6 November 2017

Company Announcements
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZBGL") - Annual Financial Report submission under the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority ("UK DTR Submission")

The attached UK DTR Submission will be lodged by ANZBGL with the London Stock Exchange ("LSE") today, together with the Group's Annual Report and ANZBGL's 2017 Financial Report for the year ended 30 September 2017. This UK DTR Submission has been prepared by ANZBGL in order to comply with the applicable periodic reporting requirements of DTR 4 of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority in connection with certain debt securities issued by ANZBGL. For completeness, in addition to lodgement with the LSE, ANZBGL is lodging this UK DTR Submission with the Australian Securities Exchange ("ASX") and the New Zealand Stock Exchange today.

Yours faithfully

Simon Pordage
Company Secretary
Australia and New Zealand Banking Group Limited

Company Secretary's Office
ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands Vic 3008
GPO Box 254, MELBOURNE VIC 3001 AUSTRALIA
www.anz.com

DISCLOSURE AND TRANSPARENCY RULES – ANNUAL FINANCIAL REPORT SUBMISSION

Australia and New Zealand Banking Group Limited ("ANZBGL" or the "Company") together with its subsidiaries ("ANZ" or the "Group") – Annual Financial Report submission under the Disclosure and Transparency Rules ("DTR") of the United Kingdom Financial Conduct Authority

The following attached documents constitute ANZ's 2017 Annual Financial Report for the purposes of the disclosure requirements of DTR 4.1:

- The Group's 2017 Annual Report for the year ended 30 September 2017;
- The Company's 2017 Financial Report for the year ended 30 September 2017;
- A description of the principal risks and uncertainties for the Group provided in accordance with DTR 4.1.8 (2); and
- A responsibility statement of the Directors of ANZBGL provided in accordance with DTR 4.1.12 (3)(b).

ANZ’s 2017 Annual Report and ANZBGL’s 2017 Financial Report

Copies of these documents were separately lodged by ANZ with the ASX today.

Principal risks and uncertainties faced by the Group (DTR 4.1.8 (2))

PRINCIPAL RISKS AND UNCERTAINTIES

1. Introduction

The Group's activities are subject to risks that can adversely impact its business, operations and financial condition. The risks and uncertainties described below are not the only ones that the Group may face. Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it. If any of the listed or unlisted risks actually occur, the Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment.

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

The Group's financial performance is primarily influenced by the political and economic conditions and the level of business activity in the major countries and regions in which the Group operates or trades, i.e., Australia, New Zealand, Asia Pacific, Europe and the United States.

The economic and business conditions that prevail in the Group's major operating and trading markets are affected by domestic and international economic events, political events and natural disasters, and by movements and events that occur in global financial markets.

For example, the global financial crisis that commenced in 2007 saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity and the emergence of many challenges for financial services institutions worldwide.

The impact of the global financial crisis and its aftermath continue to affect regional and global economic activity, confidence and capital markets. Prudential authorities have implemented and continue to implement increased regulations to mitigate the risk of such events recurring, although there can be no assurance that such regulations will be effective. The Group believes that the global financial crisis has also had a lasting effect on consumer and business behaviour in the advanced economies. Consumers have generally acted more cautiously, while businesses have been reluctant to invest and inflation has remained low. Monetary authorities responded to the global financial crisis by introducing zero or near-zero interest rates across most countries, and the major central banks took unconventional steps to support growth and raise inflation. While some economic factors have recently improved and some monetary authorities have begun to increase interest rates, lasting impacts from the global financial crisis and the potential for escalation in geopolitical risks suggest ongoing vulnerability and potential adjustment of consumer and business behaviour

Changes in global political conditions, such as the 'Brexit' referendum in the United Kingdom on June 23, 2016 (and the related negotiations with the European Union) and the commencement of Donald Trump's presidency in January 2017, have the potential to lead to extended periods of increased political and economic uncertainty and volatility in the global financial markets. This is in part due to the unknown consequences for global trade, the broader global economy and financial markets. Political and economic uncertainty has in the past led to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, lower or negative interest rates, weaker economic growth and reduced business confidence, each of which could adversely affect the Group's business. These conditions may also adversely affect the Group's ability to raise medium or long-term funding in the international capital markets.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing unrest and conflicts in Ukraine, North Korea, Syria, Egypt, Afghanistan, Iraq and elsewhere, as well as the current high threat of terrorist activities, may also adversely affect global financial markets, general economic and business conditions and the Group's ability to continue operating or trading in a country, which in turn may adversely affect the Group's business, operations, and financial condition.

Should difficult economic conditions in the Group's markets eventuate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Also, deterioration in global markets, including equity, property, currency and other asset markets, could impact the Group's customers and the security the Group holds against loans and other credit exposures, which may impact the Group's ability to recover loans and other credit exposures.

The Group's financial performance could also be adversely affected if the Group were unable to adapt cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected costs (including credit and funding costs) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in the countries in which the Group operates.

Other current economic conditions impacting the Group and its customers include:

- Changes in the commercial and residential real estate markets in Australia and New Zealand (see risk factor 6 "Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's business, operations and financial condition"); and
- The demand for natural resources given that sector is a significant contributor to Australia's economy and that sector's significant exposure to Asia, particularly China and China's economic growth (see risk factor 7 "Credit risk may adversely affect the Group's business, operations and financial condition").

Natural and biological disasters such as, but not restricted to, cyclones (for example, Cyclone Debbie in March 2017), floods, droughts, earthquakes and pandemics, and the economic and financial market implications of such disasters domestically and globally, may adversely affect the Group's business, operations and financial condition. (see risk factor 13: "Impact of future climate change, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's business, operations and financial condition").

All or any of the negative political, business or economic conditions described above could cause a reduction in demand for the Group's products and services and/or an increase in loan and other credit defaults and bad debts, which could adversely affect the Group's business, operations, and financial condition.

3. Competition in the markets in which the Group operates may adversely affect the Group's business, operations and financial condition

The markets in which the Group operates are highly competitive and could become even more so. Factors that contribute to competition risk include industry regulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods and technologies, increased diversification of products by competitors, and regulatory changes in the rules governing the operations of banks and non-bank competitors. For example, changes in the financial services sector in Australia and New Zealand have made it possible for non-banks to offer products and services traditionally provided by banks, such as payments, home loans, and credit cards. In addition, existing companies from outside of the traditional financial services sector may seek to obtain banking licenses to directly compete with the Group by offering products and services traditionally provided by banks. In addition, banks organised in jurisdictions outside Australia and New Zealand are subject to different levels of regulation and some may have lower cost structures, which may make these banks more competitive in the markets where the Group operates. Increasing competition for customers could also potentially lead to a compression in the Group's net interest margins or increased advertising and related expenses to attract and retain customers.

Digital technologies and business models are changing customer behaviour and the competitive environment. Emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models in the financial services sector.

The Group relies on bank deposits to fund a significant portion of its balance sheet. The Group competes with banks and other financial services firms for such deposits. Increased competition for deposits could increase the Group's cost of funding. To the extent that the Group is not able to successfully compete for deposits, the Group would be forced to rely more heavily on other, less

stable or more expensive forms of funding, or to reduce lending. This could adversely affect the Group's business, prospects, financial performance or financial condition.

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

4. Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition

The Group is subject to detailed laws and regulations (including prudential requirements, taxation laws and accounting standards) and industry codes of practice in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand, the United States, Europe and Asia Pacific.

The Group is also supervised by a number of different regulatory and supervisory authorities which, in some cases, have broad administrative and investigative powers over the Group's businesses. For example, APRA has very wide powers under the Banking Act in Australia, including in certain circumstances to investigate the affairs of and/or issue (directions to banks (including ANZ), such as, a direction to comply with a prudential requirement, to conduct an audit, to remove a director, executive officer or employee or not to make payments or undertake a transaction. In this regard, on October 19, 2017, the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017* ("Crisis Management Bill") was introduced into the Commonwealth Parliament. If passed into law, the Crisis Management Bill would amend the Banking Act (among other statutes applicable to financial institutions in Australia) and is intended to enhance APRA's powers to resolve the entities it regulates (and their subsidiaries). Additional powers which are proposed to be given to APRA under the Crisis Management Bill which could impact the Group, include greater oversight, management and directions powers in relation to the Group entities which are currently not regulated by APRA, increased statutory management powers over regulated entities within the Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments. At this stage, the impact of the Crisis Management Bill, if passed, is uncertain.

Failure by the Group, or an employee of the Group, to comply with applicable laws, regulations and other obligations may result in regulatory investigations, legal or regulatory sanctions, financial or reputational loss, litigation, fines, penalties, restrictions on the Group's ability to do business, revocation, suspension or variation of conditions of relevant regulatory licenses or other enforcement or administrative action or agreements (such as enforceable undertakings) which, depending on the circumstances, could have a material adverse impact on the Group's business, operations, reputation, prospects, financial performance or financial condition. For further information, refer to risk factor 28 "Litigation and contingent liabilities may adversely affect the Group's business, operations and financial condition" and Note 33 of the Group's 2017 Annual Financial Statements. Further, regulatory actions may result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of such litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities.

Regulation is becoming increasingly extensive and complex in Australia and the other markets where the Group conducts business. As with other financial institutions, the Group faces increasing supervision and regulation in most of the jurisdictions in which it operates or raises funds, particularly in the areas of funding, liquidity, derivative execution, capital adequacy, provisioning, conduct, competition, mortgage pricing, consumer credit and consumer protection (including in the design and distribution of financial products), remuneration, privacy, data access, prudential regulation, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and economic and trade sanctions and a greater focus on executive accountability. A bill to establish a new Bank Executive Accountability Regime ("BEAR") was introduced into the Commonwealth Parliament in October 2017. The BEAR is a strengthened responsibility and accountability framework for the most senior and influential directors and executives in Australian Authorised Deposit-taking Institution ("ADI") groups. Risks to ANZ from the proposed BEAR include the risk of penalties and the risk to its ability to attract and retain high-quality directors and senior executives.

Additionally, in the face of increasing public scrutiny of banking culture in recent years, there are several on-going Australian Government inquiries (including a House of Representatives inquiry into Australia's four major banks (including ANZ), which resulted in two committee reports in November 2016 and April 2017 that contained recommendations to improve the banking system for consumers, and a Senate inquiry focused on consumer protection and transparency in the banking, insurance and financial sectors), and proposals for new inquiries to be established (such as the opposition Australian Labor Party's proposal in April 2016 for a Royal Commission to investigate Australian banks), which could lead to additional regulatory changes or other regulatory measures which may adversely affect the Group's business, operations or financial condition.

Such scrutiny has become further increased following the commencement by the Australian Transaction Reports and Analysis Centre ("AUSTRAC") of civil penalty proceedings in 2017 against another major Australian bank relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (see risk factor 5 "Significant fines and sanctions in the event of breaches of law or regulation and law relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's business, reputation, operations and financial condition").

Any changes to laws, regulations, fiscal and other regulatory policies (including taxation and levies) or interpretation may adversely affect the business, prospects, operations, financial performance or financial condition of the Group, either on a short-term or long-term basis. The Group's regulatory landscape is continually evolving and the nature, scope, timing and impact of any changes can be unpredictable, are beyond the Group's control, and may not be harmonised or otherwise consistently applied or interpreted by different governments or regulators across the multiple jurisdictions in which the Group operates. In addition, due to the increasing interconnectedness of regulation and regulators, actions taken in one jurisdiction may prompt similar actions to be taken in another jurisdiction.

Regulatory changes may adversely impact the operations and profitability of the Group or one or more of its businesses in a range of ways, such as by requiring the Group to:

- change its corporate structure or alter its business mix (for example by limiting the types, amount and composition of financial services and products that the Group can offer, limiting the fees and interest that the Group may charge or increasing the ability of other banks or non-banks to offer competing financial services or products);
- raise substantial additional capital;
- incur additional legal, compliance and tax costs increase demands on management, employees and information technology systems;
- raise additional amounts of higher-quality capital (such as ordinary shares, Additional Tier 1 capital or Tier 2 capital instruments) or retain capital (through lower dividends);
- hold significant levels of additional liquid assets; or
- undertake further lengthening of the Group's funding base.

Any of these events could materially and adversely affect the Group's business, operations, prospects, financial performance or financial condition.

Examples of certain current and potential regulatory changes and developments relevant to the Group are discussed below. These examples are not exhaustive.

As part of its 2017-18 federal budget, the Australian Government imposed a levy on liabilities for certain large banks, including the Group, with effect from 1 July 2017 (the "Major Bank Levy"). Based on ANZ's 31 March 2017 balance sheet, ANZ estimates that the financial impact of the Major Bank Levy on the Group would have been approximately $345 million before tax, and approximately $240 million after tax, per annum. There is a risk that Australian State and Territory Governments may introduce similar levies. A bill to this effect has been introduced into the South Australian Parliament in June 2017 but has not yet been enacted. Based on the form of the bill for the South Australian levy that was introduced into the South Australia Parliament, the South Australian levy would apply to all banks that operate in South Australia and are liable for the Major Bank Levy, including the Group. The amount payable under the South Australian levy would be equal to a bank's levy base under the Major Bank Levy multiplied by South Australia's gross state

product share of the Australian gross domestic product multiplied by a levy rate of 0.06%. The net financial impact of this bank levy, and any similar levies, will also be dependent upon business performance and decisions ANZ makes in response to the levy. ANZ's balance sheet is also undergoing change due to various strategic initiatives that may impact the amount of the levy payable. The Major Bank Levy, the South Australian levy or any similar levy could adversely affect the Group's business, operations or financial condition.

Implementation of the Basel Committee on Banking Supervision's (the "BCBS") 'Basel 3' capital and liquidity reforms will continue over the coming years. The BCBS continues to refine its 'Basel 3' global regulatory framework and is consulting on other proposals (such as reforms to simplify the measurement of risk-weighted assets and reduce their variability across banks and jurisdictions). Consistent with Basel 3 requirements relating to liquidity reforms, the Group will be required to comply with the Net Stable Funding Ratio ("NSFR") requirements, with effect from 1 January 2018. Any further changes may be implemented by APRA into its prudential standards in Australia and by other regulators in due course. The impacts of such changes on the Group cannot be fully determined until the final requirements, and any proposals by APRA or other regulators to implement them, are known.

In addition to BCBS reforms, there have been a series of other regulatory releases from authorities in various jurisdictions outside of Australia where the Group operates that have proposed significant regulatory changes for financial institutions. These changes include, among other things, proposals for changes to financial regulations in the United States (including the Dodd-Frank Act and its Volker Rule) which are under review as a result of an executive order released in February 2017, changes to senior executive accountability in Singapore and Hong Kong, greater data protection regulations in Europe, the Markets in Financial Instruments Directive 2 in the European Economic Area and amendments to the United Kingdom's Criminal Finances Bill (which has extraterritorial reach). United Kingdom and European authorities may also propose significant regulatory changes as a result of 'Brexit' which, may impact the Group in the future. Regulatory changes outside of Australia could increase our regulatory compliance costs and otherwise adversely affect the Group's business, operations, prospects, financial performance or financial condition.

The Final Report of the Financial System Inquiry ("FSI") (released on 7 December 2014) concluded a comprehensive inquiry into Australia's financial system, which was established by the Australian Government in late 2013. The Final Report of the FSI included a wide-ranging set of recommendations. In Australia, APRA is responsible for implementing the final recommendations of the Australian Government's FSI aimed at strengthening the resilience of Australia's financial system including (among other things) setting capital standards to ensure that capital ratios of ADI's are "unquestionably strong".

Consistent with the FSI's recommendation that the capital ratios of ADIs should be "unquestionably strong", effective from July 2016, APRA increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including the Group). Subsequently, on 19 July 2017, APRA released an information paper outlining APRA's conclusions with respect to the quantum and timing of capital increases that will be required for ADIs to achieve "unquestionably strong" capital ratios. APRA indicated that, in the case of the four major Australian banks, it expects that the increased capital requirements will translate into the need for an increase in Common Equity Tier-1 ("CET1") capital ratios, on average, of around 100 basis points above their December 2016 levels. In broad terms, that equates to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5 per cent. APRA also stated that ADIs should, where necessary, initiate strategies to increase their capital strength to be able to meet these capital benchmarks by 1 January 2020 at the latest.

The Group expects that APRA's implementation of the prudential standards to produce "unquestionably strong" capital ratios will result in further changes to the risk weighting framework for certain asset classes and other risks (such as operational risks). Changes may also include increases in APRA's existing Common Equity Tier 1 "capital conservation buffer" requirement for ADIs. While APRA has announced that it does not expect that the changes to the risk weights will necessitate further increases in capital for ADIs, it is not currently clear how APRA will implement these changes.

APRA's prudential standards may also be further supplemented by yet to be finalised proposals to implement other key FSI recommendations:

- to supplement the risk-adjusted capital ratio requirements with the introduction of a minimum leverage ratio; and
- to implement a minimum total loss absorption capital requirement where certain senior debt could be "bailed in" to recapitalise a stressed financial institution to avoid government support of that financial institution.

APRA is expected to continue to assess the impact of impending BCBS reforms and to consider other financial resilience measures, such as liquidity, funding, asset quality, and recovery and resolution planning relating to the FSI's key recommendations.

In addition, APRA is currently undertaking several open consultations, including those related to reporting requirements for the countercyclical capital buffer, liquidity measures and securitisation, as well as other areas of focus. Accordingly, the final outcome of the FSI including any further changes to APRA's prudential standards or other impacts on the Group remain uncertain. Further changes to APRA's prudential standards and the final outcome of the FSI could increase the level of regulatory capital that the Group is required to maintain, restrict the Group's flexibility, require it to incur substantial costs and impact the profitability of one or more business lines, which could adversely affect the Group's business, financial performance or financial condition.

Refer to Note 22 of the Group's 2017 Annual Financial Statements for a further discussion and update on regulatory developments specifically with respect to capital management, including BCBS and FSI reforms.

5. Significant fines and sanctions in the event of breaches of law or regulation and law relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's business, reputation, operations and financial condition

Anti-money laundering, counter-terrorist financing and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates has heightened these operational and compliance risks. Furthermore, the upward trend in compliance breaches by global banks and the related fines and settlement sums mean that these risks continue to be an area of focus for the Group. Following the AUSTRAC civil penalty proceedings in 2017 against a major Australian bank relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth), there may be increased regulatory scrutiny of other Australian banks, including the Group, and significant changes to the anti-money laundering regulatory framework. While the full scope of any changes, if any, is not known, the Group may incur additional costs associated with legal compliance that may adversely affect our business and financial condition.

The risk of non-compliance with anti-money laundering, counter-terrorist financing and sanction laws remains high given the scale and complexity of the Group. A failure to operate a robust programme to combat money laundering, bribery and terrorist financing or to ensure compliance with economic sanctions could have serious legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. These consequences, individually or collectively, could have a material adverse effect on the Group's business, reputation, operations and financial condition. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and subject us to increased compliance costs.

6. Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect the Group's business, operations and financial condition

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

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

Since 2009, the world's major central banks have embarked upon unprecedented monetary policy stimulus. The resulting weight of funds searching for yield continues to drive underlying property markets in the Group's core property jurisdictions (Australia, New Zealand, Singapore and Hong Kong). Values for completed tenanted properties and residential house prices, particularly in metro east coast Australian and New Zealand markets, have steadily risen.

Should the Group's regulators impose supervisory measures impacting the Group's residential lending or if Australian housing price growth subsides or property valuations decline, the demand for the Group's home lending products may decrease which may adversely affect the Group's business, operations and financial condition. For example, in March 2017, prompted by ongoing Australian housing price appreciation and rising Australian household debt, APRA introduced a new supervisory measure instructing Australian banks, including the Group, to limit new residential interest-only mortgages to 30% of total new residential mortgage lending.

Declining asset prices could impact customers and counterparties and the value of the security (including residential and commercial property) the Group holds against loans which may impair the Group's ability to recover amounts owing to the Group if customers or counterparties were to default. A significant decrease in Australian and New Zealand housing valuations triggered by, for example, an event or a series of events in the local or global economy or lack of confidence in market values, could adversely impact the Group's home lending activities. This is because borrowers with loans in excess of their property value show a higher propensity to default and, in the event of such defaults the Group's security values would be eroded, causing the Group to incur higher credit losses, which could adversely affect the Group's financial performance and condition. The demand for the Group's home lending products may also decline due to buyer concerns about decreases in values or concerns about rising interest rates, which could make the Group's lending products less attractive to potential homeowners and investors. A material decline in residential housing prices could also cause losses in the Group's residential development portfolio if customers who are pre-committed to purchase these dwellings are unable or unwilling to complete their contracts and the Group is forced to re-sell these dwellings at a loss.

The Group's portfolio of commercial property interest only loans, may be particularly susceptible to losses in the event of a decline in property prices as a result of refinance risk and deteriorating security values. A significant decrease in commercial property valuations or a significant slowdown in the commercial real estate markets where the Group does business could result in a decrease in the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans, which, in either case, could materially and adversely impact the Group's financial condition and operations.

7. Credit risk may adversely affect the Group's business, operations and financial condition

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties, including incurring credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which could result in credit losses. Should material credit losses occur to the Group's credit exposures, it could have an adverse effect on the Group's business, operations and financial condition.

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

For example, the Group's customers and counterparties in or with exposure to:

- the Australian natural resources sector which is particularly exposed to any prolonged slowdown in the Chinese economy could be materially and adversely impacted by a decline in natural resource prices;
- former government owned and now privatised assets such as electricity distribution networks, ports, road and rail networks could be materially and adversely impacted because the Group believes these assets are being valued at historically high levels. The value of the capital and

profitability of these investments is vulnerable to interest rate and currency exchange rate movements. Long-term interest rate and currency hedges are provided by banks, including the Group, to manage these risks. These long-term hedge exposures have volatile mark to market characteristics which are unsupported by collateralised security agreements for out of the money positions. Counterparty insolvency has the potential to expose the Group to large uncovered derivative liabilities; and

- the dairy industry in Australia and New Zealand, which is particularly exposed to excess milk production from other developed countries being sold into traditional markets, could be materially and adversely impacted by a decline in commodity prices.

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

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economy, a sustained high level of unemployment, more expensive imports due to the reduced strength of the Australian and New Zealand dollars relative to other currencies, a deterioration of the financial condition of the Group's counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.
In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, the Group relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. The Group may also rely on representations of customers and independent consultants as to the accuracy and completeness of that information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

The Group holds provisions for credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to the Group's financial condition and results, requires subjective and complex judgements, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate or if the Group fails to analyse the information correctly, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on the Group's business, operations and financial condition.

8. Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's business operations and financial condition

The Group's capital base is critical to the management of its businesses and access to funding. Prudential regulators of the Group include, but are not limited to, APRA, RBNZ and various regulators in the Asia Pacific, United States and United Kingdom. The Group is required by its primary regulator, APRA, to maintain adequate regulatory capital.

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

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

APRA has now implemented Prudential Standards to accommodate Basel 3. Certain other

regulators have either implemented or are in the process of implementing regulations, including Basel 3, which seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations will have their intended effect. Some of these regulations, together with any risks arising from any regulatory changes (including those arising from APRA's response to the remaining FSI recommendations, further changes from APRA's unquestionably strong requirements or the requirements of the BCBS including, for example, further refinements to Basel 3 requirements), are described in risk factor 4 "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition".

9. The Group's credit ratings could change and adversely affect the Group's ability to raise capital and wholesale funding and constrain the volume of new lending which may adversely affect the Group's business operations and financial condition

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies by which they are determined may also be revised in response to legal or regulatory changes, market developments or for any other reason.

During 2017, Fitch, Standard & Poor's and Moody's affirmed or revised their respective ratings and outlooks of the major Australian banks, including ANZ, as follows:

- Fitch (March 2017): Affirmed the ratings of the major Australian banks, including the Group, with a stable outlook;
- Standard & Poor's (May 2017): lowered its assessment of Australia's Banking Industry Country Risk Assessment ("BICRA") from 2 to 3 and subsequently lowered its assessment of the standalone credit profiles of almost all financial institutions operating in Australia including ANZ. This resulted in the downgrading of the ratings on hybrid and subordinated debt instruments issued by ANZ and ANZ New Zealand by one notch. ANZ and ANZ New Zealand's long term rating remained at AA- with negative outlook; and
- Moody's (June 2017): Revised its outlook for Australia's macro profile from "Very Strong negative", to "Strong plus" and downgraded the long-term rating of ANZ (alongside the other three major Australian banks) from Aa2 to Aa3. In addition, ANZ's hybrid and subordinated debt were downgraded by one notch. Moody's also revised the outlook for ANZ (and the other major Australian banks) from negative to stable. The long-term rating of ANZ New Zealand was also downgraded one notch to A1 from Aa3, and the hybrid and subordinated debt downgraded by one notch. The outlook for ANZ New Zealand was revised from negative to stable.

The Group's credit ratings could be revised at any time in response to a change in the credit rating of the Commonwealth of Australia.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies.

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

Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by the Group.

10. Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's business, operations and financial condition

The Group and its service offerings (including digital banking) are highly dependent on information systems applications and technology. Therefore, there is a risk that these information systems applications and technology, or the services the Group uses or is dependent upon, might fail, including because of unauthorised access or use.

Most of the Group's daily operations are computer-based and information systems applications and

technology are essential to maintaining effective communications with customers. The Group is also conscious that threats to information systems applications and technology are continuously evolving and that cyber threats and risk of attacks are increasing. The Group may not be able to anticipate or implement effective measures to prevent or minimise disruptions that may be caused by all cyber threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well-resourced. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the inability of the existing systems to effectively accommodate growth, prevent unauthorised access and integrate existing and future acquisitions and alliances.

To manage these risks, the Group has disaster recovery and information technology governance in place. However, there can be no guarantee that the steps the Group is taking in this regard will be effective and any failure of these systems could result in business interruption, customer dissatisfaction, legal or regulatory breaches and liability and ultimately loss of customers, financial compensation, damage to reputation and/or a weakening of the Group's competitive position, which could adversely impact the Group's business and have a material adverse effect on the Group's operations and financial condition.

In addition, the Group has an ongoing need to update and implement new information systems applications and technology, in part to assist the Group in satisfying regulatory demands, ensuring information security, enhancing digital banking services for the Group's customers and integrating the various segments of the Group's business. For example, the Group is piloting the release of voice biometrics for customer transactions on mobile devices and working towards implementing the industry New Payments Platform (which will be an open access infrastructure for fast payments in Australia). The Group may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of the Group's information security controls or a decrease in the Group's ability to service its customers. ANZ New Zealand relies on the Group to provide a number of information technology systems, and any failure of the Group's systems could directly affect ANZ New Zealand.

11. Risks associated with information security including cyber-attacks, may adversely affect the Group's business, reputation, operations and financial condition

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations, including in Australia, New Zealand, India, USA, Europe, Singapore and China.

The Group operates in 34 countries and the risks to its systems are inherently higher in certain countries where, for example, political threats or targeted cyber-attacks by terrorist or criminal organisations are greater.

The Group employs a team of information security experts who are responsible for the development and implementation of the Group's Information Security Policy. The Group also uses third parties to process and manage information on its behalf, and any failure by such third parties could adversely affect the Group's business.

The Group is conscious that threats to information systems are continuously evolving and that cyber threats, including but not limited to, cyber compromise, advanced persistent threats, distributed denial of service, malware and ransomware attacks, and the risk of such attacks are increasing, and as such the Group may be unable to develop policies and procedures to adequately address or mitigate such risks. Accordingly, information about the Group and/or its clients may be inadvertently accessed, inappropriately distributed or illegally accessed or stolen.

The Group may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. Any unauthorised access of the Group's information systems or unauthorised use of its confidential information could potentially result in disruption of the Group's operations, breaches of privacy

laws, regulatory sanctions, legal action, and claims for compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial results and reputation.

12. Disruption to electricity markets and gas markets may adversely affect the Group's business, operations and financial condition

During 2016 and 2017, there have been various events in Australia that have affected retail, commercial and industrial electricity and gas users. These events include the closure of the Hazelwood coal power station in Victoria, black-outs in South Australia, export demand for Queensland LNG gas and announcements relating to energy policy and investment by the Australian federal government and the South Australian state government.

Some of these events resulted in higher electricity and gas prices, as well as disruption to electricity and gas markets. The cost of sustained high prices may flow through to business and consumers. The potential inability of businesses to pass through this cost increase to customers may lead to credit risk associated with the Group's customers. The impact of higher electricity cost for consumers could lead to reduced consumption and indirectly impact the demand for goods and services, contributing to lower business profitability. Higher electricity costs may also increase the CPI and influence upward adjustments to interest rate settings.

These effects may adversely affect the Group's customers or the Group's collateral position in relation to credit facilities extended to such customers, which may adversely affect the Group's business, operations and financial condition.

13. Impact of future climate change, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's business, operations and financial condition

The Group and its customers are exposed to climate related events, including climate change. These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The Group and its customers may also be exposed to other events such as geological events (including volcanic seismic activity or tsunamis), plant, animal and human diseases or a pandemic.

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

14. Liquidity and funding risk events may adversely affect the Group's business, operations and financial condition

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

Reduced liquidity could lead to an increase in the cost of the Group's borrowings and constrain the volume of new lending, which could adversely affect the Group's profitability. Deterioration in investor confidence in the Group could materially impact the Group's cost of borrowing, and the Group's ongoing operations and funding.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding obligations and to maintain or grow its business generally. In times of liquidity stress, if there is damage to market confidence in the Group or if funding inside or outside of Australia is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk. In any such cases, the Group may be forced to seek alternative funding. The availability of such alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions and the Group's credit ratings (which are strongly influenced by Australia's sovereign credit rating). Even if available, the cost of these funding

alternatives may be more expensive or on unfavourable terms, which could adversely affect the Group's financial performance, liquidity, capital resources and financial condition.

Since the advent of the global financial crisis in 2007, developments in major markets (including the United States, Europe and China) have adversely affected the liquidity in global capital markets and increased funding costs, for significant periods, compared with the period immediately preceding the global financial crisis.

More recently, the provision of significant amounts of liquidity by major central banks globally has helped mitigate near term liquidity concerns, although no assurance can be given that such liquidity concerns will not return, particularly when this liquidity is incrementally withdrawn by central banks. Future deterioration in market conditions may limit the Group's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow the Group's businesses.

15. Changes in monetary policies may adversely affect the Group's business, operations and financial condition

Central monetary authorities (including the RBA, the RBNZ, the United States Federal Reserve, the Bank of England and the monetary authorities in the Asian jurisdictions in which the Group operates) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. For instance, the U.S. Federal Reserve increased interest rates in December 2016, March 2017 and June 2017, though the Australian Reserve Bank lowered interest rates in May 2016 and August 2016 and has since kept the interest rates on hold. In addition, in some jurisdictions, currency policy is also used to influence general business conditions and the demand for money and credit. These measures and policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. These factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The measures and policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in interest rates and monetary policy are difficult to predict and may adversely affect the Group's business, operations and financial condition.

16. Acquisitions and/or divestments may adversely affect the Group's business, operations and financial condition

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

Divestments by the Group up until the 2nd November included entering into agreements to sell:

- A majority of the Group's Retail and Wealth businesses in Asia;
- A 20% stake in Shanghai Rural Commercial Bank;
- UDC Finance;
- The Group's pensions and investments and aligned dealer group businesses in Australia; and
- A 20% stake in Metrobank Card Corporation (in addition to entering into a put option to sell its remaining 20% interest).

The sale of the Group's Retail and Wealth businesses in China, Singapore and Hong Kong have now completed. The other transactions listed above remain subject to regulatory approvals and other completion conditions.

The Group is also considering the sale of its life insurance business in Australia.

There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for the Group's securities. Additionally, there are risks relating to the completion of any particular transaction occurring, including counterparty and settlement risk, or the non-satisfaction of any completion

conditions (for example, relevant regulatory or third party approvals). The Group's operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. This could adversely affect the Group's ability to conduct its business successfully and impact the Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment), and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the Group's operations or results. Further, there is a risk that completion of an agreed transaction may not occur, including due to failure of the counterparty to satisfy its completion conditions or because other completion conditions such as obtaining relevant regulatory approvals are not satisfied.

17. Sovereign risk events may destabilise global financial markets and may adversely affect the Group's, business, operations and financial condition

Sovereign risk is the risk that foreign governments will default on their debt obligations, be unable to refinance their debts as and when they fall due or nationalise parts of their economy. Sovereign risk remains in many economies, including the United States, United Kingdom, China, Europe and Australia. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt crises. Such events could destabilise global financial markets and adversely affect the Group's liquidity, financial performance or financial condition.

18. Market risk events may adversely affect the Group's business, operations and financial condition

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the Group's trading operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded markets risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations, market risk arising from the insurance business, non-traded equity risk and lease residual value risk. For a further discussion of market and related risks, see Note 16 to the Group's 2017 Annual Financial Statements.

19. Changes in exchange rates may adversely affect the Group's business, operations and financial condition

As the Group conducts business in several different currencies, its businesses may be affected by a change in currency exchange rates. Additionally, as the Group's annual and interim reports are prepared and stated in Australian dollars, any appreciation in the Australian dollar against other currencies in which the Group earns revenues (particularly to the New Zealand dollar and United States dollar) may adversely affect the Group's reported earnings.

The Group has put in place hedges to partially mitigate the impact of currency changes, but there can be no assurance that the Group's hedges will be sufficient or effective, and any further appreciation could have an adverse impact upon the Group's earnings.

20. Operational risk may adversely affect the Group's business, operations and financial condition

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

Operational risk is typically classified into risk event type categories to measure and compare risks on a consistent basis. Examples of operational risk events according to category are as follows:

- Internal Fraud: associated with the Group's employees acting outside their normal employment conditions/procedures to create a financial advantage for themselves or others;
- External Fraud: fraudulent acts or attempts which originate from outside the Group, more commonly associated with digital banking, lending, and cards products. Specific threats include ATM skimming, malware and phishing attacks and fraudulent applications and transactions, where financial advantage is obtained;
- Employment Practices and Workplace Safety: employee relations, diversity and discrimination, loss of key staff or inadequate management of human resources including the Chief Executive Officer (CEO) and the management team of the CEO, and health and safety risks to the Group's employees;
- Clients, Products and Business Practices: risk of market manipulation, product defects, incorrect advice, money laundering and misuse or unauthorised disclosure of customer information;
- Business Disruption (including systems failures): risk that the Group's banking operating systems are disrupted or fail;
- Damage to Physical Assets: risk that a natural disaster or terrorist or vandalism attack damages the Group's buildings or property; and
- Execution, Delivery and Process Management: is associated with losses resulting from, among other things, process errors made by the Group's employees caused by inadequate or poorly designed internal processes, or the poor execution of standard processes, vendor, supplier or outsource provider errors or failed mandatory reporting errors.

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

21. Reputational risk events may adversely affect the Group's business, operations and financial condition

Reputational risk may arise as a result of an external event or the Group's own actions, and adversely affect perceptions about the Group held by the public (including the Group's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on the Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the Group's business, operations and financial condition.

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

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

22. Conduct-related risk events or behaviours that do not appropriately consider the interests of consumers, the integrity of financial markets and the expectations of the community may adversely affect the Group's business, reputation, operations and financial condition

Conduct-related risks can result from:

- the provision of unsuitable or inappropriate advice (for example, advice that is not commensurate with a customer's needs and objectives or appetite for risk);
- the representation of, or disclosure about, a product or service which is inaccurate, or does not provide adequate information about risks and benefits to customers;
- a failure to deliver product features and benefits in accordance with terms, disclosures, recommendations and/or advice;
- a failure to appropriately avoid or manage conflicts of interest;
- sales and/or promotion processes (including incentives and remuneration for staff engaged in promotion, sales and/or the provision of advice);
- the provision of credit, outside of the Group's policies and standards; and
- trading activities in financial markets, outside of the Group's policies and standards.

The Group is regulated under various legislative regimes in the countries in which it operates that provide for customer protection in relation to advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorised to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes.

Since September 2014, the Australian Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including unethical or misleading financial advice and compensation processes for consumers impacted by that advice. In June 2017 the final report from the Australian Senate Economic References Committee on the Scrutiny of Financial Advice was released and stated that the culture and practises of the financial advice industry "fall well short of the public's expectations". Inappropriate advice about financial products and services may result in material litigation (and associated financial costs) and together with the failure to avoid or manage conflicts of interest and/or inadequate improvement to culture and practises, may expose the Group to regulatory actions, restrictions or conditions on banking licenses and/or reputational consequences which could adversely affect the Group's business, operations and financial condition.

23. Unexpected changes to the Group's license to operate in any jurisdiction may adversely affect the Group's business, operations and financial condition

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

24. Insurance risk events may adversely affect the Group's business, operations and financial condition

The Group is exposed to insurance risk events, predominantly in the Group's life insurance business. Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In the Group's life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. If the Group incurs losses due to insurance risk events, such losses may adversely affect the Group's business, operations and financial condition.

25. Increasing compliance costs, the risk of heightened penalties and ongoing regulatory scrutiny with respect to the significant obligations imposed by global tax reporting regimes (which are still evolving), may adversely affect the Group's business, operations and financial condition

The U.S. Foreign Account Tax Compliance Act ("FATCA") requires non U.S. financial institutions to undertake ongoing customer due diligence and provide information on account holders who are U.S. citizens or tax residents to the United States Internal Revenue Service ("IRS") either directly or via local tax authorities. If the ongoing obligations are not completed in the manner and form meeting the applicable requirements, the Group and/or customers owning assets in accounts with Group members may be subjected to a 30 percent withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on 1 January 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to 1 January 2019, at the earliest. In the event that any country in which ANZ operates does not finalise and enforce an Intergovernmental Agreement ("IGA") with the United States, and that country has local law impediments preventing compliance with FATCA, the Group may also be subject to broader compliance issues, significant withholding exposure and other operational impacts.

In addition to FATCA, the U.S. may require the Group to provide certain information to U.S. payers (withholding agents, custodians, etc.) and the Group may face adverse consequences where it does not comply with the applicable rules and regulations.

The OECD's Common Reporting Standard ('CRS') provides for the Automatic Exchange of (financial account) Information ('AEOI') in tax matters. Over 100 jurisdictions have committed to implement the CRS. The CRS has commenced in a number of countries in which the Group has operations for example, Australia, New Zealand, Hong Kong, Singapore and the United Kingdom. CRS requirements, though generally similar to FATCA, have significant country by country variations and require a higher standard of compliance in many aspects, with significant penalties for non-collection/reporting of prescribed customer information. Ongoing OECD peer review and other regulatory review activities are likely to result in further obligations and an increased focus on compliance with the CRS and each country of adoption ensuring that its penalty regime is sufficiently adequate to deter non-compliance.

In line with other global financial institutions, the Group has made and is expected to make significant investments in order to continue to comply with the extensive requirements of FATCA, the CRS and the various other in-country tax reporting initiatives in all the countries that it operates in.

26. Changes in the valuation of some of the Group's assets and liabilities may have a material adverse effect on the Group's earnings and/or equity

The Group applies accounting standards which require that various financial instruments, including certain derivative instruments and assets and liabilities held for sale (as per the Notes to the Group's 2017 Annual Financial Statements are recognised at fair value with changes in fair value recognised in earnings or equity.

Generally, in order to establish the fair value of these instruments, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on present value estimates or other accepted valuation techniques which incorporate the impact of factors that would influence the fair value as determined by a market participant. The fair value of these instruments is impacted by changes in market prices or valuation inputs which could have a material adverse effect on the Group's earnings.

In addition, the Group may be exposed to a reduction in the value of non-lending related assets as a result of impairments which are recognised in earnings. The Group is required to assess the recoverability of goodwill balances at least annually and other non-financial assets including premises and equipment, investment in associates, capitalised software and other intangible assets (including acquired portfolio of insurance and investment business and deferred acquisition costs) where there are indicators of impairment.

For the purpose of assessing the recoverability of the goodwill balances, the Group uses either a

discounted cash flow or a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balances.

In respect of other non-financial assets, in the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, impairment may be recorded.

27. Changes to accounting policies may adversely affect the Group's financial position or performance

The accounting policies and methods that the Group applies are fundamental to how it records and reports its financial position and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but that they also reflect the most appropriate manner in which to record and report on the Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position and results of operations. In addition, the application of new or revised generally accepted accounting principles could have a material adverse effect on the Group's financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with the generally accepted accounting principles applicable to the Group and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

28. Litigation and contingent liabilities may adversely affect the Group's business, operations and financial condition

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which may adversely affect the Group's business, operations and financial condition.

The Group had contingent liabilities as at September 30, 2017 in respect of the matters outlined in Note 33 to the Group's 2017 Annual Financial Statements.

Note 33 includes, among other things, descriptions of:

- bank fees litigation;
- benchmark/rate actions;
- regulatory reviews and customer exposures; and
- security recovery actions.

In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of these investigations and reviews can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability, wealth advice, pricing and competition, conduct in financial markets and capital market transactions. During the year, the Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

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

Responsibility statement of the Directors of ANZBGL in accordance with Rule 4.1.12 (3)(b) of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority

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

ANZ's 2017 Annual Financial Report (as defined on page 1 of this DTR Annual Financial Report submission) includes:

(i) a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole; together with

(ii) a description of the principal risks and uncertainties faced by the Group.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

2 November 2017