

Luxembourg Transparency Law – 2021 Half Year Financial Report

This report (the Report) is provided in order to comply with the semi-annual financial reporting requirements of Article 4 of the Luxembourg Law of 11 January 2008 relating to transparency requirements, as amended. These requirements apply to National Australia Bank Limited ABN 12 004 044 937 (the Company) because it has debt securities admitted to trading on the regulated market of the Luxembourg Stock Exchange and is subject to the supervision of the *Commission de Surveillance du Secteur Financier* (the CSSF).

2021 Half Year Results

This Report must be read in conjunction with the Company's unaudited financial statements for the half year ended 31 March 2021, the notes thereto, the independent auditor review report and the report of the Company's directors, each provided in connection therewith (together, the Half Year Financial Statements), which have been published simultaneously with this Report. The Company's Half Year Financial Statements and this Report have been filed with the CSSF and are stored with the Luxembourg Stock Exchange as the Officially Appointed Mechanism (this Report and the Company's Half Year Financial Statements being collectively referred to as the 'Half Year Financial Report').

Risks specific to the Group

Set out below are the principal risks and uncertainties associated with the Company and its controlled entities (the Group). It is not possible to determine the likelihood of these risks occurring with any certainty. However, the risk in each category that the Company considers most material is listed first, based on the information available at the date of this Report and the Company's best assessment of the likelihood of each risk occurring and the potential magnitude of the negative impact to the Group should such risk materialise. In the event that one or more of these risks materialise, the Group's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely impacted.

The Group's Risk Management Framework and internal controls may not be adequate or effective in accurately identifying, evaluating or addressing risks faced by the Group. There may be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known or material. These may individually, or in aggregate, adversely impact the Group. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by the Group.

1. Strategic Risk

Strategic risk is the risk associated with the pursuit of the Group's strategic objectives, including the risk that the Group fails to execute its chosen strategy effectively or in a timely manner.

1.1 Strategic initiatives may fail to be executed, may not deliver all anticipated benefits and may change the Group's risk profile.

The Group's corporate strategy sets its purpose, ambition and objectives.

The Group prioritises, and invests significant resources in, the execution of initiatives that are aligned to its chosen strategy, including transformation and change programs. These programs focus on technology, digital and data assets, infrastructure, business improvement, cultural transformation and changes to associated controls. There is a risk that these programs may not realise some or all of their anticipated benefits. These programs may also increase operational, compliance and other risks, and new or existing risks may not be appropriately controlled. Any failure by the Group to deliver in accordance with its strategy or to deliver these strategic programs effectively, may result in material losses to the Group, or a failure to achieve anticipated benefits, and ultimately, may materially and adversely impact the Group's operations and financial performance and position.

1.2 The Group faces intense competition.

There is substantial competition across the markets in which the Group operates. The Group faces competition from established financial services providers as well as new market entrants, including foreign banks and non-bank competitors with lower costs and new operating and business models. In addition, evolving industry trends, rapid technology changes and environmental factors (such as

COVID-19) may impact customer needs and preferences and the Group may not predict these changes accurately or quickly enough, or have the resources and flexibility to adapt in sufficient time to meet customer expectations and keep pace with competitors. This risk is heightened in the current context where the Group must prioritise responses to new regulation, identified weaknesses and initiatives to support customers through the COVID-19 pandemic.

Competition in the banking sector is expected to increase following the passing of legislation in August 2019 to establish a 'Consumer Data Right (CDR)'. The CDR seeks to increase competition between service providers by mandating and standardising the sharing of data between accredited data recipients. The CDR is being introduced in the banking sector (known as 'Open Banking') in phases. Currently, the CDR requires the Company to share data on individuals and sole traders, allowing these customers to direct the Company to share their data with accredited data recipients (applicable products include credit and debit cards, deposit accounts, and transaction 'current' accounts, mortgages, personal loans, asset finance, and business finance). Later in 2021, business customers will be included in the mandated scope of the CDR. The Australian Federal Government (the Australian Government) is considering its response to a second inquiry, the Inquiry into Future Directions of the Consumer Data Right, which may, if adopted without amendment significantly extend the scope of the Company's obligations. Progress is also being made towards Open Banking in New Zealand (NZ), which, similarly, is expected to increase competition in the NZ banking industry and submissions are currently being reviewed by the Reserve Bank of New Zealand (RBNZ).

In October 2019, the Australian Government directed the Australian Competition and Consumer Commission (ACCC) to undertake an inquiry into home loan pricing. The ACCC investigated a wide range of issues, including the rates paid by new and existing customers, impediments to customer switching, how the cost of financing for banks has affected interest rate decisions and the interaction between home loan pricing and rate-setting by the Reserve Bank of Australia (RBA). The ACCC's Final Report recommended that banks annually provide a prompt to alert borrowers to available prevailing rates, as well as implementing changes aimed at lowering the administrative burden on consumers who wish to switch home loan providers. The ACCC has indicated in its Compliance and Enforcement Priorities for 2021 that it intends to implement these recommendations.

Ongoing competition for customers can lead to compression in profit margins and loss of market share, which may ultimately impact the Group's financial performance and position, profitability and returns to investors.

1.3 The Group's sale of its advice, platforms, superannuation and investments and asset management businesses is conditional and there are risks in executing the sale.

As announced on 31 August 2020, the Group has agreed to sell its advice, platforms, superannuation and investments and asset management businesses to IOOF Holdings Ltd (IOOF) (the MLC Wealth Transaction). Completion of the MLC Wealth Transaction is subject to a number of conditions, including regulatory approvals and availability of IOOF funding. If these conditions are not met, the transaction may not complete and the business will remain with the Group. Timing of completion will depend on a number of factors, including receipt of regulatory approvals and execution of business separation activities.

The Group has incurred, and will continue to incur, costs associated with completing the MLC Wealth Transaction. If the MLC Wealth Transaction does not complete for any reason, including a failure to satisfy conditions, the Group will still incur costs that it will be unable to recover and such failure may adversely affect the Group's reputation, operations and financial results.

The Company has provided IOOF with indemnities relating to certain pre-completion matters, including a remediation program relating to workplace superannuation, breaches of anti-money laundering laws and regulations, regulatory fines and penalties and certain litigation and regulatory investigations. The Company also provided covenants and warranties in favour of IOOF. A breach or triggering of these contractual protections may result in the Company being liable to IOOF.

The Company will retain the companies that operate the advice business, such that the Group will retain all liabilities associated with

Luxembourg Transparency Law – 2021 Half Year Financial Report

the conduct of that business pre-completion. The advice business is proposed to be transferred by way of an asset sale, with aligned advisors being offered to transfer to IOOF from completion. There is a risk that not all advisors will transfer to IOOF, and the Company will be liable for the costs of exiting any non-transferring advisors.

From completion, the Company has agreed to provide IOOF with certain transitional services and continuing access to records, as well as support for data migration activities. There is a risk that costs associated with separation activities and the costs incurred by the Company in satisfying its obligations under these agreements may be higher than anticipated. The Company may also be liable to IOOF if it fails to perform its obligations under these agreements. If these costs are higher than expected, or if the Company fails to perform its obligations in accordance with the relevant agreements, there may be an adverse impact on the Group's financial performance and position.

On completion, the MLC Wealth Transaction will result in the Group exiting a financial services market and accordingly will decrease the size of the Group's operations. This will have a consequential impact on the Group's revenues and potentially its profitability and returns to investors.

The agreed purchase price that IOOF has agreed to pay comprises A\$1,240 million in cash proceeds and A\$200 million in the form of a five-year structured subordinated note in IOOF. Under the terms of the note, the Group's ability to collect the A\$200 million due thereunder will be subject to credit risks associated with IOOF, the issuer of the note, and the related subordination terms of the note. There is no guarantee that the Group will receive the consideration due thereunder.

In addition, the MLC Wealth Transaction, and its execution, may create risks and uncertainty for the Group and its customers, aligned advisers, employees, suppliers and other counterparties.

1.4 Risks may arise from pursuing acquisitions and divestments.

The Group regularly considers a range of corporate opportunities, including acquisitions, divestments, joint ventures and investments.

Pursuit of corporate opportunities inherently involves transaction risks, including the risk that the Group over-values an acquisition or investment or under-values a divestment, as well as exposure to reputational damage. The Group may encounter difficulties in integrating or separating businesses, including failure to realise expected synergies, disruption to operations, diversion of management resources or higher than expected costs. These risks and difficulties may ultimately have an adverse impact on the Group's financial performance and position.

The Group may incur unexpected financial losses following an acquisition, joint venture or investment if the business it invests in does not perform as planned or causes unanticipated changes to the Group's risk profile. Additionally, there can be no assurance that customers, employees, suppliers, counterparties and other relevant stakeholders will remain with an acquired business following the transaction and any failure to retain such stakeholders may have an adverse impact on the Group's overall financial performance and position.

The Group may also have ongoing exposures to divested businesses, including through a residual shareholding, the provision of continued services and infrastructure or an agreement to retain certain liabilities of the divested businesses through warranties and indemnities, which may have an adverse impact on the Group's business and financial performance and position.

In particular, specific risks exist in connection with the sale of 80% of MLC Limited, the Company's life insurance business (separate to the MLC Wealth Transaction described in Section 1.3), to Nippon Life Insurance Company (Nippon Life) in 2016. The Company gave certain covenants, warranties and indemnities in favour of Nippon Life and MLC Limited, a breach or triggering of which may result in the Company being liable to Nippon Life or MLC Limited.

The parties also entered into long-term agreements for the offer and promotion of life insurance products and the continued use of the MLC brand by MLC Limited. The duration and nature of these agreements give rise to certain risks, including that changes in the regulatory or commercial environment impact the commercial attractiveness of these agreements. These agreements also limit future opportunities for the Company through non-compete arrangements.

The Company agreed to take certain actions to establish MLC Limited as a standalone entity, including the provision of transitional services, as well as support for data migration activities and the development of technology systems. As this work is yet to be completed, there is a risk that implementation costs may ultimately prove higher than anticipated. The Company may also be liable to MLC Limited or Nippon Life if it fails to perform its obligations in accordance with the agreements relating to these matters. If implementation costs are higher than expected, or if the Company fails to perform its obligations in accordance with the relevant agreements, there may be an adverse impact on the Group's financial performance and position.

2. Credit Risk

Credit risk is the risk that a customer will fail to meet its obligations to the Group in accordance with agreed terms. Credit risk arises from both the Group's lending activities and markets and trading activities.

2.1 The economic impact of COVID-19 is uncertain, but it has increased the credit risk profile for the Group.

COVID-19 has created economic and financial disruptions that have adversely affected, and will continue to adversely affect, the Group's business, financial condition, liquidity and results of operations. The extent and duration of these continuing negative effects will depend on future developments, which remain highly uncertain. Increased credit risk can result in both an increase in losses when customers default on their loan obligations and higher capital requirements through an increase in the probability of default.

Although vaccination programs have commenced, the widespread availability, use and effectiveness of vaccines remains highly uncertain and cannot be predicted.

During the pandemic, the functioning of financial markets in many countries has been impaired by increased volatility and negative investor sentiment, adding to the risk of a larger and longer economic downturn. This may create credit risk for the Group, both in the short and long-term.

In Australia and globally, measures to control the spread of COVID-19, including restrictions on public gatherings, business closures and travel and trade restrictions have had, and may continue to have, a substantial negative impact on economic and business activity due to a range of factors including reduced trade flows and lower commodity prices. Certain sectors, including tourism, hospitality, commercial property and air travel, have experienced, and may continue to experience significant financial stress. This includes a heightened risk of corporate and business bankruptcies, a rise in unemployment and an increase in household financial stress. This combination of factors has introduced additional credit risk for the Group.

Globally, governments (including Australia and NZ) introduced fiscal stimulus packages designed to counter the negative impacts of COVID-19. The unwinding of these stimulatory policies and measures presents downside risk to economies in the near-term, with the potential to exacerbate existing negative effects on businesses and households (including higher unemployment) which may lead to increased credit losses for the Group.

The duration and magnitude of the COVID-19 pandemic and its potential impacts on the global economy remain unclear. Even after the pandemic subsides, the Australian and NZ economy, as well as most other major economies, may continue to experience stress. A prolonged recession in Australia, NZ and other major regions has the potential to increase customer defaults and materially adversely impact the Group's financial performance and position, and its profitability.

Some of the Group's assets and liabilities comprise financial instruments that are carried at fair value, with changes in fair value recognised in the Group's income statement. Market declines and increased volatility could negatively impact the value of such financial instruments and cause the Group to incur losses.

2.2 A decline in property market valuations may give rise to higher losses on defaulting loans.

Lending activities account for most of the Group's credit risk. The Group's lending portfolio is largely based in Australia and NZ. Residential housing loans and commercial real estate loans constitute a material component of the Group's total gross loans and acceptances. The social and economic impacts of the spread of COVID-19 and the measures in place to control it, have the potential

Luxembourg Transparency Law – 2021 Half Year Financial Report

to drive a material decline in residential property prices due to, among other things, increased unemployment in Australia and NZ. The full negative impact of the COVID-19 pandemic may be delayed, in part, by governmental support measures and other actions that the Group and other financial institutions have taken, for example permitting loan payment deferrals in certain cases. In NZ, the RBNZ have recently introduced macroprudential controls on mortgage lending and the NZ Government have announced changes to the tax treatment of investment properties. Property prices in Australia have been increasing in recent months. There is a risk that Australian regulatory authorities may also introduce macroprudential controls in the future if house prices continue to increase. These changes have the potential to increase volatility in house price movements. A decline in the value of the residential property used as collateral (including in business lending) may give rise to greater losses to the Group resulting from customer defaults, which, in turn, may impact the Group's financial performance and position, profitability and returns to investors. The most significant impact is likely to be experienced by residential mortgage customers in high loan-to-value-ratio brackets.

2.3 Adverse business conditions in Australia and NZ, particularly in the agriculture sector, may give rise to increasing customer defaults.

The Group has a large market share among lenders to the Australian and NZ agricultural sectors, particularly the dairy sector in NZ. Volatility in commodity prices, milk prices, foreign exchange rate movements, disease and introduction of pathogens and pests, export and quarantine restrictions and supply chain constraints, extreme weather events, increasing weather volatility and longer-term changes in climatic conditions, may negatively impact these sectors. This may result in increased losses to the Group from customer defaults, and ultimately may have an adverse impact on the Group's financial performance and position. More broadly, physical and transition risks associated with climate change may also increase current levels of customer defaults in other sectors.

2.4 The Group may be adversely impacted by macro-economic and geopolitical risks, climate, social and financial market conditions which pose a credit risk.

The majority of the Group's businesses operate in Australia and NZ, with branches currently located in Asia, the United Kingdom (UK) and the United States (US). Levels of borrowing are heavily dependent on customer confidence, employment trends, market interest rates, and other economic and financial market conditions and forecasts most relevant for the Group in Australia and NZ, but also in the global locations in which the Group operates.

Domestic and international economic conditions and forecasts are influenced by a number of macro-economic factors, such as: economic growth rates; environmental (including climate) and social issues cost and availability of capital; central bank intervention; inflation and deflation rates; level of interest rates; yield curves; market volatility; and uncertainty. Deterioration in any of these factors may lead to the following negative impacts on the Group:

- Increased cost of funding or lack of available funding.
- Deterioration in the value and liquidity of assets (including collateral).
- Inability to price certain assets.
- Environmental conditions and social issues impacting the value of customers security or business operations.
- An increase in customer or counterparty default and credit losses.
- Higher provisions for credit impairment.
- Mark-to-market losses in equity and trading positions, including the Company's high-quality liquid asset portfolios.
- Lack of available or suitable derivative instruments for hedging purposes.
- Lower growth in business revenues and earnings.
- Increased cost of insurance, lack of available or suitable insurance, or failure of the insurance underwriter.

Economic conditions may also be negatively impacted by climate change and major shock events, such as natural disasters, epidemics and pandemics, war and terrorism, political and social unrest, and sovereign debt restructuring and defaults.

The following macro-economic and financial market conditions are currently of most relevance to the credit risk facing the Group, and may affect revenue growth and/or customer balance sheets:

- Global economic growth is expected to rebound in 2021, as activity in major economies gradually returns to normal post-COVID-19. However, the unequal distribution of vaccines means that there may be considerable variation in recovery between different countries and within different industry segments (with international tourism likely to lag). Strong fiscal policy support is expected to facilitate growth above its long-term trend in 2022.
- Central banks, including the RBA and the RBNZ, eased monetary policy and provided liquidity to markets in response to COVID-19 related economic downturn, with advanced economies essentially exhausting their conventional policy measures. Any further policy easing may involve additional asset purchases (quantitative easing) or other unconventional policy tools that may adversely affect the Group's cost of funds, the value of the Group's lending and investments, and margins. Policy easing would be expected to reduce short-term downside risks to growth but has the potential to build on existing imbalances in various asset classes and regions. Policy easing may also reduce the impetus for highly geared borrowers to deleverage thereby increasing the credit risk posed to the Group by these highly geared customers.
- The US Federal Reserve intends to keep interest rates close to zero until inflation is moderately above 2% "for some time" and the labour market recovers. There is a risk that an extended period of very loose monetary policy by the US Federal Reserve, and potentially other major central banks, combined with large scale fiscal stimulus in the United States and supply disruptions and shortages in some markets, will lead to a sustained rise in inflation above the inflation targets of central banks. If this eventuates, this could in turn lead to abrupt rise in interest rates by central banks, potentially causing a downturn in the economy and affecting borrowers' ability to service their debts.
- As a key trading partner, China's economic growth is important to Australia and NZ, with export income and business investment exposed to any sharp slowdown in the rapid pace of Chinese economic growth. China's economy has recovered comparatively strongly, with this recovery commencing in the quarter ended 30 June 2020, however a range of medium to longer term risks remain, including high corporate debt levels and demographic pressures from its ageing population. Due to its export mix, Australia's economy is exposed to any sudden downturn in China's domestic investment in business, infrastructure or housing, as well as changes to trade policy. Diplomatic tensions between the Chinese and Australian governments have risen over the past year, with China imposing trade restrictions on a broad range of Australian exports (including coal, barley, wine, beef, lamb and cotton among others) This may have a negative impact on the Group's customers who are exposed to these sectors and may give rise to increasing levels of customer defaults.
- Despite a change in government in the US, US trade and foreign policy with China appears unlikely to revert to its earlier openness and it appears that pressure on China's trade and technology policies (among other areas) will persist, which could impact global economic growth and lead to changes in global supply chains. This could have a negative impact on Australia and NZ and increase the credit risk facing the Group.
- Geopolitical risks continue to present uncertainty to the global economic outlook, with negative impacts on consumption and business investment. An increasing fragmentation of, and a rise in populism in, many major democratic economies have led to difficulties in policy implementation and an increase in anti-globalisation sentiment. Following the UK's departure from the European Union, some uncertainty continues around how financial services will be delivered into Europe in terms of regulatory equivalence. Political tensions between the Hong Kong Special Administrative Region and the People's Republic of China remain high. China is exerting greater political power over the region – by reducing the number of directly elected members of Hong Kong's Legislative Council and vetting candidates – following the 2019-20 protests. In addition, there

Luxembourg Transparency Law – 2021 Half Year Financial Report

are a range of other geopolitical risks, particularly given the ongoing uncertainty around the Middle East, the Korean Peninsula and the South China Sea.

- As commodity exporting economies, Australia and NZ are exposed to shifts in global commodity prices that can be sudden, sizeable and difficult to predict. Fluctuations in commodity markets can affect key economic variables like national income tax receipts and exchange rates. Previous sharp declines in commodity prices in Australia and NZ were driven by sub-trend global growth constraining demand, combined with increases in commodity supply. Commodity price volatility remains substantial and given the Group's sizeable exposures to commodity producing and trading businesses, this volatility poses a significant source of credit risk to the Group.

3. Market Risk

The Group may suffer losses as a result of a change in the value of the Group's positions in financial instruments or their hedges due to adverse movements in market prices. Adverse price movements impacting the Group may occur in credit spreads, interest rates, foreign exchange rates, and commodity and equity prices - particularly during periods of heightened market volatility or reduced liquidity. While the initial market volatility due to the impact of COVID-19 has subsided, volatility in bond markets has emerged as the global economy recovers.

3.1 The Group is exposed to market risk.

Credit spread risk is the risk of the Group's trading book being exposed to movements in the value of securities and derivatives as a result of changes in the perceived credit quality of the underlying company or issuer. Credit spread risk accumulates in the Group's trading book when it provides risk transfer services to customers seeking to buy or sell fixed income securities (such as corporate bonds). The Group may also be exposed to credit spread risk when holding an inventory of fixed income securities in anticipation of customer demand or undertaking market-making activity (i.e. quoting buy and sell prices to customers) in fixed income securities. The Group's trading book is also exposed to credit spread risk through credit valuation adjustments. A widening of credit spreads could negatively impact the value of the Credit Valuation Adjustment.

Outside the trading book, the Group Liquidity portfolio is also subject to credit spread risk through its holdings of semi-government bonds. These positions form part of the required holdings of High Quality Liquid Assets used in managing the Group's liquidity risk and can give rise to material profit and loss volatility within Treasury during periods of adverse credit spread movements.

Interest rate risk is the risk to the Group's financial performance and capital position caused by changes in interest rates. The Group's trading book is exposed to changes in the value of securities and derivatives as a result of changes in interest rates. The Group's trading book accumulates interest rate risk when the Group provides interest rate hedging solutions for customers, holds interest rate risk in anticipation of customer requirements or undertakes market-making activity in fixed income securities or interest rate derivatives.

The occurrence of any event giving rise to a material trading loss may have a negative impact on the Group's financial performance and financial position.

Balance sheet and off-balance sheet items can create an interest rate risk exposure within the Group. As interest rates and yield curves change over time, including negative interest rates in certain countries in which the Group operates, the Group may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. Such exposure may arise from a mismatch between the maturity profile of the Group's lending portfolio compared to its deposit portfolio (and other funding sources), as well as the extent to which lending and deposit products can be repriced should interest rates remain at very low levels or become negative, thereby impacting the Group's net interest margin.

Foreign exchange and translation risk arise from the impact of currency movements on the value of the Group's cash flows, profits and losses, and assets and liabilities due to participation in global financial markets and international operations.

The Group's ownership structure includes investment in overseas subsidiaries and associates which gives rise to foreign currency

exposures, including through the repatriation of capital and dividends. The Group's businesses may therefore be affected by a change in currency exchange rates, and movements in the mark-to-market valuation of derivatives and hedging contracts.

The Group's financial statements are prepared and presented in Australian dollars, and any adverse fluctuations in the Australian dollar against other currencies in which the Group invests or transacts and generates profits (or incurs losses) may adversely impact its financial performance and position.

4. Capital, Funding and Liquidity Risk

4.1 The Group is exposed to funding and liquidity risk.

Funding risk is the risk that the Group is unable to raise short and long-term funding to support its ongoing operations, regulatory requirements, strategic plans and objectives. The Group accesses domestic and global capital markets to help fund its business, in addition to using customer deposits. Dislocation in capital markets, reduced investor interest in the Group's securities and/or reduced customer deposits, may adversely affect the Group's funding and liquidity position, increase the cost of obtaining funds or impose unfavourable terms on the Group's access to funds, constrain the volume of new lending, or adversely affect the Group's capital position.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of wholesale borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operational expenses and taxes. The Group must also comply with prudential and regulatory liquidity obligations across the jurisdictions in which it operates. Any significant deterioration in the Group's liquidity position may lead to an increase in the Group's funding costs, constrain the volume of new lending, result in the Group drawing upon its committed liquidity facility with the RBA or cause the Group to breach its prudential or regulatory liquidity obligations. This may adversely impact the Group's reputation and financial performance and position.

4.2 The Group's capital position may be constrained by prudential requirements.

Capital risk is the risk that the Group does not hold sufficient capital and reserves to cover exposures and to protect against unexpected losses. Capital is the cornerstone of the Group's financial strength. It supports an authorised deposit-taking institution's (ADI's) operations by providing a buffer to absorb unanticipated losses from its activities.

The Group must comply with prudential requirements in relation to capital across the jurisdictions in which it operates. Compliance with these requirements and any further changes to these requirements may:

- Limit the Group's ability to manage capital across the entities within the Group.
- Limit payment of dividends or distributions on shares and hybrid instruments.
- Require the Group to raise more capital (in an absolute sense) or raise more capital of higher quality.
- Restrict balance sheet growth.

In response to the impacts of COVID-19, the Australian Prudential Regulation Authority (APRA) has outlined its expectations for ADIs in relation to the payment of dividends during this period of disruption. In its updated December 2020 guidance, APRA removed specific restrictions on capital distributions but maintained their expectation that banks remain cautious and measured in their approach to dividends.

In addition, on 31 March 2021, the RBNZ eased its prohibition on payment of dividends on ordinary shares by NZ-incorporated registered banks, such as the Company's NZ subsidiary, Bank of New Zealand (BNZ). The RBNZ has implemented a new restriction allowing banks to pay dividends up to a maximum of 50 per cent of earnings and has outlined its expectations that NZ banks will exercise prudence in determining dividends. This restriction will remain in place until 1 July 2022, subject to economic conditions at that time.

If the information or the assumptions upon which the Group's capital requirements are assessed prove to be inaccurate, this may

Luxembourg Transparency Law – 2021 Half Year Financial Report

adversely impact the Group's operations, financial performance and financial position.

4.3 A significant downgrade in the Group's credit ratings may adversely impact its cost of funds and capital market access.

Credit ratings are an assessment of a borrower's creditworthiness and may be used by market participants in evaluating the Group and its products, services and securities. Credit rating agencies conduct ongoing review activities, which can result in changes to credit rating settings and outlooks for the Group, or credit ratings of sovereign jurisdictions where the Group conducts business. Credit ratings may be affected by operational and market factors, or changes in the credit rating agency's rating methodologies.

A downgrade in the credit ratings or outlook of the Group, the Group's securities, or the sovereign rating of one or more of the countries in which the Group operates, may increase the Group's cost of funds or limit access to capital markets. This may also cause a deterioration of the Group's liquidity position and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. A downgrade to the Group's credit ratings relative to peers may also adversely impact the Group's competitive position and financial performance and position.

4.4 The Group may fail to, or be unable to, sell down its underwriting risk.

As financial intermediaries, members of the Group underwrite or guarantee different types of transactions, risks and outcomes, including the placement of listed and unlisted debt, equity-linked and equity securities. The underwriting obligation or guarantee may be over the pricing and placement of these securities, and the Group may therefore be exposed to potential losses, which may be significant, if it fails to sell down some or all of this risk to other market participants.

5. Operational Risk

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

There are reputational implications inherent in the Group operations due to the range of customers, products and services the Group provides and the multiple markets and channels these products and services are delivered through.

5.1 Disruption to technology may adversely impact the Group's reputation and operations.

Most of the Group's operations depend on technology, and therefore the reliability, resilience and security of the Group's (and its third-party vendors') information technology systems and infrastructure are essential to the effective operation of its business and consequently to its financial performance and position. The reliability and resilience of the Group's technology may be impacted by the complex technology environment, failure to keep technology systems up-to-date, an inability to restore or recover systems and data in acceptable timeframes, or a physical or cyber-attack.

The rapid evolution of technology in the financial services industry and the increased expectation of customers for internet and mobile services on demand expose the Group to changing operational scenarios.

Any disruption to the Group's technology (including disruption to the technology systems of the Group's external providers) may be wholly or partially beyond the Group's control and may result in operational disruption, regulatory enforcement actions, customer redress, litigation, financial losses, theft or loss of customer data, loss of market share, loss of property or information, or may adversely impact the Group's speed and agility in the delivery of change and innovation.

In addition, any such disruption may adversely affect the Group's reputation, including the view of regulators or ratings agencies, which may result in loss of customers, a reduction in share price, ratings downgrades and regulatory censure or penalties. Social media commentary may further exacerbate such adverse outcomes for the Group and negatively impact the Group's reputation.

5.2 The Group's colleagues and customers have been and may continue to be impacted by COVID-19.

The outbreak of COVID-19 interrupted the usual operations of the Group, its customers and suppliers. This disruption resulted in the activation of the Group's Crisis Management Team and activation of the Group's response plan to protect the health, safety and well-being of its customers and colleagues. The steps taken included alternate work locations and arrangements implemented for Group colleagues, a decreased reliance on property infrastructure, and an increased reliance on mobile technology and business process changes to support customers, colleagues and suppliers and ensure continuity of the Group's business operations. These operational changes could lead to direct financial loss or impact the Group's ability to operate effectively and efficiently.

It is difficult to predict the extent to which each colleague's ability to provide customer support and service and maintain their own health will be affected over an extended period. No assurance can be given that the precautions being taken by the Group to protect its colleagues and customers will be adequate nor can the Group predict the level of further disruption which may occur.

The Group continues to monitor the situation closely as the domestic and global business environment changes, including progress of vaccination programs, and it is unclear how this will further evolve or if the Group will need to continue to re-activate the response teams and plans. Other epidemics or pandemics may arise in future which may again activate a crisis response causing disruption to the Group's operations.

5.3 Privacy, information security and data breaches may adversely impact the Group's reputation and operations.

The Group processes, stores and transmits large amounts of personal and confidential information through its technology systems and networks. Threats to information security are constantly evolving and techniques used to perpetrate cyber-attacks are increasingly sophisticated.

Although the Group invests in protecting the confidentiality and integrity of this information, the Group may not always be able to anticipate a security threat, or be able to implement effective information security policies, procedures and controls to prevent or minimise the resulting damage. The Group uses select external providers (in Australia and overseas) to process and store confidential data and to develop and provide its technology services, including the increasing use of cloud infrastructure. The Group may also submit confidential information to its key regulators under a legal obligation and as part of regulatory reporting.

A breach of security at any of these external providers, regulators or within the Group may result in operational disruption, theft or loss of customer data, a breach of privacy laws, regulatory enforcement actions, customer redress, litigation, financial losses, or loss of market share, property or information. This may be wholly or partially beyond the control of the Group and may adversely impact its financial performance and position.

In addition, any such event may give rise to increased regulatory scrutiny or adversely affect the view of ratings agencies. Social media commentary and the Group's responses to the relevant event may exacerbate the impact on the Group's reputation.

5.4 Deficient policies, processes, controls, infrastructure and models give rise to a significant risk to the Group's operations.

The Group's business involves the execution of many processes and transactions with varying degrees of complexity. The Group is reliant on its policies, processes, controls and supporting infrastructure functioning as designed, along with third parties appropriately managing their own operational risk and delivering services to the Group as required. A failure in the design or operation of these policies, processes, controls and infrastructure, failure of the Group to manage external service providers, or the disablement of a supporting system all pose a significant risk to the Group's operations and consequently its financial performance and reputation.

Models are used extensively in the conduct of the Group's business, for example, in calculating capital requirements or customer compensation payments and measuring and stressing exposures. If the models used prove to be inadequate or are based on incorrect or invalid assumptions, judgements or inputs, this may adversely affect the Group's customers and the Group's financial performance and position.

5.5 The Group is exposed to the risk of human error.

Luxembourg Transparency Law – 2021 Half Year Financial Report

The Group's business, including the internal processes and systems that support in business decisions, relies on inputs from its employees, agents and external providers. The Group is exposed to operational risk due to process or human errors including incorrect or incomplete data capture and records maintenance, incorrect or incomplete documentation to support activities, or inadequate design of processes or controls. The Group uses select external providers (in Australia and overseas) to provide services to the Group and is exposed to similar risks arising from such failures in the operating environment of its external providers. The materialisation of any of these risks could lead to direct financial loss, loss of customer, employee or commercially sensitive data, regulatory penalties and reputational damage.

5.6 The Group may not be able to attract and retain suitable personnel.

The Group is dependent on its ability to attract and retain key executives, colleagues and Board members with a deep understanding of banking and technology, who are qualified to execute the Group's strategy, as well as the technology transformation the Group is undertaking to meet the changing needs of its customers. Weaknesses in employment practices, including diversity, discrimination and workplace health and safety, are sources of operational risk that can impact the Group's ability to attract and retain qualified personnel with the requisite knowledge, skills and capability.

The Group's capacity to attract and retain key personnel is dependent on its ability to design and implement effective remuneration structures. This process may be constrained by regulatory requirements (particularly in the highly regulated financial services sector), as well as investor expectations, which may be somewhat disparate.

The unexpected loss of key resources or the inability to attract personnel with suitable experience may adversely impact the Group's ability to operate effectively and efficiently, or to meet the Group's strategic objectives.

5.7 External events may adversely impact the Group's operations.

Operational risk can arise from external events such as biological hazards, climate change, natural disasters, widespread disease or pandemics, or acts of terrorism.

The Group has branches in regional areas in Australia that are prone to seasonal natural disasters, including fires and floods.

In addition, the Group has branches and office buildings in NZ, which have experienced significant earthquakes and aftershocks in recent years, and which may be exposed to the risk of future earthquakes.

Given the Group's physical presence in major cities in Australia, NZ and other countries where it has, or is intending to establish, offshore operations, it may also be exposed to the risk of a terrorist attack.

External events such as extreme weather, natural disasters, biological hazards and acts of terrorism may cause property damage and business disruption, which may adversely impact the Group's financial performance. In addition, if the Group is unable to manage the impacts of such external events, it may lead to reputational damage and compromise the Group's ability to provide a safe workplace for its personnel.

The environment the Group is operating in has become more complex and more uncertain and could create operational risks that are yet to be identified.

6. Sustainability Risk

Sustainability risk is the risk that events (which includes Environmental, Social or Governance (ESG) issues) or conditions arise that could negatively impact the sustainability, resilience, risk and return profile, value or reputation of the Group or its customers and suppliers.

6.1 Climate change and related policy and market changes may lead to increasing customer defaults and decrease the value of collateral.

Extreme weather, increasing weather volatility and longer-term changes in climatic conditions may affect property and asset values or cause customer losses due to damage, existing land use ceasing

to be viable, and/or interruptions to business operations and supply chains.

Parts of Australia are prone to, and have recently experienced, physical climate events such as severe drought conditions, bushfires, notably over 2019/2020 and severe flooding in 2021. The impact of these extreme weather events can be widespread, extending beyond primary producers to customers of the Group who are suppliers to the agricultural sector, and to those who reside in, and operate businesses within, impacted communities. The impact of these losses on the Group may be exacerbated by a decline in the value and liquidity of assets held as collateral, which may impact the Group's ability to recover its funds when loans default.

Certain customer segments may be adversely impacted as the economy transitions to renewable and low-emissions technology. Decreasing investor appetite and customer demand for carbon intensive products and services, and changing regulations and government policies designed to mitigate climate change, may give rise to transition risks and negatively impact revenue and access to capital for some businesses.

These physical and transition risk impacts may increase current levels of customer defaults, thereby increasing the credit risk facing the Group and adversely impacting the Group's financial performance and position, profitability and returns to investors. In addition, this is leading to changes in supervisory and regulatory guidance and requirements for banks where regulators seek to understand and manage system-wide climate-related risks.

6.2 The Group, its customers, or its suppliers may fail to comply with legal, regulatory or voluntary standards or broader community and stakeholder expectations concerning ESG risk performance.

ESG issues have been subject to increasing legal, regulatory and voluntary standards and increasing community and stakeholder expectations. These include:

- Environmental issues – such as climate change, pollution, biodiversity loss and environmental degradation.
- Social issues – such as human rights (including modern slavery), compliance with recognised labour standards and fair working conditions, unfair and inequitable treatment of people including discrimination, product responsibility, appropriate remuneration and the impact of projects on local and Indigenous communities.
- Governance issues – such as bribery and corruption, tax avoidance, poor governance, lack of transparency and diminishing of accountabilities.

Failure by the Group to comply with ESG-related standards or community and stakeholder expectations, or the failure to apply appropriate standards to its customers, or to entities in the Group's supply chain, may adversely impact the Group's reputation, and customer and employee sentiment towards the Group.

Certain products, services or industries may become subject to heightened public scrutiny, either generally or following a specific adverse event. This can result in a sudden and significant decrease in demand for these products or services, and a negative impact on revenue and access to capital for some businesses. Reputational damage to impacted suppliers, customers or customer sectors may give rise to associated reputational damage to the Group. In addition, levels of customer defaults in an impacted sector may increase, adversely impacting the Group's financial performance and position, profitability and returns to investors.

7. Conduct Risk

Conduct risk is the risk that any action of the Group, or those acting on behalf of the Group, will result in unfair outcomes for any of the Group's customers.

7.1 The Group is heavily reliant on its employees, contractors and external suppliers acting in an appropriate and ethical way.

Organisational culture can greatly influence individual and group behaviours which can expose an organisation and lead to unfair customer outcomes. The behaviours that could expose the Group to conduct risk include:

Luxembourg Transparency Law – 2021 Half Year Financial Report

- Selling, providing or unduly influencing customers to purchase or receive products or services that may not meet their existing needs or that place the customer at risk of future hardship.
- Being a party to fraud.
- Non-adherence to applicable requirements or providing financial advice which is not appropriate or in the customers' interests.
- Delays in appropriately escalating regulatory and compliance issues.
- Failure to resolve issues and remediate customers in a timely manner.
- Failure to deliver on product and service commitments.
- Failure to remediate business processes and stop reoccurrence in a timely manner.

In addition, events such as COVID-19 can result in rapid changes to the internal and external business environment and subsequent changes to business processes to support customers. This may impact both the likelihood and the consequence of unfair outcomes to customers, including through decisions and actions where the trade-offs or tail risks may not be immediately apparent or quantifiable. The Group is continuing to support its customers in an appropriate way during the COVID-19 pandemic including through regular customer communications. However, no assurance can be given that the steps being taken will not have unintended consequences in the future or that they will meet the future expectations of the Group's regulators. The Group cannot predict the level of further disruption which may occur.

If the Group's conduct related controls were to fail significantly, be set inappropriately, or not meet legal, regulatory or community expectations, then the Group may be exposed to:

- Increased costs of compliance, fines, additional capital requirements, public censure, loss of customer confidence, class actions and other litigation, settlements and restitution to customers or communities.
- Increased supervision, oversight or enforcement by regulators or other stakeholders.
- Unenforceability of contracts such as loans, guarantees and other security documents.
- Enforced suspension of operations, amendments to licence conditions or loss of licence to operate all or part of the Group's businesses.
- Other enforcement or administrative action or agreements, including legal proceedings.

A failure of the Group's conduct controls to accurately reflect relevant legal, regulatory or community expectations may adversely impact the Group's reputation, financial performance and position, profitability, operations and returns to investors.

8. Compliance Risk

Compliance risk is the risk of failing to understand and comply with relevant laws, regulations, licence conditions, supervisory requirements, self-regulatory industry codes of conduct and voluntary initiatives as well as the internal policies, standards, procedures and frameworks that support sustainable compliance.

8.1 The Group may be involved in a breach or alleged breach of laws governing bribery, corruption and financial crime.

Supervision, regulation and enforcement of anti-bribery and corruption, anti-money laundering, counter-terrorism financing, and international sanctions laws (collectively referred to as 'AML/CTF') has increased. In June 2018, Australia's financial intelligence agency, the Australian Transaction Reports and Analysis Centre (AUSTRAC), reached an agreement with another major Australian bank for a A\$700 million penalty relating to serious breaches of AML/CTF laws. In September 2020, AUSTRAC and a different major Australian bank agreed to that Australian bank paying a civil penalty of A\$1.3 billion in relation to proceedings alleging significant breaches of AML/CTF laws.

The Group has reported a number of AML/CTF compliance breaches to relevant regulators and has responded to a number of requests from regulators requiring the production of documents and

information. The Group is currently investigating and remediating a number of AML/CTF compliance issues and weaknesses and should further issues be identified, the Group would expect to report those to regulators in accordance with its normal processes. The potential outcome and total costs associated with the investigations and remediation processes for specific issues identified to date, and for any issues identified in future, remain uncertain. A negative outcome to any investigation or remediation process may adversely impact the Group's reputation, business operations, financial position and results. Further, given the large volume of transactions that the Group processes, the undetected failure of internal AML/CTF controls, or the ineffective implementation or remediation of compliance issues, could result in a significant number of breaches of AML/CTF obligations and significant monetary penalties for the Group.

Refer to 'Notes to the Financial Statements', Note 13 *Contingent liabilities* on pages 69-72 in the Group's *2021 Half Year Financial Report* under the heading '*Regulatory activity, compliance investigations and associated proceedings - Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) program uplift and compliance issues*' for more information.

8.2 The Group may fail to comply with applicable laws and regulations, or may incur significant compliance costs.

The Group is highly regulated and subject to various regulatory regimes which differ across the jurisdictions in which it operates, trades and raises funds.

Ensuring compliance with all applicable laws is complex. There is a risk the Group will be unable to implement the processes and controls required by relevant laws and regulations in a timely manner, or that the Group's internal controls will prove to be inadequate or ineffective in ensuring compliance. There is also a potential risk of misinterpreting new or existing regulations.

In addition, there is significant cost associated with the systems, processes, controls and personnel required to ensure compliance with applicable laws and regulations. Such costs may negatively impact the Group's financial performance and position. Any failure to comply with relevant laws and regulations may have a negative impact on the Group's reputation and financial performance and position, and may give rise to class actions, regulatory enforcement or litigation.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission) recommended a number of measures to improve the effectiveness and oversight of the Australian Securities and Investments Commission (ASIC) and APRA in deterring, and imposing appropriate penalties for, misconduct. Accordingly, the Group may be exposed to greater risk of enforcement action by its primary regulators, ASIC and APRA, which may result in the imposition of civil or criminal penalties on the Group.

8.3 Extensive regulatory change poses a significant risk to the Group.

Globally, the financial services and banking industries are subject to a significant and increasing level of regulatory reviews and political scrutiny, including in Australia, NZ and other countries where the Group has, or is intending to establish, offshore operations. Changes to laws and regulations or their interpretation and application can be unpredictable, are beyond the Group's control, and may not be harmonised across the jurisdictions in which the Group operates.

Regulatory change may result in significant capital and compliance costs, changes to the Group's corporate structure and increasing demands on management, colleagues and information technology systems. This may also impact the viability of the Group's participation in certain markets or require the divestment of a part of the Group's business.

The Royal Commission made a considerable number of recommendations. The Australian Government has committed to take action on all of the recommendations and has announced further commitments to address issues raised in the final report of the Royal Commission. Some commitments have been actioned by the Australian Government and regulators, with a number of legislative changes being passed by the Australian Parliament in December 2020 relating to anti-hawking, enforceable codes of conduct, deferred sales of add-on insurance, reference checking and breach reporting. Other changes are in progress or subject to consultation. These

Luxembourg Transparency Law – 2021 Half Year Financial Report

legislative and regulatory changes are likely to impact the operations of the Group as considerable resources will be required to be redirected towards the timely implementation of such changes. The timeframe for implementation combined with the complexities created by the COVID-19 pandemic may increase the risk associated with the timely implementation of these changes.

Further inquiries and regulatory reviews impacting the financial services industry may be commissioned by the Australian and NZ Governments, which, depending on their scope, findings and recommendations, may adversely impact the Group.

Other reviews and regulatory reforms currently relevant to the Group which present a potential regulatory risk include:

- APRA's various reforms in relation to loss-absorbing capacity and revisions to the ADI capital framework.
 - Existing loss-absorbing requirements for Domestic Systemically Important Banks (D-SIBs) such as the Company, to increase total capital by 3% of risk weighted assets (RWA) by 1 January 2024 are expected to be satisfied primarily through the issue of additional Tier 2 Capital. APRA will consider "feasible alternative methods" for raising an additional 1% to 2% of RWA in loss-absorbing capacity, in consultation with industry and other interested stakeholders. This potential incremental requirement could further increase the Group's funding costs due to the higher cost of Tier 2 Capital issuance relative to senior debt.
 - The major Australian banks (including the Company) have been subject to APRA's 'unquestionably strong' target benchmark capital ratios since January 2020. APRA has recommenced its consultations on the revised ADI capital framework, with the implementation of revised prudential standards in relation to the risk-weighting framework and other capital requirements proposed from 1 January 2023. While the capital reforms do not propose an additional increase to the quantum of capital required across the system, the implementation of these requirements may require the Group to hold additional capital.
- In 2018 and 2019, the NZ Financial Markets Authority and the RBNZ undertook a review of conduct and culture in the financial services industry. Alongside industry-wide recommendations released as a result of the review, further specific findings were provided to individual NZ banks (including BNZ) in November 2018. The review led to the NZ Government introducing the Financial Markets (Conduct of Institutions) Amendment Bill to the NZ Parliament in December 2019 to create an oversight and licensing regime for regulating conduct in the banking, non-bank deposit taking and insurance sectors. The bill has been delayed as a result of COVID-19 and is currently in its second reading.
- The Australian Banking Executive Accountability Regime (BEAR) applies to the Group. On 22 January 2020, the Australian Government Treasury released its proposal paper on a new Financial Accountability Regime (FAR). This regime has been developed in response to a number of Royal Commission recommendations and is intended to extend and replace BEAR. The FAR legislation was initially expected to be introduced by the end of 2020 (although implementation may be phased), and is likely to include new prescribed responsibilities, additional accountability obligations, and increased maximum civil penalties for the Group and its accountable persons.
- The regulatory timeframes for the implementation of the Consumer Data Right (known as 'Open Banking') require significant changes to the Group's operations and technology. There is a risk that the Group will not achieve compliance with the set milestones for the complete implementation of Open Banking. Open Banking may also lead to cyber and fraud risks in the CDR ecosystem. Governance mechanisms including accountabilities, controls and frameworks are still evolving and, under the Open Banking regime, customer data will be shared with a broader range of stakeholders. The significant resources and management time required to implement Open Banking may also have a flow-on effect, impacting other regulatory reforms across the Group.
- There are a number of other ongoing or proposed regulatory changes and inquiries relevant to the Group, such as new

requirements for the design and distribution of financial products, anti-hawking of financial products, responsible lending reforms, changes to the Group entities eligible for inclusion in the Level 1 group for prudential supervisory purposes, operational resilience, market abuse or conduct related regulations, changes to financial benchmarks, derivatives reform, replacement of the Reserve Bank of New Zealand Act 1989 (NZ), payments, data protection and privacy laws, data quality, competition inquiries, financial crime legislation, increasing modern slavery, climate and other sustainability risk related regulatory and reporting requirements, accounting and financial reporting requirements, and tax reform.

- Additionally, continued regulator focus on COVID-19 related impacts (such as loan deferrals) has resulted in temporary changes to a number of regulatory and associated regulatory reporting requirements.

The full scope, timeline and impact of current and potential inquiries and regulatory reforms such as those mentioned above, or how they will be implemented (if at all in some cases), is not known. The challenges raised by COVID-19 have caused a number of regulators to postpone or suspend planned policy and supervision initiatives, public consultations and the implementation dates of a number of regulatory reforms.

The impact of COVID-19 on the Group's operations may result in delays in its ability to implement regulatory change. The extent of any delays will be dependent on how regulators choose to adjust the prioritisation, timing and deployment of their supervisory mandate or legislative change.

Depending on the specific nature of the regulatory change requirements and how and when they are implemented or enforced, they may have an adverse impact on the Group's business, operations, structure, compliance costs or capital requirements, and ultimately its reputation, and financial performance and position.

8.4 Failure to comply with laws or regulatory requirements may expose the Group to remediation costs, regulatory enforcement action or litigation, including class actions.

There have been several domestic and international firms facing high profile regulatory enforcement actions for alleged instances of non-compliance with laws or regulatory requirements. In some cases, class actions have been brought in respect of the matters to which these enforcement actions relate.

Entities within the Group have been and may continue to be involved from time to time in regulatory enforcement and other legal proceedings arising from the conduct of their business. There is inherent uncertainty regarding the possible outcome of any legal or regulatory proceedings involving the Group. It is also possible that further class actions, regulatory investigations, compliance reviews, civil or criminal proceedings or the imposition of new licence conditions could arise in relation to known matters or other matters of which the Group is not yet aware. The aggregate potential liability and costs associated with legal proceedings cannot be estimated with any certainty.

A negative outcome to regulatory investigations or litigation involving the Group may impact the Group's reputation, divert management time from operations and affect the Group's financial performance and position, profitability and returns to investors. Refer to 'Notes to the Financial Statements', Note 13 Contingent liabilities on pages 69-72 in the Group's 2021 Half Year Financial Report for details in relation to certain current legal and regulatory proceedings, compliance reviews and associated remediation, and other contingent liabilities which may impact the Group.

8.5 The Group may be exposed to losses if critical accounting judgements and estimates are subsequently found to be incorrect.

Preparation of the Group's financial statements requires management to make estimates and assumptions and to exercise judgement in applying relevant accounting policies, each of which may directly impact the reported amounts of assets, liabilities, income and expenses. A higher degree of judgement is required for the estimates used in the recognition and measurement of provisions (including for customer-related remediation and other regulatory matters), the determination of income tax, the valuation of financial assets and liabilities (including fair value and credit impairment of loans and

Luxembourg Transparency Law – 2021 Half Year Financial Report

advances), the valuation of goodwill and intangible assets, and the presentation of discontinued operations. Changes in the methodology or assumptions on which the assessment of goodwill and intangible balances is based, together with changes in expected future cash flows (including changes flowing from current and potential regulatory reforms), could result in the potential write-off of a part or all of that goodwill or the intangible balances.

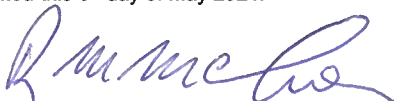
If the judgements, estimates and assumptions used by the Group in preparing financial statements are subsequently found to be incorrect, there could be a significant loss to the Group beyond that anticipated or provided for, which may adversely impact the Group's reputation, and financial performance and position.

9. Responsibility statement of the persons responsible for the Company in relation to the Group financial statements made in accordance with Article 4(2)(c) of the Luxembourg Law of 11 January 2008 relating to transparency requirements, as amended

The Group Chief Executive Officer and the Group Chief Financial Officer of the Company confirm that, to the best of their knowledge:

- (a) The Company's unaudited financial statements and the notes thereto for the half year ended 31 March 2021 as contained in the Company's Half Year Financial Statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)*, Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- (b) The Company's Half Year Financial Statements and this Report include:
 - (i) a fair review of the development and performance of the business and position of the Group; and
 - (ii) a description of the principal risks and uncertainties faced by the Group.

Dated this 6th day of May 2021:



Ross McEwan
Group Chief Executive Officer



Gary Lennon
Group Chief Financial Officer