Liquidity	Half Year Average			Movement	
	Mar 23	**Sep 22**	**Mar 22**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Total liquid assets ($B)	**265.9**	242.1	241.1	10%	10%
Liquidity Coverage Ratio (%)	**128%**	129%	132%	-1%	-4%

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

- Highest-quality liquid assets: cash, highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- High-quality liquid assets: high credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets: assets qualifying as collateral for the Committed Liquidity Facility (CLF) and other eligible securities listed by the Reserve Bank of New Zealand (RBNZ).

The Group monitors and manages the size and composition of its liquid assets portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the Board. The LCR remained above the regulatory minimum thresholds throughout this period.

Consistent with APRA's requirement, ANZ's CLF was nil at 31 March 2023 (Sep 22: $2.7 billion; Mar 22: $8.0 billion).

Funding	As at			Movement	
	Mar 23 $B	**Sep 22 $B**	**Mar 22 $B**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Total customer liabilities (funding)	**661.1**	628.4	620.7	5%	7%
Wholesale funding	**335.6**	300.3	289.1	12%	16%
Shareholders' equity	**68.6**	66.4	61.8	3%	11%
Total funding	**1,065.3**	995.1	971.6	7%	10%
Net Stable Funding Ratio (%)	**119%**	119%	123%		

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

During the March 2023 half, the Group issued $23.9 billion of term wholesale funding (excluding Additional Tier 1 Capital) with a remaining term greater than one year as at 31 March 2023, and $1.5 billion of Additional Tier 1 Capital.

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

Capital Management (Level 2)[1]	As at			Movement	
	Mar 23	**Sep 22**	**Mar 22**	**Mar 23 v. Sep 22**	**Mar 23 v. Mar 22**
Common Equity Tier 1 (CET1)					
- APRA	**13.2%**	12.3%	11.5%		
- International Comparable	**18.9%**	19.2%	18.0%		
Credit risk weighted assets ($B)	**345.3**	359.4	348.8	-4%	-1%
Total risk weighted assets ($B)	**435.5**	454.7	437.9	-4%	-1%
APRA Leverage Ratio	**5.3%**	5.4%	5.2%		

1. *March 2023 includes impacts on risk weighted assets from APRA Capital Reform.*

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

APRA Capital Reform

APRA has released new bank capital adequacy requirements applying to Australian incorporated registered banks, which are set out in APRA's Banking Prudential Standard documents. ANZ has implemented these new requirements from 1 January 2023.

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

- improving the flexibility of the capital framework, through larger capital buffers that can be used by banks to support lending during periods of stress;
- changes to risk weighted assets (RWA) through more risk-sensitive risk weights increasing capital requirements for higher risk lending and decreasing it for lower risks;
- changes to loss given default rates (LGD) including approved use of an internal ratings-based (IRB) approved LGD model for mortgage portfolios;
- an increase in the IRB scaling factor (from 1.06x to 1.1x);

- requirement that IRB authorised deposit-taking institutions (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.

The Group's APRA Common Equity Tier 1 ratio was 13.2% at 31 March 2023, exceeding APRA's minimum requirements. The increase of 89 bps during the March 2023 half was primarily driven by APRA Capital Reform impacts, current period earnings and lower underlying non-credit risk weighted assets usage. This was partially offset by the impact of dividends paid during the period and higher underlying credit risk weighted assets usage.

At 31 March 2023, the Group's APRA Leverage Ratio was 5.3% which is above the 3.5% proposed minimum for IRB ADI, which includes ANZ.

Dividend

As part of the Restructure, ANZBGL paid $1,000 million special dividend to its intermediate holding company, ANZ BH Pty Ltd, a wholly owned subsidiary of ANZGHL, during the March 2023 half.

On 4 May 2023, the Directors propose an interim dividend of $2,433 million be paid on 3 July 2023, to ANZ BH Pty Ltd.

Lead auditor's independence declaration

The lead auditor's independence declaration given under section 307C of the *Corporations Act 2001* (as amended) is set out on page 50 which forms part of this report.

Rounding of amounts

The amounts contained in these Condensed Consolidated Financial Statements have been rounded to the nearest million dollars, except where otherwise indicated, as permitted by *ASIC Corporations Instrument 2016/191*.

Significant events since balance date

There have been no significant events from 31 March 2023 to the date of signing this report that have not been adjusted or disclosed.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

Shayne C Elliott
Managing Director

4 May 2023