



Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Half Year

31 March 2023

Consolidated Financial Report

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This Consolidated Financial Report has been prepared for Australia and New Zealand Banking Group Limited (ANZBGL, Company, us, we, or our) and its subsidiaries (Group).

All amounts are in Australian dollars unless otherwise stated. The Group has a formally constituted Audit Committee of the Board of Directors. The Condensed Consolidated Financial Statements were approved by resolution of the Board of Directors on 4 May 2023.

DISCLAIMER & IMPORTANT NOTICE:

The material in this Consolidated Financial Report contains general background information about the Group's activities current as at 4 May 2023. It is information given in summary form and does not purport to be complete. It is not intended to be and should not be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

This Consolidated Financial Report may contain forward-looking statements or opinions including statements regarding our intent, belief or current expectations with respect to the Group's business operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. When used in the Consolidated Financial Report, the words 'forecast', 'estimate', 'project', 'intend', 'anticipate', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, as they relate to the Group and its management, are intended to identify forward-looking statements or opinions. Those statements are usually predictive in character; or may be affected by inaccurate assumptions or unknown risks and uncertainties or may differ materially from results ultimately achieved. As such, these statements should not be relied upon when making investment decisions. These statements only speak as at the date of publication and no representation is made as to their correctness on or after this date. Forward-looking statements constitute 'forward-looking statements' for the purposes of the United States Private Securities Litigation Reform Act of 1995. The Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

The Directors present their report on the Condensed Consolidated Financial Statements for Australia and New Zealand Banking Group Limited (the Company) for the half year ended 31 March 2023.

Directors

The names of the Directors of the Company who held office during and since the end of the half year are:

Mr PD O'Sullivan	Chairman
Mr SC Elliott	Director and Chief Executive Officer
Ms IR Atlas, AO	Director
Ms SJ Halton, AO PSM	Director
Mr GR Liebelt	Director, retired 15 December 2022
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT Macfarlane	Director
Ms CE O'Reilly	Director
Mr JP Smith	Director
Mr GK Hodges	Director, appointed 8 February 2023

Establishment of a New Group Organisational Structure

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 (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.

The key steps undertaken in the Restructure were:

- New legal entities ANZGHL, ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd were created;
- each ANZ shareholder received one ANZGHL ordinary share for each ANZ ordinary share that they held prior to the implementation of the Restructure;
- ANZBGL transferred its beneficial interests in banking-adjacent businesses to ANZ NBH Pty Ltd;
- ANZBGL transferred its interest in several properties to ANZ Group Services Pty Ltd;
- ANZBGL transferred all shares in ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd to ANZGHL; and
- ANZGHL transferred all shares in ANZBGL to ANZ BH Pty Ltd.

As a result of the Restructure, the consolidated results of ANZBGL and its subsidiaries (Group) for the March 2023 half consist of:

- the results of the former ANZ Group for the period 1 October 2022 to 2 January 2023;
- the result of ANZBGL and its subsidiaries for the period 3 January to 31 March 2023.

ANZGHL Financial Information

As a result of the Restructure, the ultimate holding company of ANZBGL is ANZGHL. A copy of the ANZGHL Consolidated Financial Report, Dividend Announcement and Appendix 4D for the March 2023 half year can be accessed via the ANZ Shareholder Centre on the Group website <https://www.anz.com/shareholder/centre/reporting/results-announcement/>.

Performance overview

Consolidated Income Statement

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Net interest income	8,500	7,774	7,100	9%	20%
Other operating income	1,647	2,110	2,442	-22%	-33%
Operating income	10,147	9,884	9,542	3%	6%
Operating expenses	(4,986)	(4,788)	(4,791)	4%	4%
Profit before credit impairment and income tax	5,161	5,096	4,751	1%	9%
Credit impairment (charge)/release	(133)	(52)	284	large	large
Profit before income tax	5,028	5,044	5,035	0%	0%
Income tax expense and non-controlling interests	(1,460)	(1,441)	(1,500)	1%	-3%
Profit after tax from continuing operations	3,568	3,603	3,535	-1%	1%
Profit/(Loss) after tax from discontinued operations	-	(14)	(5)	large	large
Profit for the period	3,568	3,589	3,530	-1%	1%

March 2023 v March 2022

- **Net interest income** increased \$1,400 million (20%) driven by a \$73.5 billion (8%) increase in average interest earning assets and a 17 bps increase in net interest margin. The increase in average interest earning assets was driven by higher average net loans and advances, cash and other liquid assets, and trading assets and investment securities. The net interest margin increased from 158 bps to 175 bps driven by favourable deposit margins from a rising interest rate environment, and higher earnings on capital and replicating deposits. This was partially offset by home loan pricing competition in the Australia Retail and New Zealand divisions, unfavourable asset and funding mix, growth in lower yielding liquid assets, and decrease in Markets net interest income driven by higher funding costs, primarily on commodity and fixed income assets, where the related revenues are recognised as Other operating income.
- **Other operating income** decreased \$795 million (33%) primarily driven by lower net foreign exchange earnings and other financial instruments income (\$533 million), a gain on completion of ANZ Worldline partnership (\$307 million) in the March 2022 half, lower fees and commission income (\$46 million), and a loss on reclassification of data centres in Australia to held for sale (\$43 million). This was partially offset by recycling of foreign currency translation reserve losses to Other operating income following the dissolution of several entities (\$65 million) and a loss on disposal of financial planning and advice business (\$62 million), both in the March 2022 half.
- **Operating expenses** increased \$195 million (4%) driven by higher personnel expenses (\$232 million) mainly due to inflationary impacts on wages, partially offset by lower professional fees (\$58 million) from reduced spend on regulatory and compliance initiatives.
- **Credit impairment charge** increased \$417 million driven by an increase in the collectively assessed credit impairment charge, partially offset by a decrease in the individually assessed credit impairment charge.

March 2023 v September 2022

- **Net interest income** increased \$726 million (9%) driven by a \$52.9 billion (6%) increase in average interest earning assets and a 7 bps increase in net interest margin. The increase in average interest earning assets was driven by higher average net loans and advances, cash and other liquid assets, and trading assets and investment securities. The net interest margin increased from 168 bps to 175 bps driven by favourable deposit margins from a rising interest rate environment, and higher earnings on capital and replicating deposits. This was partially offset by home loan pricing competition in the Australia Retail and New Zealand divisions, growth in lower yielding liquid assets, unfavourable asset and funding mix, and decrease in Markets net interest income driven by higher funding costs, primarily on commodity and fixed income assets, where the related revenues are recognised as Other operating income.
- **Other operating income** decreased \$463 million (22%) primarily driven by lower net foreign exchange earnings and other financial instruments income (\$280 million), lower net fee and commission income (\$52 million), lower net income from insurance business (\$45 million) and a loss on reclassification of data centres in Australia to held for sale (\$43 million).
- **Operating expenses** increased \$198 million (4%) driven by higher personnel expenses (\$244 million) mainly due to inflationary impacts on wages, partially offset by lower professional fees (\$65 million) from reduced spend on regulatory and compliance initiatives, and lower premises expenses (\$37 million) driven by the modification of a significant lease arrangement in the September 2022 half.
- **Credit impairment charge** increased \$81 million driven by an increase in the collectively assessed credit impairment charge, partially offset by higher individually assessed credit impairment releases.

Consolidated Balance Sheet

	As at			Movement	
	Mar 23 \$B	Sep 22 \$B	Mar 22 \$B	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Assets					
Cash / Settlement balances owed to ANZ / Collateral paid	225.1	185.6	186.0	21%	21%
Trading assets and investment securities	133.1	121.4	119.2	10%	12%
Derivative financial instruments	45.6	90.2	45.2	-49%	1%
Net loans and advances	690.7	672.4	651.4	3%	6%
Other	17.1	16.0	15.6	7%	10%
Total assets	1,111.6	1,085.6	1,017.4	2%	9%
Liabilities					
Settlement balances owed by ANZ / Collateral received	31.0	30.0	26.5	3%	17%
Deposits and other borrowings	843.1	797.3	780.3	6%	8%
Derivative financial instruments	46.2	85.1	47.8	-46%	-3%
Debt issuances	106.2	93.7	87.2	13%	22%
Other	16.5	13.2	13.8	25%	20%
Total liabilities	1,043.0	1,019.3	955.6	2%	9%
Total equity	68.6	66.4	61.8	3%	11%

March 2023 v March 2022

- **Cash / Settlement balances owed to ANZ / Collateral paid** increased \$39.1 billion (21%) driven by increases in balances with central banks, reverse repurchase agreements, and the impact of foreign currency translation movements, partially offset by a decrease in collateral paid.
- **Trading assets and investment securities** increased \$13.9 billion (12%) driven by an increase in semi-government bonds as part of portfolio rebalancing, and the impact of foreign currency translation movements.
- **Net loans and advances** increased \$39.3 billion (6%) driven by driven by home loan growth, higher business lending, and the impact of foreign currency translation movements.
- **Settlement balances owed by ANZ / Collateral received** increased \$4.5 billion (17%) driven by higher cash clearing account balances and higher collateral received.
- **Deposits and other borrowings** increased \$62.8 billion (8%) driven by increases in customer deposits, certificates of deposit, commercial paper, deposits from banks, repurchase agreements, and the impact of foreign currency translation movements.
- **Debt issuances** increased \$19.0 billion (22%) driven by issue of new senior and subordinated debt, including ANZ Capital Notes 8, and the impact of foreign currency translation movements.

March 2023 v September 2022

- **Cash / Settlement balances owed to ANZ / Collateral paid** increased \$39.5 billion (21%) driven by increases in balances with central banks, settlement balances owed to ANZ, and reverse repurchase agreements, partially offset by a decrease in collateral paid.
- **Trading assets and investment securities** increased \$11.7 billion (10%) primarily driven by an increase in semi-government bonds as part of portfolio rebalancing.
- **Derivative financial assets and liabilities** decreased \$44.6 billion (49%) and \$38.9 billion (46%) respectively driven by the maturity and/or unwind of positions held in the prior period that were impacted by market rate movements, primarily the significant strengthening of the USD.
- **Net loans and advances** increased \$18.3 billion (3%) driven by home loan growth, higher business lending, and the impact of foreign currency translation movements.
- **Deposits and other borrowings** increased \$45.8 billion (6%) driven by increases in customer deposits, certificates of deposit, deposits from banks, repurchase agreements, and the impact of foreign currency translation movements.
- **Debt issuances** increased \$12.5 billion (13%) driven by the issue of new senior and subordinated debt, including ANZ Capital Notes 8, and the impact of foreign currency translation movements.

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

Australia and New Zealand Banking Group Limited

	Note	Half Year			Movement	
		Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Interest income		22,838	13,902	9,707	64%	large
Interest expense		(14,338)	(6,128)	(2,607)	large	large
Net interest income	2	8,500	7,774	7,100	9%	20%
Other operating income	2	1,507	1,922	2,313	-22%	-35%
Net income from insurance business	2	40	85	55	-53%	-27%
Share of associates' profit/(loss)	2, 15	100	103	74	-3%	35%
Operating income		10,147	9,884	9,542	3%	6%
Operating expenses	3	(4,986)	(4,788)	(4,791)	4%	4%
Profit before credit impairment and income tax		5,161	5,096	4,751	1%	9%
Credit impairment (charge)/release	8	(133)	(52)	284	large	large
Profit before income tax		5,028	5,044	5,035	0%	0%
Income tax expense	4	(1,446)	(1,440)	(1,500)	0%	-4%
Profit after tax from continuing operations		3,582	3,604	3,535	-1%	1%
Profit/(Loss) after tax from discontinued operations		-	(14)	(5)	large	large
Profit for the period		3,582	3,590	3,530	0%	1%
Comprising:						
Profit attributable to shareholders of the Company		3,568	3,589	3,530	-1%	1%
Profit attributable to non-controlling interests	13	14	1	-	large	n/a

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Profit for the period from continuing operations	3,582	3,604	3,535	-1%	1%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI	50	(66)	11	large	large
Other reserve movements	(32)	28	99	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve	792	16	(775)	large	large
Other reserve movements	1,073	(1,549)	(2,631)	large	large
Income tax attributable to the above items	(301)	429	743	large	large
Share of associates' other comprehensive income¹	8	(50)	10	large	-20%
Other comprehensive income after tax from continuing operations	1,590	(1,192)	(2,543)	large	large
Profit/(Loss) after tax from discontinued operations	-	(14)	(5)	large	large
Total comprehensive income for the period	5,172	2,398	987	large	large
Comprising total comprehensive income attributable to:					
Shareholders of the Company	5,128	2,412	987	large	large
Non-controlling interests	44	(14)	-	large	n/a

¹. Share of associates' other comprehensive income includes:

	Mar 23 half \$M	Sep 22 half \$M	Mar 22 half \$M
FVOCI reserve gain/(loss)	2	(51)	(5)
Defined benefits gain/(loss)	6	-	15
Foreign currency translation reserve gain/(loss)	-	1	-
Total	8	(50)	10

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Note	As at			Movement	
		Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Assets						
Cash and cash equivalents ¹		208,800	168,132	168,054	24%	24%
Settlement balances owed to ANZ		7,020	4,762	7,141	47%	-2%
Collateral paid		9,245	12,700	10,764	-27%	-14%
Trading assets		39,611	35,237	39,433	12%	0%
Derivative financial instruments		45,614	90,174	45,238	-49%	1%
Investment securities		93,505	86,153	79,757	9%	17%
Net loans and advances	7	690,737	672,407	651,436	3%	6%
Regulatory deposits		646	632	661	2%	-2%
Investments in associates		2,214	2,181	2,018	2%	10%
Current tax assets		49	46	227	7%	-78%
Deferred tax assets		3,014	3,384	2,903	-11%	4%
Goodwill and other intangible assets		3,933	3,877	4,068	1%	-3%
Premises and equipment		2,613	2,431	2,702	7%	-3%
Other assets		4,604	3,613	2,959	27%	56%
Total assets		1,111,605	1,085,729	1,017,361	2%	9%
Liabilities						
Settlement balances owed by ANZ		23,010	13,766	19,752	67%	16%
Collateral received		8,002	16,230	6,716	-51%	19%
Deposits and other borrowings	9	843,098	797,281	780,288	6%	8%
Derivative financial instruments		46,154	85,149	47,795	-46%	-3%
Current tax liabilities		342	829	320	-59%	7%
Deferred tax liabilities		58	83	82	-30%	-29%
Payables and other liabilities		13,875	9,835	10,579	41%	31%
Employee entitlements		592	549	585	8%	1%
Other provisions		1,692	1,872	2,262	-10%	-25%
Debt issuances	10	106,157	93,734	87,226	13%	22%
Total liabilities		1,042,980	1,019,328	955,605	2%	9%
Net assets		68,625	66,401	61,756	3%	11%
Shareholders' equity						
Ordinary share capital	13	29,054	28,797	25,091	1%	16%
Reserves	13	(1,065)	(2,606)	(1,422)	-59%	-25%
Retained earnings	13	40,111	39,716	38,078	1%	5%
Share capital and reserves attributable to shareholders of the Company		68,100	65,907	61,747	3%	10%
Non-controlling interests	13	525	494	9	6%	large
Total shareholders' equity		68,625	66,401	61,756	3%	11%

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

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M
Profit after income tax	3,582	3,590	3,530
Adjustments to reconcile to net cash flow from operating activities:			
Credit impairment charge/(release)	133	52	(284)
Depreciation and amortisation	478	499	509
Loss on reclassification of data centres to held for sale	43	-	-
(Profit)/loss on sale of premises and equipment	-	(8)	-
Net derivatives/foreign exchange adjustment	5,417	(4,055)	(379)
(Gain)/loss on sale from divestments	-	7	(259)
Other non-cash movements	(763)	(734)	(175)
<i>Net (increase)/decrease in operating assets:</i>			
Collateral paid	3,185	(704)	(1,934)
Trading assets	(2,273)	4,557	3,463
Loans and advances	(11,877)	(18,073)	(28,305)
Other assets	(587)	574	111
<i>Net increase/(decrease) in operating liabilities:</i>			
Deposits and other borrowings	41,699	(32)	48,911
Settlement balances owed by ANZ	9,053	(6,011)	2,525
Collateral received	(7,892)	8,205	1,263
Other liabilities	(1,067)	(332)	3,665
Total adjustments	35,549	(16,055)	29,111
Net cash (used in)/provided by operating activities¹	39,131	(12,465)	32,641
Cash flows from investing activities			
Investment securities:			
Purchases	(13,494)	(17,083)	(17,209)
Proceeds from sale or maturity	5,432	14,305	18,492
Controlled entities and associates:			
Purchased, net of cash acquired	-	-	(65)
Proceeds from divestments, net of cash disposed	577	-	394
Net investments in other assets	(350)	(132)	(519)
Net cash (used in)/provided by investing activities	(7,835)	(2,910)	1,093
Cash flows from financing activities			
Deposits and other borrowings drawn down	937	794	432
Debt issuances: ²			
Issue proceeds	25,041	15,955	7,467
Redemptions	(14,689)	(9,141)	(16,876)
Dividends paid ^{3,4}	(2,299)	(1,790)	(1,994)
On market purchase of treasury shares	(19)	-	(117)
Repayment of lease liabilities	(156)	(60)	(158)
Share buy-back	-	-	(846)
ANZ Bank New Zealand Perpetual Preference Shares	-	492	-
Share entitlement issue	-	3,497	-
Net cash (used in)/provided by financing activities	8,815	9,747	(12,092)
Net increase/(decrease) in cash and cash equivalents	40,111	(5,628)	21,642
Cash and cash equivalents at beginning of period	168,132	168,054	151,260
Effects of exchange rate changes on cash and cash equivalents	557	5,706	(4,848)
Cash and cash equivalents at end of period	208,800	168,132	168,054

¹ Net cash (used in)/provided by operating activities includes interest received of \$22,084 million (Sep 22 half: \$13,129 million; Mar 22 half: \$9,619 million), interest paid of \$12,720 million (Sep 22 half: \$5,223 million; Mar 22 half: \$2,634 million) and income taxes paid of \$1,827 million (Sep 22 half: \$749 million; Mar 22 half: \$1,422 million).

² Non-cash changes in debt issuances include a loss of \$2,072 million (Sep 22 half: \$831 million gain; Mar 22 half: \$3,894 million gain) from unrealised movements primarily due to fair value hedge adjustments and foreign exchange differences.

³ Cash outflow for shares purchased to satisfy the Dividend Reinvestment Plan (DRP) are classified in dividends paid.

⁴ Includes \$320 million cash outflow as part of the special dividend to the Group's parent entity, ANZ BH Pty Ltd, during the March 2023 half.

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital	Reserves	Retained earnings	Share capital and reserves attributable to shareholders of the Company	Non- controlling interests	Total shareholders' equity
	\$M	\$M	\$M	\$M	\$M	\$M
As at 1 October 2021	25,984	1,228	36,453	63,665	11	63,676
Profit/(Loss) from continuing operations	-	-	3,535	3,535	-	3,535
Profit/(Loss) from discontinued operations	-	-	(5)	(5)	-	(5)
Other comprehensive income for the period from continuing operations	-	(2,628)	85	(2,543)	-	(2,543)
Total comprehensive income for the period	-	(2,628)	3,615	987	-	987
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,992)	(1,992)	(2)	(1,994)
Group share buy-back ¹	(846)	-	-	(846)	-	(846)
Other equity movements:						
Employee share and option plans	(47)	-	-	(47)	-	(47)
Other items	-	(22)	2	(20)	-	(20)
As at 31 March 2022	25,091	(1,422)	38,078	61,747	9	61,756
Profit/(Loss) from continuing operations	-	-	3,603	3,603	1	3,604
Profit/(Loss) from discontinued operations	-	-	(14)	(14)	-	(14)
Other comprehensive income for the period from continuing operations	-	(1,207)	30	(1,177)	(15)	(1,192)
Total comprehensive income for the period	-	(1,207)	3,619	2,412	(14)	2,398
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(1,973)	(1,973)	-	(1,973)
Dividend Reinvestment Plan ²	183	-	-	183	-	183
Share entitlement issue ³	3,497	-	-	3,497	-	3,497
Other equity movements:						
Employee share and option plans	26	-	-	26	-	26
ANZ Bank New Zealand Perpetual Preference Shares issued ⁴	-	-	(7)	(7)	499	492
Other items	-	23	(1)	22	-	22
As at 30 September 2022	28,797	(2,606)	39,716	65,907	494	66,401
Profit/(Loss) from continuing operations	-	-	3,568	3,568	14	3,582
Other comprehensive income for the period from continuing operations	-	1,600	(40)	1,560	30	1,590
Total comprehensive income for the period	-	1,600	3,528	5,128	44	5,172
Transactions with equity holders in their capacity as equity holders:						
Dividends paid ⁵	-	-	(3,172)	(3,172)	(13)	(3,185)
Dividend Reinvestment Plan ²	206	-	-	206	-	206
Other equity movements:						
Employee share and option plans	53	-	-	53	-	53
Net transfers following Restructure	-	(39)	39	-	-	-
Other items	(2)	(20)	-	(22)	-	(22)
As at 31 March 2023	29,054	(1,065)	40,111	68,100	525	68,625

¹ The Group completed its \$1.5 billion on-market share buy-back of ANZ ordinary shares resulting in 31 million shares being cancelled in the March 2022 half.

² 8.4 million shares were issued under the DRP for the 2022 final dividend (2022 interim dividend: 7.2 million; 2021 final dividend: nil). On-market share purchases for the DRP were \$204 million in the March 2022 half.

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

⁴ ANZ Bank New Zealand, a wholly owned subsidiary of ANZBGL, issued Perpetual Preference Shares in the September 2022 half which are considered non-controlling interests to the Group. Refer to Note 13 Shareholders' equity for further details.

⁵ Includes \$1,000 million special dividend paid to the Group's parent entity, ANZ BH Pty Ltd, during the March 2023 half.

The notes appearing on pages 13 to 47 form an integral part of the Condensed Consolidated Financial Statements.

1. Basis of preparation

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 (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.

On Restructure, each ANZ shareholder received one ANZGHL ordinary share for each ANZ ordinary share that they held prior to the implementation of the Restructure. The Restructure was accounted for as a reverse acquisition in the ANZGHL consolidated financial statements as at 31 March 2023, with ANZBGL identified as the acquirer in accordance with AASB 3 *Business Combinations*.

As a result of the Restructure, the ANZBGL consolidated results for the March 2023 half consist of:

- the results of the former ANZ Group for the period 1 October 2022 to 2 January 2023;
- the result of ANZBGL and its subsidiaries (Group) for the period 3 January to 31 March 2023.

Refer to iv) Accounting policies section below for details on accounting policy applicable to the Restructure.

These Condensed Consolidated Financial Statements have been prepared for the Australia New Zealand Banking Group Limited consolidated group.

Basis of Preparation

These Condensed Consolidated Financial Statements:

- have been prepared in accordance with the recognition and measurement requirements of *Australian Accounting Standards (AASs)*;
- should be read in conjunction with ANZ's Annual Financial Report for the year ended 30 September 2022 and any public announcements made by the ANZGHL and its controlled entities for the half year ended 31 March 2023 in accordance with the continuous disclosure obligations under the *Corporations Act 2001* and the *ASX Listing Rules*;
- do not include all notes of the type normally included in the 2022 ANZ Annual Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 4 May 2023.

i) Statement of Compliance

These Condensed Consolidated Financial Statements have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* which ensures compliance with IAS 34 *Interim Financial Reporting*.

ii) 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 *Australian Securities and Investments Commission Corporations Instrument 2016/191*.

iii) Basis of measurement and presentation

The financial information has been prepared in accordance with the historical cost basis except the following assets and liabilities that are stated at their fair values:

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

In accordance with AASB 119 *Employee Benefits*, defined benefit obligations are measured 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 periods were separately presented from the results of the continuing operations as a single line item 'Profit/(Loss) after tax from discontinued operations' in the Condensed Consolidated Income Statement.

iv) Accounting policies

These Condensed Consolidated Financial Statements have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2022 ANZ Annual Report.

Accounting policies applicable to the Restructure

The implementation of the non-operating holding company involved the transfer of assets and entities between companies within the wider ANZGHL Group. This had implications for the ANZBGL Consolidated financial statements due to the transfers extending outside of the ANZBGL group. From an accounting perspective, since the transfers were between wholly owned entities, these are considered common control transactions. As there is no specific accounting standard for such transfers, the Group is required to make an accounting policy choice.

The Group's accounting policy for the transfer of the assets and entities between companies under common control is to apply book value accounting. Under this approach, any differences between book value and the transfer price are recorded in equity. The accounting policy choice did not have a material impact on profit and loss or equity when the assets were transferred as part of the Restructure.

1. Basis of preparation, cont'd

v) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions impacting the application of accounting policies and financial outcomes. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in the 2022 ANZ Annual Report. Such estimates and judgements are reviewed on an ongoing basis.

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

The Group has made various accounting estimates in these Condensed Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions at 31 March 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 further below, along with assumptions and judgements made in relation to other key estimates. Readers should consider these disclosures in light of the inherent uncertainties described above.

Allowance for expected credit losses

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by AASB 9 *Financial Instruments*.

The Group's allowance for expected credit losses is included in the table below (refer to Note 8 for further information).

	As at		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M
Collectively assessed	4,040	3,853	3,757
Individually assessed	421	542	636
Total¹	4,461	4,395	4,393

¹ Includes allowance for expected credit losses for Net loans and advances - at amortised cost, Investment securities - debt securities at amortised cost and Off-balance sheet commitments - undrawn and contingent facilities.

Individually assessed allowance for expected credit losses

During the March 2023 half, the individually assessed allowance for expected credit losses decreased \$121 million.

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 continuing uncertainties described above.

Collectively assessed allowance for expected credit losses

During the March 2023 half, the collectively assessed allowance for expected credit losses increased \$187 million, attributable to \$100 million from deterioration in economic outlook, \$80 million from a net increase in management temporary adjustments, \$24 million from deterioration in credit risk, and \$24 million from foreign currency translation and other impacts. This was partially offset by \$41 million from an improvement in portfolio composition.

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 judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered 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.

1. Basis of preparation, cont'd

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.

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2023
Determining when a significant increase in credit risk (SICR) has occurred or reversed	<p>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 the financial asset moving from Stage 1 to Stage 2. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default (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.</p> <p>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.</p>	<p>The Group has continued to adjust ECL this period to account for expected deterioration in credit-worthiness of certain customer segments which are considered particularly vulnerable to economic pressures such as higher interest rates, elevated inflation and labour market pressures.</p>
Measuring both 12-month and lifetime credit losses	<p>The probability of default, loss given default (LGD) and exposure at default (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 policies.</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 31 March 2023, the base case assumptions have been updated to reflect elevated inflation, continuing high interest rates, continued cost of living pressures and tightness in the labour market.</p> <p>The expected outcomes of key economic drivers for the base case scenario at 31 March 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>The probability weightings for each scenario remained unchanged from 30 September 2022.</p> <p>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, and natural disasters 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, business banking in New Zealand, and for personal and tourism in Pacific.</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.

1. Basis of preparation, cont'd

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 macro-economic conditions, used at 31 March 2023 are set out below. For years beyond the near-term forecasts below, the ECL models apply simplified assumptions for the economy to calculate lifetime loss.

	Actual calendar year	Forecast calendar year	
	2022	2023	2024
Australia			
GDP (annual % change)	3.6%	2.0%	1.2%
Unemployment rate	3.7%	3.7%	4.2%
Residential property prices (annual % change)	-6.9%	-9.2%	4.2%
Consumer price index (annual % change)	6.6%	5.3%	3.3%
New Zealand			
GDP (annual % change)	2.8%	1.4%	-0.1%
Unemployment rate	3.3%	3.9%	5.2%
Residential property prices (annual % change)	-13.0%	-9.7%	2.2%
Consumer price index (annual % change)	7.2%	6.1%	2.9%
Rest of World			
GDP (annual % change)	2.1%	1.4%	0.4%
Consumer price index (annual % change)	8.0%	4.1%	2.7%

The base case economic forecasts for Australia, New Zealand and Rest of World are for continuing slowdowns in economic activity. Continued high inflation and tight labour markets are 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.

Scenario weightings remain the same as those applied in September 2022 as noted in the table below.

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:

	Mar 23	Sep 22	Mar 22
Group			
Base	45.0%	45.0%	40.0%
Upside	0.0%	0.0%	5.0%
Downside	40.0%	40.0%	45.0%
Severe downside	15.0%	15.0%	10.0%

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 the Group's allowance for collectively assessed ECL to key factors used in determining it at 31 March 2023:

	Balance Sheet \$M	(Profit) and Loss Impact \$M
If 1% of stage 1 facilities were included in stage 2	4,121	81
If 1% of stage 2 facilities were included in stage 1	4,035	(5)
100% upside scenario	1,315	(2,725)
100% base scenario	1,816	(2,224)
100% downside scenario	3,272	(768)
100% severe downside scenario	7,314	3,274

1. Basis of preparation, cont'd

Fair value measurement of financial instruments

The majority of valuation models the Group used to value financial instruments employ observable market data as inputs. For certain financial instruments, the Group may use data that is not readily observable in current markets requiring management to exercise judgement in determining fair value depending on the significance of the unobservable input to the overall valuation. Generally, the Group derives unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

At 31 March 2023, the Group had \$1,401 million of assets and \$26 million of liabilities where the valuation was primarily derived using unobservable inputs (Sep 22: \$1,833 million assets and \$31 million liabilities; Mar 22: \$1,580 million assets and \$23 million liabilities). The financial instruments which are valued using unobservable inputs are predominantly equity securities and syndicated loans where quoted prices in active markets are not available.

Equity securities

The Group holds an equity investment in the Bank of Tianjin (BoT), which at 31 March 2023 has a carrying value of \$900 million (Sep 22: \$854 million; Mar 22: \$956 million). The shares in BoT are listed, but the shares are illiquid, and consequently the fair value is based upon a valuation model using comparator group pricing multiples.

The Group holds equity investments in unlisted equities, which at 31 March 2023 have a carrying value of \$89 million (Sep 22: \$491 million; Mar 22: \$426 million). The fair values of these investments are based on valuation techniques relevant to the investments, including use of discounted cash flow approaches, prices from recent arm's length transactions where available, and comparator group pricing multiples, such as price to book ratios.

For equity instruments valued using valuation techniques, judgement is required in both the selection of the model and inputs used. When the Group adopts comparator group pricing multiples, judgement is required to determine an appropriate comparator group for the purposes of the specific valuation.

Syndicated loans

The Group holds \$380 million (Sep 22: \$403 million; Mar 22: \$113 million) of syndicated loans which are measured at fair value when there is no market data available for the valuation. A fair value is derived using discounted cash flow techniques with discount factors sourced from credit default swaps as a proxy.

Investments in associates

The Group assesses the carrying value of its investments in associates for impairment indicators semi-annually. In addition, the recoverable amount of the investments is assessed to determine whether it is appropriate to reverse any prior period impairment losses recorded in respect of those investments.

Investments may be subjected to impairment depending on whether indicators of impairment exist, and then where a value-in-use (VIU) or fair value less cost of disposal (FVL COD) recoverable value assessment indicate that impairment is warranted.

Investments are also assessed for reversals of any prior period impairments by comparing their carrying values to higher of value-in-use and FVL COD and determining whether the service potential of the investment has increased since it was last impaired.

Both VIU and FVL COD are subject to management judgement including the inputs used in the VIU measurement. Depending on the judgements applied, decisions on the amount of impairment, reversals of prior-period impairments, or decisions on whether or not to adjust carrying values, may differ.

Customer remediation provisions

At 31 March 2023, the Group has recognised customer remediation provisions of \$549 million (Sep 22: \$662 million; Mar 22: \$853 million) which includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation costs and outcomes.

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, associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances.

Consequently, 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.

Other provisions

The Group holds provisions for various obligations including restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. 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.

1. Basis of preparation, cont'd

vi) Interest rate benchmark reform

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

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

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

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

Exposures subject to benchmark reform as at 31 March 2023

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

As at 31 March 2023	USD Libor \$M	Others \$M
Gross loans and advances ¹	7,735	48
Other non-derivative financial assets ¹	149	-
Non-derivative financial liabilities ²	650	32
Derivative assets (notional value) ³	597,784	11,064
Derivative liabilities (notional value) ³	578,589	9,599
Loan commitments ^{1,4}	6,914	-

¹ Excludes Expected Credit Losses (ECL).

² Comprises floating rate debt issuances by the Group.

³ For cross-currency swaps, where both the receive and pay legs are in currencies subject to reform, the Group discloses the Australian dollar-equivalent notional amounts for both. Where one leg of a swap is subject to reform, the Group discloses the notional amount of the receive leg.

⁴ For multi-currency IBOR referenced facilities, the undrawn balance has been allocated to the pricing currency of the facility. In the event there are multiple pricing currencies that are impacted by cessation, the allocation is based on most likely currency of drawdown.

Hedge accounting exposures subject to IBOR reform

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

	As at 31 March 2023		
Hedged items	\$M		
Investment securities at FVOCI			7,410
Net loans and advances			201
Deposits and other borrowings			157
Debt issuances			15,387

Hedging instruments	Notional designated up to 30 June 2023 \$M	Notional designated beyond 30 June 2023 \$M	Total notional amount \$M
Fair value hedges	3,278	19,098	22,376
Cash flow hedges	-	277	277

2. Income

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Interest income	22,838	13,902	9,707	64%	large
Interest expense	(14,163)	(5,953)	(2,442)	large	large
Major bank levy	(175)	(175)	(165)	0%	6%
Net interest income	8,500	7,774	7,100	9%	20%
Other operating income					
i) Fee and commission income					
Lending fees ¹	199	186	188	7%	6%
Non-lending fees	1,119	1,120	1,274	0%	-12%
Commissions	40	53	50	-25%	-20%
Funds management income	122	124	137	-2%	-11%
Fee and commission income	1,480	1,483	1,649	0%	-10%
Fee and commission expense	(543)	(494)	(666)	10%	-18%
Net fee and commission income	937	989	983	-5%	-5%
ii) Other income					
Net foreign exchange earnings and other financial instruments income ²	590	870	1,123	-32%	-47%
Gain on completion of ANZ Worldline partnership	-	-	307	n/a	large
Release of foreign currency translation reserve	-	-	(65)	n/a	large
Loss on disposal of financial planning and advice business	-	-	(62)	n/a	large
Loss on reclassification of data centres to held for sale	(43)	-	-	n/a	n/a
Other	23	63	27	-63%	-15%
Other income	570	933	1,330	-39%	-57%
Other operating income	1,507	1,922	2,313	-22%	-35%
Net income from insurance business	40	85	55	-53%	-27%
Share of associates' profit/(loss)	100	103	74	-3%	35%
Operating income	10,147	9,884	9,542	3%	6%

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 measured and/or designated at fair value through profit or loss.

3. Operating expenses

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
i) Personnel					
Salaries and related costs	2,602	2,376	2,378	10%	9%
Superannuation costs	194	187	188	4%	3%
Other	90	79	88	14%	2%
Personnel	2,886	2,642	2,654	9%	9%
ii) Premises					
Rent	34	48	40	-29%	-15%
Depreciation	219	207	212	6%	3%
Other	90	125	89	-28%	1%
Premises	343	380	341	-10%	1%
iii) Technology					
Depreciation and amortisation	256	285	293	-10%	-13%
Subscription licences and outsourced services	484	455	444	6%	9%
Other	91	66	78	38%	17%
Technology	831	806	815	3%	2%
iv) Restructuring	54	52	49	4%	10%
v) Other					
Advertising and public relations	90	88	77	2%	17%
Professional fees	406	471	464	-14%	-13%
Freight, stationery, postage and communication	86	85	87	1%	-1%
Other	290	264	304	10%	-5%
Other	872	908	932	-4%	-6%
Operating expenses	4,986	4,788	4,791	4%	4%

4. Income tax expense

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

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Profit before income tax from continuing operations	5,028	5,044	5,035	0%	0%
Prima facie income tax expense at 30%	1,508	1,513	1,511	0%	0%
Tax effect of permanent differences:					
Net gain from divestments/closures	-	4	(87)	large	large
Share of associates' (profit)/loss	(31)	(31)	(22)	0%	41%
Interest on convertible instruments	38	28	21	36%	81%
Overseas tax rate differential	(94)	(67)	(61)	40%	54%
Provision for foreign tax on dividend repatriation ¹	18	16	139	13%	-87%
Other	8	(7)	11	large	-27%
Subtotal	1,447	1,456	1,512	-1%	-4%
Income tax (over)/under provided in previous years	(1)	(16)	(12)	-94%	-92%
Income tax expense	1,446	1,440	1,500	0%	-4%
Australia	847	884	960	-4%	-12%
Overseas	599	556	540	8%	11%
Income tax expense	1,446	1,440	1,500	0%	-4%
Effective tax rate	28.8%	28.5%	29.8%		

¹. Includes the \$126 million withholding tax paid in the March 2022 half on the dividend payment made by ANZ Papua New Guinea to ANZBGL.

5. Dividends

	Half Year			Movement	
	Mar 23	Sep 22	Mar 22	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Ordinary share dividend (\$M)¹					
Interim dividend	-	2,012	-		
Final dividend	2,213	-	2,030		
Bonus option plan adjustment	(41)	(39)	(38)		
Special dividend to ANZ BH Pty Ltd	1,000	-	-		
Total	3,172	1,973	1,992	61%	59%

¹. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders of \$13 million (Sep 22 half: nil; Mar 22 half: \$2 million).

Ordinary Shares

ANZBGL's Dividend Reinvestment Plan ("DRP") and Bonus Option Plan ("BOP") ceased to operate following implementation of the Restructure on 3 January 2023.

The Directors propose an interim dividend of \$2,433 million be paid on 3 July 2023 to its intermediate holding company, ANZ BH Pty Ltd, a wholly owned subsidiary of ANZGHL.

6. Segment reporting

i) Description of segments

During the March 2023 half, the Group operated on a divisional structure with six divisions: Australia Retail, Australia Commercial, Institutional, New Zealand, Pacific, and Group Centre.

Australia Retail

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

Australia Commercial

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

Institutional

The Institutional division services governments, global institutional and corporate customers across Australia, New Zealand and International (including 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 provides a full range of banking services including small business banking, through our digital, branch and contact centre channels, and traditional relationship banking and sophisticated financial solutions through dedicated managers. These cover privately owned small, medium and large enterprises, the agricultural business segment, government and government-related entities.

Pacific

The Pacific division provides products and services to retail 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, strategy, marketing, human resources and corporate affairs. It also includes Group Treasury, Shareholder Functions, and minority investments in Asia.

ii) Segment Restatements

Prior period comparatives have been restated for the following:

- Non-banking businesses - transfer of non-banking businesses held in the Australia Commercial and Institutional divisions to the Group Centre division which were then disposed as part of the Restructure.
- Corporate customer re-segmentation - certain business and property finance customers were transferred from the New Zealand division to the Institutional division to better align customer needs with the right support and expertise delivery.
- Cost reallocations - certain costs were reallocated across the Australia Retail, Australia Commercial, Institutional and Group Centre divisions.

Operating segments presented below are consistent with internal divisional reporting provided to the chief operating decision maker, being the Chief Executive Officer.

6. Segment reporting, cont'd

iii) Operating segments

ANZ measures the performance of operating segments on a cash profit basis. To calculate cash profit, the Group excludes items from profit after tax attributable to shareholders. For the current and prior periods, 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 ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

March 2023 Half Year	Australia Retail \$M	Australia Commercial \$M	Institutional \$M	New Zealand \$M	Pacific \$M	Group Centre \$M	Group Total \$M
Net interest income	3,018	1,632	2,071	1,582	62	135	8,500
Net fee and commission income	235	162	346	199	10	(15)	937
Net income from insurance business	40	-	-	-	-	-	40
Other income ^{1,2}	6	13	1,027	-	30	(117)	959
Share of associates' profit/(loss)	-	-	-	-	-	100	100
Operating income ^{1,2}	3,299	1,807	3,444	1,781	102	103	10,536
Operating expenses	(1,745)	(685)	(1,328)	(630)	(74)	(524)	(4,986)
Cash profit before credit impairment and income tax	1,554	1,122	2,116	1,151	28	(421)	5,550
Credit impairment (charge)/release	(82)	(66)	74	(75)	16	-	(133)
Cash profit before income tax	1,472	1,056	2,190	1,076	44	(421)	5,417
Income tax expense and non-controlling interests ^{1,2}	(446)	(317)	(593)	(302)	(10)	93	(1,575)
Cash profit/(loss) from continuing operations	1,026	739	1,597	774	34	(328)	3,842
Cash profit/(loss) from discontinued operations							-
Cash profit/(loss)	1,026	739	1,597	774	34	(328)	3,842
Economic hedges ¹							(190)
Revenue and expense hedges ²							(84)
Profit after tax attributable to shareholders							3,568
Financial Position							
Total external assets	303,783	60,227	525,748	123,565	3,489	94,793	1,111,605
Total external liabilities	160,228	119,042	450,764	121,580	3,834	187,532	1,042,980

¹ The cash profit adjustment relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: \$269 million loss; Sep 22 half: \$278 million gain; Mar 22 half: \$524 million gain) and Income tax expense (Mar 23 half: \$79 million benefit; Sep 22 half: \$82 million expense; Mar 22 half: \$151 million expense).

² The cash profit adjustment relates to the Group Centre division. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: \$120 million loss; Sep 22 half: \$7 million gain; Mar 22 half: \$70 million gain) and Income tax expense (Mar 23 half: \$36 million benefit; Sep 22 half: \$2 million expense; Mar 22 half: \$21 million expense).

6. Segment reporting, cont'd

	Australia Retail \$M	Australia Commercial \$M	Institutional \$M	New Zealand \$M	Pacific \$M	Group Centre \$M	Group Total \$M
September 2022 Half Year							
Net interest income	2,821	1,410	1,925	1,517	50	51	7,774
Net fee and commission income	262	170	339	215	14	(11)	989
Net income from insurance business	85	-	-	-	-	-	85
Other income ^{1,2}	6	15	529	1	20	77	648
Share of associates' profit/(loss)	-	-	-	-	-	103	103
Operating income ^{1,2}	3,174	1,595	2,793	1,733	84	220	9,599
Operating expenses	(1,656)	(652)	(1,293)	(622)	(73)	(492)	(4,788)
Cash profit before credit impairment and income tax	1,518	943	1,500	1,111	11	(272)	4,811
Credit impairment (charge)/release	16	11	2	(76)	9	(14)	(52)
Cash profit before income tax	1,534	954	1,502	1,035	20	(286)	4,759
Income tax expense and non-controlling interests ^{1,2}	(462)	(286)	(374)	(290)	(5)	60	(1,357)
Cash profit/(loss) from continuing operations	1,072	668	1,128	745	15	(226)	3,402
Cash profit/(loss) from discontinued operations							(14)
Cash profit/(loss)							3,388
Economic hedges ¹							196
Revenue and expense hedges ²							5
Profit after tax attributable to shareholders							3,589
Financial Position							
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
March 2022 Half Year							
Net interest income	2,706	1,158	1,772	1,354	46	64	7,100
Net fee and commission income	214	233	312	213	12	(1)	983
Net income from insurance business	55	-	-	-	-	-	55
Other income ^{1,2}	-	244	471	31	22	(32)	736
Share of associates' profit/(loss)	-	-	-	-	-	74	74
Operating income ^{1,2}	2,975	1,635	2,555	1,598	80	105	8,948
Operating expenses	(1,741)	(649)	(1,273)	(651)	(80)	(397)	(4,791)
Cash profit before credit impairment and income tax	1,234	986	1,282	947	-	(292)	4,157
Credit impairment (charge)/release	113	122	25	31	(3)	(4)	284
Cash profit before income tax	1,347	1,108	1,307	978	(3)	(296)	4,441
Income tax expense and non-controlling interests ^{1,2}	(410)	(225)	(498)	(274)	(3)	82	(1,328)
Cash profit/(loss) from continuing operations	937	883	809	704	(6)	(214)	3,113
Cash profit/(loss) from discontinued operations							(5)
Cash profit/(loss)							3,108
Economic hedges ¹							373
Revenue and expense hedges ²							49
Profit after tax attributable to shareholders							3,530
Financial Position							
Total external assets	287,304	57,822	469,683	119,667	3,796	79,089	1,017,361
Total external liabilities	150,732	122,812	420,226	119,683	3,986	138,166	955,605

¹ The cash profit adjustment relates to the Institutional, New Zealand and Group Centre divisions. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: \$269 million loss; Sep 22 half: \$278 million gain; Mar 22 half: \$524 million gain) and Income tax expense (Mar 23 half: \$79 million benefit; Sep 22 half: \$82 million expense; Mar 22 half: \$151 million expense).

² The cash profit adjustment relates to the Group Centre division. In the consolidated income statement, these amounts are recognised in Other operating income (Mar 23 half: \$120 million loss; Sep 22 half: \$7 million gain; Mar 22 half: \$70 million gain) and Income tax expense (Mar 23 half: \$36 million benefit; Sep 22 half: \$2 million expense; Mar 22 half: \$21 million expense).

7. Net loans and advances

	As at			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Australia					
Overdrafts	3,834	3,852	3,491	0%	10%
Credit cards outstanding	5,670	5,658	5,707	0%	-1%
Commercial bills outstanding	4,898	5,214	5,632	-6%	-13%
Term loans - housing	292,597	282,343	277,894	4%	5%
Term loans - non-housing	166,701	163,520	151,718	2%	10%
Other	916	1,019	1,113	-10%	-18%
Total Australia	474,616	461,606	445,555	3%	7%
Rest of World					
Overdrafts	568	561	668	1%	-15%
Credit cards outstanding	6	6	6	0%	0%
Term loans - housing	475	490	464	-3%	2%
Term loans - non-housing	77,095	79,878	69,731	-3%	11%
Other	613	1,016	1,332	-40%	-54%
Total Rest of World	78,757	81,951	72,201	-4%	9%
New Zealand					
Overdrafts	879	853	824	3%	7%
Credit cards outstanding	1,184	1,091	1,087	9%	9%
Term loans - housing	97,939	91,792	95,794	7%	2%
Term loans - non-housing	38,381	36,332	38,512	6%	0%
Total New Zealand	138,383	130,068	136,217	6%	2%
Subtotal	691,756	673,625	653,973	3%	6%
Unearned income ¹	(526)	(518)	(460)	2%	14%
Capitalised brokerage and other origination costs ¹	3,165	2,882	1,482	10%	large
Gross loans and advances	694,395	675,989	654,995	3%	6%
Allowance for expected credit losses (refer to Note 8)	(3,658)	(3,582)	(3,559)	2%	3%
Net loans and advances²	690,737	672,407	651,436	3%	6%

¹. Amortised over the expected life of the loan.

². Net loans and advances include a balance of \$558 million (Sep 22: \$667 million; Mar 22: \$724 million) relating to the ANZ Share Investing lending portfolio which was sold in April 2023.

8. Allowance for expected credit losses

	As at								
	Mar 23			Sep 22			Mar 22		
	Collectively assessed \$M	Individually assessed \$M	Total \$M	Collectively assessed \$M	Individually assessed \$M	Total \$M	Collectively assessed \$M	Individually assessed \$M	Total \$M
Net loans and advances at amortised cost	3,244	414	3,658	3,049	533	3,582	2,940	619	3,559
Off-balance sheet commitments	767	7	774	766	9	775	788	17	805
Investment securities - debt securities at amortised cost	29	-	29	38	-	38	29	-	29
Total	4,040	421	4,461	3,853	542	4,395	3,757	636	4,393
Other Comprehensive Income									
Investment securities - debt securities at FVOCI ¹	13	-	13	10	-	10	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.

Net loans and advances at amortised cost

Allowance for ECL is included in Net loans and advances.

	Stage 3				
	Stage 1 \$M	Stage 2 \$M	Collectively assessed \$M	Individually assessed \$M	Total \$M
As at 1 October 2021	968	1,994	417	666	4,045
Transfer between stages	130	(152)	(58)	80	-
New and increased provisions (net of releases)	(73)	(301)	46	221	(107)
Write-backs	-	-	-	(111)	(111)
Bad debts written off (excluding recoveries)	-	-	-	(222)	(222)
Foreign currency translation and other movements ¹	(14)	(14)	(3)	(15)	(46)
As at 31 March 2022	1,011	1,527	402	619	3,559
Transfer between stages	155	(131)	(87)	63	-
New and increased provisions (net of releases)	(41)	158	46	156	319
Write-backs	-	-	-	(111)	(111)
Bad debts written off (excluding recoveries)	-	-	-	(206)	(206)
Foreign currency translation and other movements ¹	16	(6)	(1)	12	21
As at 30 September 2022	1,141	1,548	360	533	3,582
Transfer between stages	114	(100)	(63)	49	-
New and increased provisions (net of releases)	(103)	264	56	188	405
Write-backs	-	-	-	(164)	(164)
Bad debts written off (excluding recoveries)	-	-	-	(185)	(185)
Foreign currency translation and other movements ¹	7	17	3	(7)	20
As at 31 March 2023	1,159	1,729	356	414	3,658

¹ Other movements include the impact of discounting on expected cash flows for individually assessed allowances for ECL during the period.

8. Allowance for expected credit losses, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
As at 1 October 2021	555	211	19	21	806
Transfer between stages	28	(27)	(2)	1	-
New and increased provisions (net of releases)	24	(5)	21	(1)	39
Write-backs	-	-	-	(4)	(4)
Foreign currency translation and other movements ¹	(30)	(6)	-	-	(36)
As at 31 March 2022	577	173	38	17	805
Transfer between stages	24	(18)	(7)	1	-
New and increased provisions (net of releases)	(29)	(12)	(2)	(1)	(44)
Write-backs	-	-	-	(7)	(7)
Foreign currency translation	21	1	-	(1)	21
As at 30 September 2022	593	144	29	9	775
Transfer between stages	24	(22)	(2)	-	-
New and increased provisions (net of releases)	(30)	30	1	-	1
Write-backs	-	-	-	(2)	(2)
Foreign currency translation	(1)	-	1	-	-
As at 31 March 2023	586	152	29	7	774

¹ Other movements include the impact of divestments completed during the period.

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 31 March 2022	29	-	-	-	29
As at 30 September 2022	38	-	-	-	38
As at 31 March 2023	29	-	-	-	29

Investment securities - debt securities at FVOCI

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.

	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
As at 31 March 2022	10	-	-	-	10
As at 30 September 2022	10	-	-	-	10
As at 31 March 2023	13	-	-	-	13

8. Allowance for expected credit losses, cont'd

Credit impairment charge/(release) analysis

	Half Year			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
New and increased provisions (net of releases) ^{1,2}					
- Collectively assessed	163	60	(371)	large	large
- Individually assessed	237	219	301	8%	-21%
Write-backs ³	(166)	(118)	(115)	41%	44%
Recoveries of amounts previously written off	(101)	(109)	(99)	-7%	2%
Total credit impairment charge/(release)	133	52	(284)	large	large

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

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

	Mar 23 half		Sep 22 half		Mar 22 half	
	Collectively assessed \$M	Individually assessed \$M	Collectively assessed \$M	Individually assessed \$M	Collectively assessed \$M	Individually assessed \$M
Net loans and advances at amortised cost	168	237	100	219	(408)	301
Off-balance sheet commitments	1	-	(44)	-	39	-
Investment securities - debt securities at amortised cost	(8)	-	4	-	(1)	-
Investment securities - debt securities at FVOCI	2	-	-	-	(1)	-
Total	163	237	60	219	(371)	301

^{3.} Consists of write-backs in Net loans and advances at amortised cost of \$164 million for the March 2023 half (Sep 22 half: \$111 million; Mar 22 half: \$111 million), and Off-balance sheet commitment of \$2 million for the March 2023 half (Sep 22 half: \$7 million; Mar 22 half: \$4 million).

9. Deposits and other borrowings

	As at			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Australia					
Certificates of deposit	37,920	29,412	29,914	29%	27%
Term deposits	76,341	51,319	44,165	49%	73%
On demand and short term deposits	270,725	285,677	286,191	-5%	-5%
Deposits not bearing interest	22,815	25,110	24,785	-9%	-8%
Deposits from banks and securities sold under repurchase agreements	53,990	47,147	50,398	15%	7%
Commercial paper and other borrowings	36,475	36,619	27,309	0%	34%
Total Australia	498,266	475,284	462,762	5%	8%
Rest of World					
Certificates of deposit	5,233	3,193	5,013	64%	4%
Term deposits	127,467	107,557	97,525	19%	31%
On demand and short term deposits	24,125	28,974	30,841	-17%	-22%
Deposits not bearing interest	5,453	6,957	7,314	-22%	-25%
Deposits from banks and securities sold under repurchase agreements	52,160	52,343	47,967	0%	9%
Total Rest of World	214,438	199,024	188,660	8%	14%
New Zealand					
Certificates of deposit	1,392	1,444	2,018	-4%	-31%
Term deposits	47,598	41,188	38,931	16%	22%
On demand and short term deposits	56,307	54,809	59,590	3%	-6%
Deposits not bearing interest	18,103	18,839	21,712	-4%	-17%
Deposits from banks and securities sold under repurchase agreements	4,398	4,090	2,069	8%	large
Commercial paper and other borrowings	2,596	2,603	4,546	0%	-43%
Total New Zealand	130,394	122,973	128,866	6%	1%
Deposits and other borrowings	843,098	797,281	780,288	6%	8%

10. Debt issuances

	As at			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Total unsubordinated debt	73,443	66,406	64,645	11%	14%
Additional Tier 1 Capital (perpetual subordinated securities)¹					
ANZ Capital Notes (ANZ CN) ²					
ANZ CN3	-	970	969	large	large
ANZ CN4	1,620	1,619	1,618	0%	0%
ANZ CN5	929	928	928	0%	0%
ANZ CN6	1,488	1,487	1,487	0%	0%
ANZ CN7	1,297	1,297	1,298	0%	0%
ANZ CN8	1,482	-	-	n/a	n/a
ANZ Capital Securities ³	1,380	1,404	1,282	-2%	8%
Tier 2 Capital - Term Subordinated Notes⁴	22,797	17,907	14,047	27%	62%
Other subordinated debt securities⁵	1,721	1,716	952	0%	81%
Total subordinated debt	32,714	27,328	22,581	20%	45%
Total debt issuances	106,157	93,734	87,226	13%	22%

¹ ANZ Capital Notes and ANZ Capital Securities are Basel 3 compliant instruments.

² Each of the ANZ Capital Notes will convert into a variable number of ordinary shares of ANZGHL on a specified mandatory conversion date at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into a variable number of ordinary shares of ANZGHL at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible into ordinary shares of ANZGHL (on similar terms to mandatory conversion) by ANZ at its discretion on an early redemption or conversion date.

	Issuer	Issue date	Issue amount \$M	Early redemption or conversion date	Mandatory conversion date
CN3	ANZ, acting through its New Zealand branch	5 Mar 2015	970	n/a	n/a
CN4	ANZ	27 Sep 2016	1,622	20 Mar 2024	20 Mar 2026
CN5	ANZ	28 Sep 2017	931	20 Mar 2025	20 Mar 2027
CN6	ANZ	8 Jul 2021	1,500	20 Mar 2028	20 Sep 2030
CN7	ANZ	24 Mar 2022	1,310	20 Mar 2029	20 Sep 2031
CN8	ANZ	24 Mar 2023	1,500	20 Mar 2030	20 Sep 2032

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

³ On 15 June 2016, ANZ acting through its London branch issued US\$1 billion fully-paid perpetual subordinated contingent convertible securities (ANZ Capital Securities). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the securities will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on the First Reset Date (15 June 2026) and on each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.

⁴ All the term subordinated notes are convertible and are Basel 3 compliant instruments. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into a variable number of ordinary shares of ANZGHL at a 1% discount subject to a maximum conversion number.

⁵ ANZ Bank New Zealand Limited, a wholly owned subsidiary of the Group, issued NZ\$600 million of unsecured subordinated notes in September 2021. Whilst these notes constitute Tier 2 capital under RBNZ requirements, the notes do not contain a Non-Viability Trigger Event and therefore do not meet APRA's requirements for Tier 2 capital instruments in order to qualify as regulatory capital for the Group. Other subordinated debt securities also includes ANZ's USD 300 million perpetual subordinated notes from 1 January 2022. The USD 300 million perpetual subordinated notes ceased to be treated as Basel 3 transitional Tier 2 capital under APRA's capital framework from 1 January 2022.

11. Credit risk

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 the 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 As at			Excluded ¹ As at			Maximum Exposure to Credit Risk As at		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M
On-balance sheet positions									
Net loans and advances	690,737	672,407	651,436	-	-	-	690,737	672,407	651,436
Investment securities									
- debt securities at amortised cost	7,912	7,943	8,505	-	-	-	7,912	7,943	8,505
- debt securities at FVOCI	84,589	76,817	69,824	-	-	-	84,589	76,817	69,824
- equity securities at FVOCI	997	1,353	1,390	997	1,353	1,390	-	-	-
- debt securities at FVTPL	7	40	38	-	-	-	7	40	38
Other financial assets	314,637	314,580	273,507	8,521	9,769	13,117	306,116	304,811	260,390
Total on-balance sheet positions	1,098,879	1,073,140	1,004,700	9,518	11,122	14,507	1,089,361	1,062,018	990,193
Off-balance sheet commitments									
Undrawn and contingent facilities ²	292,550	285,041	264,137	-	-	-	292,550	285,041	264,137
Total	1,391,429	1,358,181	1,268,837	9,518	11,122	14,507	1,381,911	1,347,059	1,254,330

¹ Excluded comprises bank notes and coins and cash at bank within Other financial assets, and investment securities - equity securities at FVOCI as they do not have credit exposure.

² Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed allowance for expected credit losses.

Credit Quality

The Group's internal Customer Credit Rating (CCR) is used 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 Requirement	Moody's Rating	Standard & Poor's Rating
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

11. Credit risk, cont'd

Net loans and advances

As at March 2023	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
Strong	416,703	14,678	-	-	431,381
Satisfactory	176,054	40,305	-	-	216,359
Weak	10,072	10,293	-	-	20,365
Defaulted	-	-	3,378	804	4,182
Gross loans and advances at amortised cost	602,829	65,276	3,378	804	672,287
Allowance for ECL	(1,159)	(1,729)	(356)	(414)	(3,658)
Net loans and advances at amortised cost	601,670	63,547	3,022	390	668,629
Coverage ratio	0.19%	2.65%	10.54%	51.49%	0.54%
Loans and advances at fair value through profit or loss					19,469
Unearned income					(526)
Capitalised brokerage and other origination costs					3,165
Net carrying amount					690,737
As at September 2022					
Strong	443,571	15,880	-	-	459,451
Satisfactory	154,823	31,864	-	-	186,687
Weak	9,197	9,244	-	-	18,441
Defaulted	-	-	3,328	1,043	4,371
Gross loans and advances at amortised cost	607,591	56,988	3,328	1,043	668,950
Allowance for ECL	(1,141)	(1,548)	(360)	(533)	(3,582)
Net loans and advances at amortised cost	606,450	55,440	2,968	510	665,368
Coverage ratio	0.19%	2.72%	10.82%	51.10%	0.54%
Loans and advances at fair value through profit or loss					4,675
Unearned income					(518)
Capitalised brokerage and other origination costs					2,882
Net carrying amount					672,407
As at March 2022					
Strong	431,582	13,744	-	-	445,326
Satisfactory	145,404	30,144	-	-	175,548
Weak	11,709	10,721	-	-	22,430
Defaulted	-	-	3,628	1,286	4,914
Gross loans and advances at amortised cost	588,695	54,609	3,628	1,286	648,218
Allowance for ECL	(1,011)	(1,527)	(402)	(619)	(3,559)
Net loans and advances at amortised cost	587,684	53,082	3,226	667	644,659
Coverage ratio	0.17%	2.80%	11.08%	48.13%	0.55%
Loans and advances at fair value through profit or loss					5,755
Unearned income					(460)
Capitalised brokerage and other origination costs					1,482
Net carrying amount					651,436

11. Credit risk, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

As at March 2023	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
Strong	200,066	1,439	-	-	201,505
Satisfactory	18,769	2,742	-	-	21,511
Weak	904	782	-	-	1,686
Defaulted	-	-	89	24	113
Gross undrawn and contingent facilities subject to ECL	219,739	4,963	89	24	224,815
Allowance for ECL included in Other provisions	(586)	(152)	(29)	(7)	(774)
Net undrawn and contingent facilities subject to ECL	219,153	4,811	60	17	224,041
Coverage ratio	0.27%	3.06%	32.58%	29.17%	0.34%
Undrawn and contingent facilities not subject to ECL ¹					68,509
Net undrawn and contingent facilities					292,550
As at 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	(593)	(144)	(29)	(9)	(775)
Net undrawn and contingent facilities subject to ECL	210,127	5,343	84	10	215,564
Coverage ratio	0.28%	2.62%	25.66%	47.37%	0.36%
Undrawn and contingent facilities not subject to ECL ¹					69,477
Net undrawn and contingent facilities					285,041
As at March 2022					
Strong	175,462	1,244	-	-	176,706
Satisfactory	23,219	3,637	-	-	26,856
Weak	1,728	782	-	-	2,510
Defaulted	-	-	112	37	149
Gross undrawn and contingent facilities subject to ECL	200,409	5,663	112	37	206,221
Allowance for ECL included in Other provisions	(577)	(173)	(38)	(17)	(805)
Net undrawn and contingent facilities subject to ECL	199,832	5,490	74	20	205,416
Coverage ratio	0.29%	3.05%	33.93%	45.95%	0.39%
Undrawn and contingent facilities not subject to ECL ¹					58,721
Net undrawn and contingent facilities					264,137

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

11. Credit risk, cont'd

Investment securities - debt securities at amortised cost

As at March 2023	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
Strong	6,191	-	-	-	6,191
Satisfactory	82	-	-	-	82
Weak	1,668	-	-	-	1,668
Gross investment securities - debt securities at amortised cost	7,941	-	-	-	7,941
Allowance for ECL	(29)	-	-	-	(29)
Net investment securities - debt securities at amortised cost	7,912	-	-	-	7,912
Coverage ratio	0.37%	-	-	-	0.37%

As at September 2022

Strong	6,279	-	-	-	6,279
Satisfactory	113	-	-	-	113
Weak	1,589	-	-	-	1,589
Gross investment securities - debt securities at amortised cost	7,981	-	-	-	7,981
Allowance for ECL	(38)	-	-	-	(38)
Net investment securities - debt securities at amortised cost	7,943	-	-	-	7,943
Coverage ratio	0.48%	-	-	-	0.48%

As at March 2022

Strong	6,978	-	-	-	6,978
Satisfactory	120	-	-	-	120
Weak	1,436	-	-	-	1,436
Gross investment securities - debt securities at amortised cost	8,534	-	-	-	8,534
Allowance for ECL	(29)	-	-	-	(29)
Net investment securities - debt securities at amortised cost	8,505	-	-	-	8,505
Coverage ratio	0.34%	-	-	-	0.34%

Investment securities - debt securities at FVOCI

As at March 2023	Stage 1 \$M	Stage 2 \$M	Stage 3		Total \$M
			Collectively assessed \$M	Individually assessed \$M	
Strong	84,589	-	-	-	84,589
Satisfactory	-	-	-	-	-
Investment securities - debt securities at FVOCI	84,589	-	-	-	84,589
Allowance for ECL recognised in Other comprehensive income	(13)	-	-	-	(13)
Coverage ratio	0.02%	-	-	-	0.02%

As at September 2022

Strong	76,668	-	-	-	76,668
Satisfactory	149	-	-	-	149
Investment securities - debt securities at FVOCI	76,817	-	-	-	76,817
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

As at March 2022

Strong	69,656	-	-	-	69,656
Satisfactory	168	-	-	-	168
Investment securities - debt securities at FVOCI	69,824	-	-	-	69,824
Allowance for ECL recognised in Other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

11. Credit risk, cont'd

Other financial assets

	As at		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M
Strong	302,765	301,735	257,543
Satisfactory ¹	2,285	2,164	2,483
Weak	1,069	945	391
Defaulted	4	7	11
Other financial assets¹	306,123	304,851	260,428

¹. Includes Investment securities - debt securities at FVTPL of \$7 million (Sep 22: \$40 million; Mar 22: \$38 million).

12. 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 with their carrying amounts as recognised on the balance sheet.

	At amortised cost \$M	At fair value \$M	Total \$M
As at March 2023			
Financial assets			
Cash and cash equivalents ¹	184,092	24,708	208,800
Settlement balances owed to ANZ	7,020	-	7,020
Collateral paid	9,245	-	9,245
Trading assets	-	39,611	39,611
Derivative financial instruments	-	45,614	45,614
Investment securities	7,912	85,593	93,505
Net loans and advances ¹	671,268	19,469	690,737
Regulatory deposits	646	-	646
Other financial assets	3,701	-	3,701
Total	883,884	214,995	1,098,879
Financial liabilities			
Settlement balances owed by ANZ	23,010	-	23,010
Collateral received	8,002	-	8,002
Deposits and other borrowings ¹	811,770	31,328	843,098
Derivative financial instruments	-	46,154	46,154
Payables and other liabilities	9,142	4,733	13,875
Debt issuances	104,626	1,531	106,157
Total	956,550	83,746	1,040,296

	At amortised cost \$M	At fair value \$M	Total \$M
As at September 2022			
Financial assets			
Cash and cash equivalents	168,132	-	168,132
Settlement balances owed to ANZ	4,762	-	4,762
Collateral paid	12,700	-	12,700
Trading assets	-	35,237	35,237
Derivative financial instruments	-	90,174	90,174
Investment securities	7,943	78,210	86,153
Net loans and advances	667,732	4,675	672,407
Regulatory deposits	632	-	632
Other financial assets	2,943	-	2,943
Total	864,844	208,296	1,073,140
Financial liabilities			
Settlement balances owed by ANZ	13,766	-	13,766
Collateral received	16,230	-	16,230
Deposits and other borrowings	794,621	2,660	797,281
Derivative financial instruments	-	85,149	85,149
Payables and other liabilities	6,596	3,239	9,835
Debt issuances	92,623	1,111	93,734
Total	923,836	92,159	1,015,995

¹ During the March 2023 half, within the trading book in its Markets business, a component of the Institutional division, the Group commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at fair value through profit and loss.

12. Fair value of financial assets and financial liabilities, cont'd

As at March 2022	At amortised cost \$M	At fair value \$M	Total \$M
Financial assets			
Cash and cash equivalents	168,054	-	168,054
Settlement balances owed to ANZ	7,141	-	7,141
Collateral paid	10,764	-	10,764
Trading assets	-	39,433	39,433
Derivative financial instruments	-	45,238	45,238
Investment securities	8,505	71,252	79,757
Net loans and advances	645,681	5,755	651,436
Regulatory deposits	661	-	661
Other financial assets	2,216	-	2,216
Total	843,022	161,678	1,004,700
Financial liabilities			
Settlement balances owed by ANZ	19,752	-	19,752
Collateral received	6,716	-	6,716
Deposits and other borrowings	775,699	4,589	780,288
Derivative financial instruments	-	47,795	47,795
Payables and other liabilities	5,945	4,634	10,579
Debt issuances	85,362	1,864	87,226
Total	893,474	58,882	952,356

12. Fair value of financial assets and financial liabilities, cont'd

i) Assets and liabilities measured at fair value

The fair values of financial assets and financial liabilities are generally determined at the individual instrument level. If the Group holds offsetting risk positions, then the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) is used to measure the fair value of such groups of financial assets and financial liabilities. The Group measures 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.

a) Fair value designation

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

- where they contain separable embedded derivatives and are managed on a fair value basis, the total fair value movements are recognised in profit or loss in the same period as the movement on any associated hedging instruments; or
- in order to eliminate an accounting mismatch which would arise if the assets or liabilities were otherwise carried at amortised cost. This mismatch arises due to measuring the derivative financial instruments (used to mitigate interest rate risk of these assets or liabilities) at fair value through profit or loss.

The Group's approach ensures that it recognises 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.

b) 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 for that asset or liability exists. This includes the following:

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

c) 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.

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

12. Fair value of financial assets and financial liabilities, cont'd

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

	Fair value measurements			
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
As at March 2023				
Assets				
Cash and cash equivalents (measured at fair value) ¹	-	24,708	-	24,708
Trading assets ²	26,593	13,017	1	39,611
Derivative financial instruments	315	45,275	24	45,614
Investment securities ^{2,3}	68,176	16,421	996	85,593
Net loans and advances (measured at fair value) ¹	-	19,089	380	19,469
Total	95,084	118,510	1,401	214,995
Liabilities				
Deposits and other borrowings (designated at fair value) ¹	-	31,328	-	31,328
Derivative financial instruments	765	45,363	26	46,154
Payables and other liabilities ⁴	3,572	1,161	-	4,733
Debt issuances (designated at fair value)	-	1,531	-	1,531
Total	4,337	79,383	26	83,746
As at September 2022				
Assets				
Trading assets ²	28,455	6,782	-	35,237
Derivative financial instruments	944	89,185	45	90,174
Investment securities ^{2,3}	68,211	8,614	1,385	78,210
Net loans and advances (measured at fair value)	-	4,272	403	4,675
Total	97,610	108,853	1,833	208,296
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,660	-	2,660
Derivative financial instruments	309	84,809	31	85,149
Payables and other liabilities ⁴	2,842	397	-	3,239
Debt issuances (designated at fair value)	-	1,111	-	1,111
Total	3,151	88,977	31	92,159
As at March 2022				
Assets				
Trading assets ²	31,901	7,532	-	39,433
Derivative financial instruments	1,302	43,889	47	45,238
Investment securities ^{2,3}	59,312	10,520	1,420	71,252
Net loans and advances (measured at fair value)	-	5,642	113	5,755
Total	92,515	67,583	1,580	161,678
Liabilities				
Deposits and other borrowings (designated at fair value)	-	4,589	-	4,589
Derivative financial instruments	655	47,117	23	47,795
Payables and other liabilities ⁴	4,226	408	-	4,634
Debt issuances (designated at fair value)	-	1,864	-	1,864
Total	4,881	53,978	23	58,882

¹ During the March 2023 half, within the trading book in its Markets business, a component of the Institutional division, the Group commenced the management of repurchase agreements and associated reverse repurchase agreements on a fair value basis. This resulted in repurchase and associated reverse repurchase agreements being recognised and measured at fair value through profit and loss.

² During the March 2023 half, \$7,246 million of assets were transferred from Level 1 to Level 2, (Sep 22: \$1,043 million; Mar 22: \$3,949 million), and \$1,181 million of assets were transferred from Level 2 to Level 1 (Sep 22: \$1,677 million; Mar 22: \$1,181 million) due to a change of the observability of bond valuation inputs. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.

³ During the March 2023 half, ANZBGL sold its equity interests in the 1835i trusts, TIN and Pollination to ANZ NBH Pty Ltd as part of the Restructure. These were classified as Level 3 assets in the fair value hierarchy in the September 2022 and March 2022 halves, with fair values of \$402 million and \$346 million respectively.

⁴ Payables and other liabilities relate to securities sold short which are classified as held for trading and measured at FVTPL.

12. Fair value of financial assets and financial liabilities, cont'd

ii) Details of fair value measurements that incorporate unobservable market data

a) Level 3 fair value measurements

Level 3 financial instruments are a net asset of \$1,375 million (Sep 22: \$1,802 million; Mar 22: \$1,557 million). The assets and liabilities which incorporate significant unobservable inputs are:

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

Level 3 Transfers

During the March 2023 half, the Group transferred \$3 million of derivatives measured at fair value from Level 3 to Level 2, as a result of valuation inputs becoming observable during the period. There were no other transfers into or out of Level 3 during the period.

The material Level 3 financial instruments as at 31 March 2023 are summarised below:

i) Investment Securities - equity holdings classified as FVOCI

Bank of Tianjin (BoT)

The Group holds an investment in the BoT. 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 March 2023, the BoT equity holding balance was \$900 million (Sep 22: \$854 million, Mar 22: \$956 million). An increase in the BoT fair valuation in the March 2023 half was mainly due to the increase of the P/B multiple used in the valuation over the half.

Other equity investments

The Group holds \$89 million (Sep 22: \$491 million; Mar 22: \$426 million) of unlisted equities classified as FVOCI for which there are no active markets or traded prices available, resulting in Level 3 classification. The decrease in unlisted equity holdings balance was due to the sale of equity securities from ANZBGL to ANZ Non-bank Group.

ii) Net loans and advances - classified as FVTPL

Syndicated loans

The Group holds \$380 million (Sep 22: \$403 million; Mar 22: \$113 million) of syndicated loans for sale which are measured at FVTPL. These loans are classified as Level 3 when there is no observable market data available for the valuation. The decrease in the Level 3 loan balances for the March 2023 half was mainly due to FX translation impact as well as scheduled repayments.

b) Sensitivity to Level 3 data inputs

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

Investment securities - equity holdings

The valuation of the equity investments is 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 \$99 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 and discount curves in determining their fair valuation. However as these are primarily investment-grade loans, an increase or decrease in credit spreads and / or interest yield would have an immaterial impact on net profit or net assets of the Group.

Other

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

12. Fair value of financial assets and financial liabilities, cont'd

c) Deferred fair value gains and losses

When 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 determined based on the valuation technique (referred to as the day one gain or loss) in profit or loss. The amount deferred at initial recognition is recognised in profit or loss over the life of the transaction on a straight line basis or when all inputs become observable.

The day one gains and losses deferred are immaterial.

iii) Financial assets and liabilities not measured at fair value

The classes of financial assets and liabilities listed in the table below are predominately carried at amortised cost on the Group's balance sheet. Whilst 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 these financial assets and liabilities at balance date in the table below.

	Carrying amount in the balance sheet			Fair value
	At amortised cost \$M	At fair value \$M	Total \$M	\$M
As at March 2023				
Financial assets				
Investment securities ¹	7,912	85,593	93,505	93,491
Net loans and advances	671,268	19,469	690,737	688,107
Total	679,180	105,062	784,242	781,598
Financial liabilities				
Deposits and other borrowings	811,770	31,328	843,098	842,750
Debt issuances	104,626	1,531	106,157	105,800
Total	916,396	32,859	949,255	948,550
As at September 2022				
Financial assets				
Investment securities ¹	7,943	78,210	86,153	86,128
Net loans and advances	667,732	4,675	672,407	668,407
Total	675,675	82,885	758,560	754,535
Financial liabilities				
Deposits and other borrowings	794,621	2,660	797,281	796,784
Debt issuances	92,623	1,111	93,734	93,121
Total	887,244	3,771	891,015	889,905
As at March 2022				
Financial assets				
Investment securities ¹	8,505	71,252	79,757	79,678
Net loans and advances	645,681	5,755	651,436	649,142
Total	654,186	77,007	731,193	728,820
Financial liabilities				
Deposits and other borrowings	775,699	4,589	780,288	780,104
Debt issuances	85,362	1,864	87,226	87,727
Total	861,061	6,453	867,514	867,831

¹ Investment securities at amortised cost includes \$4,260 million of assets that are part of the Group's liquidity portfolio (Sep 22: \$3,976 million; Mar 22: \$4,664 million). These are all short tenor (<1 year) instruments primarily in the Group's Rest of World geography and represent <4% of the Group's total liquid asset securities at 31 March 2023.

13. Shareholders' equity

i) Issued securities	As at		
	Mar 23 No.	Sep 22 No.	Mar 22 No.
Ordinary shares			
Opening balance	2,989,923,751	2,794,104,174	2,823,563,652
Share buy-back ¹	-	-	(30,831,227)
Share entitlement issue ²	-	187,105,950	-
Bonus Option Plan	1,657,422	1,518,519	1,371,749
Dividend Reinvestment Plan issuances	8,406,978	7,195,108	-
Employee share and option plans	3,378,631	-	-
Closing balance	3,003,366,782	2,989,923,751	2,794,104,174
Less: Treasury Shares	(4,099,015)	(4,209,150)	(4,391,572)
Closing balance	2,999,267,767	2,985,714,601	2,789,712,602
Issued/(Repurchased) during the period	13,443,031	195,819,577	(29,459,478)

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

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).

ii) Shareholders' equity	As at			Movement	
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22
Ordinary share capital	29,054	28,797	25,091	1%	16%
Reserves					
Foreign currency translation reserve ¹	644	(148)	(164)	large	large
Share option reserve	58	78	54	-26%	7%
FVOCI reserve	(458)	(478)	(43)	-4%	large
Cash flow hedge reserve	(1,287)	(2,036)	(1,247)	-37%	3%
Transactions with non-controlling interests reserve	(22)	(22)	(22)	0%	0%
Total reserves	(1,065)	(2,606)	(1,422)	-59%	-25%
Retained earnings	40,111	39,716	38,078	1%	5%
Share capital and reserves attributable to shareholders of the Company	68,100	65,907	61,747	3%	10%
Non-controlling interests	525	494	9	6%	large
Total shareholders' equity	68,625	66,401	61,756	3%	11%

¹ As a result of the dissolution of Minerva Holdings Limited in the United Kingdom and ANZ Asia Limited in Hong Kong, \$65 million of the associated foreign currency translation reserve was recycled from Other comprehensive income to profit or loss in the March 2022 half.

13. Shareholders' equity, cont'd

iii) Non-controlling interests	Profit attributable to non-controlling interests			Equity attributable to non-controlling interests			Dividend paid to non-controlling interests		
	Half Year			As at			Half Year		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M
ANZ Bank New Zealand PPS	13	-	-	515	484	-	13	-	-
Other non-controlling interests	1	1	-	10	10	9	-	-	2
Total	14	1	-	525	494	9	13	-	2

ANZ Bank New Zealand Perpetual Preference Shares

ANZ Bank New Zealand, a wholly owned subsidiary of ANZBGL, 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 resolve to pay any dividend or make any other distribution on 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 up until 18 July 2028 and thereafter a floating rate equal to the aggregate of the New Zealand 3 month bank bill rate plus 3.25%, multiplied by one minus the New Zealand company tax rate (where the PPS dividend is fully imputed), with PPS dividend payments due on 18 January, 18 April, 18 July and 18 October each year.

Redemption features

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

14. Changes in composition of the Group

As described in Note 1, ANZGHL was established as the listed parent company of the ANZ Group on 3 January 2023. New legal entities ANZ BH Pty Ltd, ANZ NBH Pty Ltd and ANZ Group Services Pty Ltd were created and became wholly owned subsidiaries of ANZGHL.

On 11 January 2023, the following controlled entities were transferred to:

- ANZ NBH Pty Ltd: 1835i Creation Fund I Trust, 1835i Ventures Trust I, 1835i Ventures Trust II, 1835i Ventures Trust III, Journeywise Pty Ltd, CashRewards Pty Limited, Secure Data Consent Pty Limited; and
- ANZ Group Services Pty Ltd: ANZ Centre Pty Ltd, ANZ Centre Trust, ANZ Centre Chattels Trust.

The contribution of these entities was not material to the ANZBGL consolidated results for the March 2023 half and the March 2022 half.

There were no other acquisitions or disposals of material controlled entities for the half year ended 31 March 2023.

15. Investments in associates

	Half Year			Movement		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 v. Sep 22	Mar 23 v. Mar 22	
Share of associates' profit/(loss)	100	103	74	-3%	35%	
Contributions to profit	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 23 \$M	Sep 22 \$M	Mar 22 \$M	Mar 23 %	Sep 22 %	Mar 22 %
P.T. Bank Pan Indonesia (PT Panin)	56	58	24	39	39	39
AMMB Holdings Berhad (AmBank)	63	57	51	22	22	22
Worldline Australia Pty Ltd ¹	(18)	(10)	-	-	49	49
Other associates	(1)	(2)	(1)	n/a	n/a	n/a
Share of associates' profit/(loss)	100	103	74			

¹ As part of the Restructure, ANZBGL's investment in Worldline Australia Pty Ltd was transferred to ANZ NBH Pty Ltd.

16. Related party disclosure

Other than the transactions below, there have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 September 2022.

Following the restructure of the Group on 3 January 2023, a number of transactions have occurred between wholly owned entities of ANZ Group Holdings Limited, including ANZBGL. These transactions include leasing arrangements, funding activities and deposits.

The following balances with related ANZ Group entities were outstanding at March 2023:

	Mar 23 \$M
Amounts due from related entities	658
Amounts due to related entities	310
Deposits from related entities	307

During the March 2023 half, the following transactions occurred with related ANZ Group entities:

	Mar 23 \$M
Dividend paid to controlling entity	1,000
Interest paid to related entities	11
Interest received from related entities	8

In addition, ANZBGL has right-of-use assets of \$714 million and lease liabilities of \$836 million with ANZ Group Services Pty Ltd at 31 March 2023. For the half year ended 31 March 2023, the associated depreciation on the right-of-use assets was \$12 million and interest paid on the lease liabilities was \$5 million (the interest paid on lease liabilities have been included in the table above).

17. Contingent liabilities and contingent assets

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 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.

Refer to Note 33 of the 2022 ANZ Annual Financial Report for a description of commitments, contingent liabilities and contingent assets as at 30 September 2022. A description of the contingent liabilities and contingent assets as at 31 March 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.

- **South African rate action**

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

- **Capital raising action**

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

- **Consumer credit insurance litigation**

In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. An agreement to settle the claim was reached in November 2022. The financial impact is not material. The settlement is without admission of liability and remains subject to court approval.

- **Esanda dealer car loan litigation**

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

- **OnePath superannuation litigation**

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

- **New Zealand loan information litigation**

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

- **Credit cards litigation**

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

- **Available funds action**

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

17. Contingent liabilities and contingent assets, cont'd

- **Royal Commission**

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

- **Security recovery actions**

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

- **Warranties, indemnities and performance management fees**

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

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

- **Clearing and settlement obligations**

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

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

- **Parent entity guarantees**

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

- **Sale of Grindlays business**

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

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

Contingent Assets

- **National Housing Bank**

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

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

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

18. Significant events since balance date

There have been no significant events from 31 March 2023 to the date of signing this report.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the *Corporations Act 2001*, including:
 - section 304, that they comply with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
 - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2023 and of its performance for the half year ended on that date; and
2. in the Directors' opinion as at the date of this declaration 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



Shayne C Elliott
Managing Director

4 May 2023



Independent Auditor's Review Report to the shareholders of Australia and New Zealand Banking Group Limited

Report on the Condensed Consolidated Financial Statements

Conclusion

We have reviewed the accompanying Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited (the Group). Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited do not comply with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Condensed Consolidated Financial Statements comprise:

- The condensed consolidated balance sheet as at 31 March 2023;
- The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Financial Statements that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Condensed Consolidated Financial Statements

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements do not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2023 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of Condensed Consolidated Financial Statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Martin McGrath
Partner

Melbourne
4 May 2023

Maria Trinci
Partner

Melbourne
4 May 2023



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australia and New Zealand Banking Group Limited for the half year ended 31 March 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'M McGrath'.

Martin McGrath
Partner

Melbourne
4 May 2023