquisition

On 18 July 2022, the ANZ Group announced an agreement to purchase 100% of the shares in SBGH Limited, the immediate non-operating holding company of Suncorp Bank. The acquisition was subject to Australian Competition and Consumer Commission (ACCC) authorisation or approval. The ACCC declined to grant authorisation for this acquisition in August 2023 and this decision is currently subject to review by the Australian Competition Tribunal. In addition, the acquisition remains subject to satisfaction of certain conditions, including Federal Treasurer approval and certain amendments to the *State Financial Institutions and Metway Merger Act 1996 (QLD)*. ANZBGL will also have a termination right under the Suncorp Bank Sale Agreement if APRA issues a written communication to ANZBGL under or in connection with APS 222 *Associations with Related Entities* to the effect that ANZBGL must not proceed with completion of the acquisition. Assuming these conditions are satisfied, and merger approval is granted, it is expected to occur in mid-calendar year 2024.

37. EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

Directors' Declaration

The Directors of ANZ Group Holdings Limited declare that:

- a) in the Directors' opinion, the financial statements and notes of 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 Consolidated Entity as at 30 September 2023 and of its performance for the year ended on that date; and
- b) the notes to the financial statements of the Consolidated Entity include a statement that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards; and
- c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and
- d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Paul D O'Sullivan
Chairman

10 November 2023



Shayne C Elliott
Managing Director



TO THE SHAREHOLDERS OF ANZ GROUP HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of ANZ Group Holdings Limited (the Group).

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

- giving a true and fair view of the Group's financial position as at 30 September 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Balance sheet as at 30 September 2023
- income statement, statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended
- notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of ANZ Group Holdings Limited and the entities it controlled at the year-end or from time to time during the financial year.

BASIS FOR OPINION

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

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

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

KEY AUDIT MATTERS

The **Key Audit Matters** we identified are:

- Allowance for expected credit losses
- Subjective and complex valuation of financial instruments held at fair value
- Carrying value of investment in PT Bank Pan Indonesia (PT Panin)
- IT systems and controls.

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

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

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES (\$4,408m)

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

The key audit matter

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

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

Additional subjectivity and judgement is required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.

SICR identification, such as a decrease in customer credit rating (CCR), is a key judgement within the ECL methodology, as this criterion determines if a forward-looking 12 month or lifetime allowance is recorded.

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

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL included assessing significant accounting policies against the requirements of the accounting standard. Additionally, our procedures included testing key controls in relation to:

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

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

In addition to controls testing, our procedures included:

- Reperforming a sample of credit assessments for wholesale loans controlled by workout and recovery teams assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Group as showing signs of deterioration, or in areas of emerging risk.
- For each loan sampled, we challenged the 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 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 macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant, we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Group's processes to determine ECL allowances, evaluating the 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 ECL model estimates by re-performing, for a sample of loans, the calculation of the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Group;
- Working with our economic specialists, we challenged the forward-looking macroeconomic assumptions and scenarios incorporated in the ECL models. We compared the forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macroeconomic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination and comparing our result to actual staging applied on an individual account level in the ECL model;
- Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions used in post-model adjustments. This included:

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

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

- FAIR VALUE OF LEVEL 3 ASSET POSITIONS \$2,151m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS \$135,711m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS \$23m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS \$92,892m

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

The key audit matter

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

In assessing this Key Audit Matter, we involved our valuation specialists to supplement our senior team members who understand the methods, assumptions and data relevant to the valuation of financial instruments.

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

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable.
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments including credit valuation adjustment (CVA) and funding valuation adjustment (FVA) leading to an increase in subjectivity and estimation uncertainty.

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

How the matter was addressed in our audit

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

- Performing an assessment of the population of financial instruments held at fair value by the Group to identify portfolios with a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- Testing the design and operating effectiveness of key controls relating specifically to these financial instruments, including those in relation to:
 - Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
 - model validation at inception and periodically, including assessment of model limitation and assumptions;
 - review, approval and challenge of daily profit and loss by a control function;
 - collateral management process, including review and approval of margin reconciliations with clearing houses; and
 - review and approval of CVA and FVA, including exit price and portfolio level adjustments.



KEY AUDIT MATTERS (continued)

- In relation to the subjective valuation of complex Level 2 and Level 3 financial instruments, with our valuation specialists:
 - Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives;
 - Comparing the Group's valuation methodology to industry practice and the criteria in the accounting standards; and
 - Independently revaluing a selection of financial instruments and CVA/FVA. This involved sourcing independent inputs from comparable data in the market and available alternatives. We challenged and assessed any differences.
- Assessing the appropriateness of the Group's disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN PT PANIN (\$1,440m)

Refer to the critical accounting estimates, judgements and disclosures in Note 28 to the Financial Report.

The key audit matter

The carrying value of the Group's investment in PT Panin is a key audit matter due to the impairment indicators identified at the reporting date and the assessment of the investment's recoverable amount involving judgement and the consideration of valuation models given historical volatility in the market price of the shares. Impairment has been recognised in prior periods. We involved our valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- Considering the appropriateness of the recoverable amount assessment used to conclude the carrying value of the investment is supportable;
- Considering the appropriateness of the value in use valuation method applied against the requirements of the accounting standards. This included:
 - Assessing the integrity of the models used, including the accuracy of the underlying calculation formulas;
 - Assessing the key assumptions used in the models, such as, discount rates, forecast earnings and terminal growth rates by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
 - Independently developing discount rates range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the investments and the markets and industry they operate in;
 - Comparing the forecast earnings contained in the model to broker consensus reports and released financial results;
 - Assessing the accuracy of previous forecasts to inform our evaluation of current forecasts incorporated in the model; and
 - Considering the sensitivity of the models by varying key assumptions, such as, discount rates, forecast cash flows and terminal growth rates, within a reasonable possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- Assessing the recoverable amount at the reporting date against the recoverable amount of the investment when it was last impaired to critically assess potential reversal of previous impairment losses;
- Assessing the Group's disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.

IT SYSTEMS AND CONTROLS

The key audit matter

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

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

How the matter was addressed in our audit

Our testing focused on the technology control environments for key IT applications (systems) used in processing significant transactions and recording balances in the general ledgers, and the automated controls embedded within these systems which link the technology-enabled business processes. Our audit procedures included:

- Assessing the governance and higher-level controls across the IT environments, including those regarding policy design, policy review and awareness, and IT Risk and cyber security management practices;

KEY AUDIT MATTERS (continued)

- Design and operating effectiveness testing of key controls across the user access management lifecycle, including how users are on-boarded, reviewed for access levels assigned, and removed on a timely basis from key IT applications and supporting infrastructure. We also examined the management of privileged roles and functions across relevant IT application and the supporting infrastructure;
- Design and operating effectiveness testing of key controls for IT change management including authorisation of changes prior to development, testing performed and approvals prior to migration into the production environment of key IT applications. We assessed user access to release changes to IT application production environments and whether access was commensurate with their job responsibilities;
- Design and operating effectiveness testing of key controls used by the technology teams to restrict access to and monitor system batch job schedules;
- Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. Our testing included:
 - Configurations to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
 - Data integrity of key system reporting used by us in our audit to select samples and analyse data used to generate financial reporting.
- Where our testing identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures, including consideration of mitigating controls.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group 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 AUDIT OF THE FINANCIAL REPORT

Our objective is:

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

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

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

REPORT ON THE REMUNERATION REPORT

OPINION

In our opinion, the Remuneration Report of ANZ Group Holdings Limited for the year ended 30 September 2023, complies with *Section 300A* of the *Corporations Act 2001*.

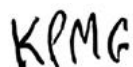
DIRECTORS' RESPONSIBILITIES

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

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2023.

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

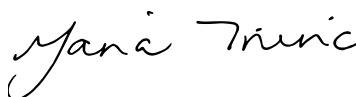


KPMG



Martin McGrath
Partner

Melbourne
10 November 2023



Maria Trinci
Partner