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The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2021.

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
Mr DM Gonski, AC	Director, retired on 28 October 2020
Ms IR Atlas, AO	Director
Ms PJ Dwyer	Director
Ms SJ Halton, AO PSM	Director
Mr GR Liebelt	Director
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT MacFarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $2,943 million, and consolidated profit attributable to shareholders of the Company from continuing operations was $2,951 million. Further details are contained in Group Results on pages 19 to 46 which forms part of this report, and in the Condensed Consolidated Financial Statements.

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the Group Results on pages 19 to 46 which forms part of this report.

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 120 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

On 26 April 2021, the Group posted notice that it will exercise its option to redeem wholesale A$700,000,000 floating rate subordinated notes due May 2026. The notes will be redeemed on 17 May 2021 for their par value of $700 million.

Other than the matter above, there have been no other significant events from 31 March 2021 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 2021

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Interest income		**9,879**	10,626	13,800	-7%	-28%
Interest expense		**(2,893)**	(3,799)	(6,578)	-24%	-56%
Net interest income	2	**6,986**	6,827	7,222	2%	-3%
Other operating income	2	**1,571**	1,866	1,489	-16%	6%
Net income from insurance business	2	**52**	31	47	68%	11%
Share of associates' profit/(loss)	2, 19	**(242)**	20	135	large	large
Operating income		**8,367**	8,744	8,893	-4%	-6%
Operating expenses	3	**(4,482)**	(4,778)	(4,605)	-6%	-3%
Profit before credit impairment and income tax		**3,885**	3,966	4,288	-2%	-9%
Credit impairment (charge)/release	10	**491**	(1,064)	(1,674)	large	large
Profit before income tax		**4,376**	2,902	2,614	51%	67%
Income tax expense	4	**(1,425)**	(862)	(978)	65%	46%
Profit after tax from continuing operations		**2,951**	2,040	1,636	45%	80%
Profit/(Loss) after tax from discontinued operations	13	**(8)**	(8)	(90)	0%	-91%
Profit for the period		**2,943**	2,032	1,546	45%	90%
Comprising:						
Profit attributable to shareholders of the Company		**2,943**	2,032	1,545	45%	90%
Profit attributable to non-controlling interests		**-**	-	1	n/a	-100%
Earnings per ordinary share (cents) including discontinued operations						
Basic	6	**103.7**	71.8	54.6	44%	90%
Diluted	6	**98.4**	66.3	51.5	48%	91%
Earnings per ordinary share (cents) from continuing operations						
Basic	6	**104.0**	72.1	57.8	44%	80%
Diluted	6	**98.7**	66.5	54.3	48%	82%
Dividend per ordinary share (cents)	5	**70**	35	25	n/a	n/a

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Profit for the period from continuing operations	**2,951**	2,040	1,636	45%	80%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI	**124**	(42)	(115)	large	large
Other reserve movements	**(20)**	(223)	236	-91%	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve[1]	**(658)**	(1,831)	1,281	-64%	large
Other reserve movements	**(319)**	629	83	large	large
Income tax attributable to the above items	**82**	(104)	(76)	large	large
Share of associates' other comprehensive income[2]	**41**	41	10	0%	large
Other comprehensive income after tax from continuing operations	**(750)**	(1,530)	1,419	-51%	large
Profit/(Loss) after tax from discontinued operations	**(8)**	(8)	(90)	0%	-91%
Other comprehensive income after tax from discontinued operations	**-**	-	-	n/a	n/a
Total comprehensive income for the period	**2,193**	502	2,965	large	-26%
Comprising total comprehensive income attributable to:					
Shareholders of the Company	**2,193**	502	2,965	large	-26%
Non-controlling interests	**-**	-	-	n/a	n/a

1. *Includes foreign currency translation differences attributable to non-controlling interests of nil (Sep 20 half: nil; Mar 20 half: $1 million loss).*
2. *Share of associates' other comprehensive income includes:*

	Mar 21 half $M	*Sep 20 half $M*	*Mar 20 half $M*
FVOCI reserve gain/(loss)	*47*	*41*	*7*
Defined benefits gain/(loss)	*(5)*	*-*	*3*
Cash flow hedge reserve gain/(loss)	*1*	*(1)*	*-*
Foreign currency translation reserve gain/(loss)	*(2)*	*1*	*-*
Total	***41***	***41***	***10***

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As At			Movement	
Assets	**Note**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Cash and cash equivalents[1]		**124,460**	107,923	143,093	15%	-13%
Settlement balances owed to ANZ		**9,778**	7,541	6,961	30%	40%
Collateral paid		**12,059**	14,308	16,762	-16%	-28%
Trading securities		**46,331**	50,913	49,068	-9%	-6%
Derivative financial instruments	8	**104,666**	135,331	173,677	-23%	-40%
Investment securities		**91,990**	93,391	85,923	-2%	7%
Net loans and advances	9	**614,359**	617,093	656,609	0%	-6%
Regulatory deposits		**859**	801	804	7%	7%
Investments in associates		**1,854**	2,164	2,313	-14%	-20%
Current tax assets		**170**	161	452	6%	-62%
Deferred tax assets		**2,105**	2,124	1,816	-1%	16%
Goodwill and other intangible assets		**4,024**	4,379	4,957	-8%	-19%
Premises and equipment		**2,792**	3,013	3,211	-7%	-13%
Other assets		**2,892**	3,144	4,309	-8%	-33%
Total assets		**1,018,339**	1,042,286	1,149,955	-2%	-11%
Liabilities						
Settlement balances owed by ANZ		**19,188**	22,241	22,314	-14%	-14%
Collateral received		**7,552**	9,304	17,463	-19%	-57%
Deposits and other borrowings	11	**706,623**	682,333	726,909	4%	-3%
Derivative financial instruments	8	**102,926**	134,711	167,364	-24%	-39%
Current tax liabilities		**203**	349	244	-42%	-17%
Deferred tax liabilities		**73**	80	94	-9%	-22%
Payables and other liabilities		**8,558**	9,128	10,536	-6%	-19%
Employee entitlements		**600**	596	635	1%	-6%
Other provisions	12	**2,417**	2,579	2,773	-6%	-13%
Debt issuances	14	**107,623**	119,668	140,248	-10%	-23%
Total liabilities		**955,763**	980,989	1,088,580	-3%	-12%
Net assets		**62,576**	61,297	61,375	2%	2%
Shareholders' equity						
Ordinary share capital	17	**26,615**	26,531	26,440	0%	1%
Reserves	17	**741**	1,501	2,851	-51%	-74%
Retained earnings	17	**35,210**	33,255	32,073	6%	10%
Share capital and reserves attributable to shareholders of the Company		**62,566**	61,287	61,364	2%	2%
Non-controlling interests	17	**10**	10	11	0%	-9%
Total shareholders' equity		**62,576**	61,297	61,375	2%	2%

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

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

The Condensed Consolidated Cash Flow Statement includes discontinued operations. Please refer to Note 13 of the Condensed Consolidated Financial Statements for cash flows associated with discontinued operations.

	Half Year		
	Mar 21 $M	Sep 20 $M	Mar 20 $M
Profit after income tax	**2,943**	2,032	1,546
Adjustments to reconcile to net cash flow from operating activities:			
Credit impairment charge/(release)	**(491)**	1,064	1,674
Impairment of investment in associates	**-**	-	815
Depreciation and amortisation[1]	**563**	778	613
Goodwill write-off	**-**	77	-
(Profit)/loss on sale of premises and equipment	**(11)**	(4)	(4)
Net derivatives/foreign exchange adjustment	**(6,556)**	(4,905)	1,859
(Gain)/loss on sale from divestments	**238**	14	11
Other non-cash movements	**74**	19	(99)
Net (increase)/decrease in operating assets:			
Collateral paid	**1,730**	1,187	(904)
Trading securities	**(3,660)**	(3,564)	1,761
Loans and advances	**(1,372)**	23,273	(30,392)
Other assets	**47**	611	(687)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**35,594**	(15,628)	67,503
Settlement balances owed by ANZ	**(2,929)**	274	11,202
Collateral received	**(1,313)**	(6,640)	8,379
Other liabilities	**4,964**	(951)	(8,630)
Total adjustments	**26,878**	(4,395)	53,101
Net cash (used in)/provided by operating activities[2]	**29,821**	(2,363)	54,647
Cash flows from investing activities			
Investment securities:			
Purchases	**(12,863)**	(22,660)	(17,369)
Proceeds from sale or maturity	**12,323**	9,645	18,997
Proceeds from divestments, net of cash disposed	**13**	618	691
Repayment of IOOF secured notes	**-**	-	(800)
Other assets	**(366)**	(554)	(33)
Net cash (used in)/provided by investing activities	**(893)**	(12,951)	1,486
Cash flows from financing activities			
Debt issuances:[3]			
Issue proceeds	**4,648**	327	11,933
Redemptions	**(11,366)**	(11,003)	(10,427)
Dividends paid[4]	**(879)**	(633)	(2,228)
On market purchase of treasury shares	**(79)**	-	(122)
Repayment of lease liabilities	**(158)**	(133)	(148)
Net cash (used in)/provided by financing activities	**(7,834)**	(11,442)	(992)
Net increase/(decrease) in cash and cash equivalents	**21,094**	(26,756)	55,141
Cash and cash equivalents at beginning of period	**107,923**	143,093	81,621
Effects of exchange rate changes on cash and cash equivalents	**(4,557)**	(8,414)	6,331
Cash and cash equivalents at end of period	**124,460**	107,923	143,093

1. *Includes accelerated amortisation of $197 million in the September 2020 half following the Group's change in the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements.*
2. *Net cash (used in)/provided by operating activities includes interest received of $9,907 million (Sep 20 half: $10,916 million; Mar 20 half: $13,875 million), interest paid of $3,226 million (Sep 20 half: $4,354 million; Mar 20 half: $6,802 million) and income taxes paid of $1,424 million (Sep 20 half: $868 million; Mar 20 half: $1,480 million).*
3. *Non-cash changes in debt issuances includes fair value hedging loss of $1,311 million (Sep 20 half: $24 million loss; Mar 20 half: $1,103 million loss) and foreign exchange gains of $4,077 million (Sep 20 half: $10,159 million gain; Mar 20 half: $8,536 million loss).*
4. *Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.*

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital $M	Reserves $M	Retained earnings $M	Share capital and reserves attributable to shareholders of the Company $M	Non-controlling interests $M	Total shareholders' equity $M
As at 1 October 2019	26,490	1,629	32,664	**60,783**	11	**60,794**
Impact on transition to AASB 16	-	-	(88)	**(88)**	-	**(88)**
Profit or loss from continuing operations	-	-	1,635	**1,635**	1	**1,636**
Profit or loss from discontinued operations	-	-	(90)	**(90)**	-	**(90)**
Other comprehensive income for the period from continuing operations	-	1,249	171	**1,420**	(1)	**1,419**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	1,249	1,716	**2,965**	-	**2,965**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,228)	**(2,228)**	-	**(2,228)**
Other equity movements:						
Group employee share acquisition scheme	(50)	-	-	**(50)**	-	**(50)**
Other items	-	(27)	9	**(18)**	-	**(18)**
As at 31 March 2020	26,440	2,851	32,073	**61,364**	11	**61,375**
Profit or loss from continuing operations	-	-	2,040	**2,040**	-	**2,040**
Profit or loss from discontinued operations	-	-	(8)	**(8)**	-	**(8)**
Other comprehensive income for the period from continuing operations	-	(1,373)	(157)	**(1,530)**	-	**(1,530)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(1,373)	1,875	**502**	-	**502**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(694)	**(694)**	-	**(694)**
Dividend Reinvestment Plan[1]	61	-	-	**61**	-	**61**
Other equity movements:						
Group employee share acquisition scheme	30	-	-	**30**	-	**30**
Other items	-	23	1	**24**	(1)	**23**
As at 30 September 2020	26,531	1,501	33,255	**61,287**	10	**61,297**
Profit or loss from continuing operations	-	-	2,951	**2,951**	-	**2,951**
Profit or loss from discontinued operations	-	-	(8)	**(8)**	-	**(8)**
Other comprehensive income for the period from continuing operations	-	(731)	(19)	**(750)**	-	**(750)**
Other comprehensive income for the period from discontinued operations	-	-	-	**-**	-	**-**
Total comprehensive income for the period	-	(731)	2,924	**2,193**	-	**2,193**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(973)	**(973)**	-	**(973)**
Dividend Reinvestment Plan[1]	94	-	-	**94**	-	**94**
Other equity movements:						
Group employee share acquisition scheme	(10)	-	-	**(10)**	-	**(10)**
Other items	-	(29)	4	**(25)**	-	**(25)**
As at 31 March 2021	26,615	741	35,210	**62,566**	10	**62,576**

1. *4.2 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 final dividend (3.4 million shares for the 2020 interim dividend).*

The notes appearing on pages 82 to 117 form an integral part of the Condensed Consolidated Financial Statements.

1. 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 Statements for the year ended 30 September 2020 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2021 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 ANZ's Annual Financial Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 4 May 2021.

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

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

- 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;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities held for sale (except those at carrying value as per Note 13).

In accordance with AASB 119 *Employee Benefits*, defined benefit obligations are measured using the Projected Unit Credit method.

iv) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in the 2020 ANZ Annual Financial Report. Such estimates and judgements are reviewed on an ongoing basis.

A brief explanation of the key estimates, assumptions and judgements for the half year ended 31 March 2021 follows.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Group performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the impact, extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes disruption to capital markets, and the impacts on credit quality, liquidity, unemployment, consumer spending, as well as specific sector impacts and other restructuring activities; and
- the efficacy, extent and pace of roll-out of vaccines, as well as the effectiveness of government and central bank measures that have been and will be put in place to support businesses and consumers through this disruption.

The Group has made various accounting estimates in these Condensed Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those 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, carrying values of goodwill, fair value measurement, and recoverable amounts of non-financial assets.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below and/or in the relevant note in the 2020 ANZ Annual Financial Report. Readers should consider these disclosures in light of the inherent uncertainty described above.

1. Basis of preparation, cont'd

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 accounting policy for the recognition and measurement of the allowance for expected credit losses is described at Note 13 to ANZ's Annual Financial Statements for the year ended 30 September 2020.

The continuing impact of COVID-19 on the global economy, including the roll-out of vaccines, and how governments, businesses and consumers respond remains uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

The table below shows the Group's allowance for expected credit losses (refer to Note 10 and Note 15 for further information).

	As at		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Collectively assessed	**4,285**	5,008	4,501
Individually assessed	**809**	891	1,093
Total[1]	**5,094**	5,899	5,594

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 2021 half, there was a net decrease in the individually assessed allowance for expected credit losses of $82 million.

In estimating individually assessed ECL for Stage 3 exposures, 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 the ongoing and potential impact of COVID-19.

Collectively assessed allowance for expected credit losses

During the March 2021 half, the collectively assessed allowance for expected credit losses decreased by $723 million attributable to: a reduction of $417 million due to the improving economic outlook offset by changes to scenario weightings and an allowance for model uncertainty due to the continuing pandemic and recent wind-back of government support programs (such as JobKeeper); a reduction of $199 million due to lower lending volumes and changes in portfolio composition; a reduction of $112 million attributable to changes in credit risk; and a reduction of $45 million from foreign currency translation offset by an increase of $50 million in management adjustments.

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

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Group's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

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

The judgements and associated assumptions have been made in the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Determining when a significant increase in credit risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine 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 in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from stage 2 to stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	The support packages offered to customers in response to COVID-19 in 2020 are no longer being offered, and the majority of customers who took up the support packages have reverted back to their normal loan repayments. The support packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred and those that may still occur in the future. Thus the Group has provided a component of ECL for expected delinquencies and increases in SICR.

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters 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 variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. In the March 2021 half, an adjustment was made to the modelled outcome to account for continuing model uncertainties as a result of COVID-19.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no material changes to the policies during the half year ended 31 March 2021.
Base case economic forecast	The Group derives a forward-looking "base case" economic scenario which reflects ANZ Research – Economics' (ANZ Economics) view of future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current period. As at 31 March 2021, the base case assumptions have been updated to reflect the current phase of COVID-19, including containment in key geographies, government stimulus measures and roll-out of vaccines. In determining the expected path and timing out of the current economic downturn, assessments of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals) were considered. The expected outcomes of key economic drivers for the base case scenario as at 31 March 2021 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside[1], downside[1] and severe downside[2] scenarios)	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.	The key consideration for probability weightings in the current period is the extent and timing of recovery from the economic downturn caused by COVID-19. The Group considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. As at 31 March 2021, a reduced weighting was applied to the base case forecast which reflects a significantly improved and largely optimistic view of base case economic conditions by ANZ Economics. Greater weighting has been applied to the downside scenario given the Group's assessment of downside risks. 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.

1. Basis of preparation, cont'd

Judgement/Assumption	Description	Considerations for the half year ended 31 March 2021
Management temporary adjustments	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. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, including the roll-out of vaccines, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models which are based on historical underlying data. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with continuing COVID-19 impacts. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to retail including home loans, small business and commercial banking in Australia, for retail, commercial and agri banking in New Zealand, and for tourism in the Pacific.

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.*
2. *The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.*

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- The extent and duration of measures, including the roll-out of vaccines, to contain the spread of COVID-19;
- The extent and duration of the economic down-turn, along with the speed and timing required for economies to recover; and
- The effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The economic drivers of the base case economic forecasts at 31 March 2021 are set out below. These reflect ANZ Economics' view of future macro-economic conditions at 31 March 2021. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Actual calendar year	Forecast calendar year	
	2020	2021	2022
Australia			
GDP	-2.4%	4.8%	3.3%
Unemployment	6.5%	6.2%	5.3%
Residential property prices	1.9%	17.4%	6.5%
Consumer price index	0.8	2.4	1.7
New Zealand			
GDP	-3.0%	3.6%	3.7%
Unemployment	4.6%	5.4%	4.6%
Residential property prices	15.6%	17.4%	4.1%
Consumer price index	1.7	1.9	1.6
Rest of world			
GDP	-3.5%	6.0%	3.2%
Consumer price index	1.2	2.5	2.0

The base case economic forecasts as at 31 March 2021 indicate a significant improvement in current and expected economic conditions from the forecasts as at 30 September 2020 reflecting the ongoing progress and actions in responding to the COVID-19 pandemic.

Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the effectiveness of actions taken in response to COVID-19 and the ability of vaccines to limit the impact of the virus.

The base case scenario represents a significant improvement in the forecasts since September 2020. Given the uncertainties associated with a potential recovery in the economy, the average base case weighting across geographies has been reduced to 41.4% (Sep 20: 50.0%) and the downside scenario increased to 46.7% (Sep 20: 33.3%).

1. Basis of preparation, cont'd

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 the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. The average weightings applied across the Group are set out below:

	31 March 2021	30 September 2020	31 March 2020
Group			
Base	41.4%	50.0%	50.0%
Upside	5.5%	10.4%	12.7%
Downside	46.7%	33.3%	27.3%
Severe Downside	6.4%	6.3%	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 collectively assessed ECL to key factors used in determining it as at 31 March 2021:

	Total $M	Impact $M
If 1% of stage 1 facilities were included in stage 2	4,342	57
If 1% of stage 2 facilities were included in stage 1	4,278	(7)
100% upside scenario	1,815	(2,470)
100% base scenario	2,487	(1,798)
100% downside scenario	4,412	127
100% severe downside scenario	5,508	1,223

Fair value measurement of financial instruments

The majority of valuation models the Group uses to value financial instruments employ only observable market data as inputs.

For certain financial instruments, we may use data that is not readily observable in current markets where we need to exercise more management judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

At 31 March 2021, the Group had $1,224 million of assets and $25 million of liabilities where the valuation was primarily derived using unobservable inputs (Sep 20: $1,183 million assets and $55 million liabilities; Mar 20: $1,296 million assets and $67 million liabilities). The financial instruments which are valued using unobservable inputs are predominantly equity investment securities where quoted prices in active markets are not available.

The Group has an investment in the Bank of Tianjin (BoT), which at 31 March 2021 has a carrying value of $1,019 million (Sep 20: $934 million; Mar 20: $1,053 million). As a result of illiquidity of the quoted share price, the Group determines the fair value based on a valuation model using comparable bank pricing multiples as determined by management. Judgement is required in both the selection of the model and inputs used. Although the comparator group entities operate in the same industry, the nature of their business and local economic conditions may be different from the Group's investment. Thus where local conditions change, which impact the price-to-book ratio of the comparator group, the fair value of the asset will change proportionately. That is, if the price-to-book ratio changed by 10%, the fair value would change by 10%. Since the asset is classified as fair value through other comprehensive income, changes in the fair value are recorded directly in equity.

Investments in associates

The Group assesses the carrying value of its associate investments for impairment indicators semi-annually.

At 31 March 2021, the impairment assessment of non-lending assets identified that two of the Group's associate investments AMMB Holdings Berhad (AmBank) and PT Bank Pan Indonesia (PT Panin) had indicators of impairment. Although their market value (based on share price) was below their carrying value, no impairment was recognised as their carrying values are supported by their value in use (VIU) calculations.

1. Basis of preparation, cont'd

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin remains uncertain. Significant management judgement is required to determine the key assumptions underpinning the VIU calculations. Factors may change in subsequent periods and lead to potential future impairments or reversals of prior period impairments. This includes forecast earnings levels in the near term and/or changes in the long term growth forecasts, required levels of regulatory capital and the post-tax discount rate. The key assumptions used in the VIU calculations are outlined below:

	AmBank			PT Panin		
	Mar 21	Sep 20	Mar 20	Mar 21	Sep 20	Mar 20
Carrying Value ($m)	685	1,056	1,161	1,140	1,084	1,130
Post-tax discount rate	11.2%	11.3%	12.4%	14.1%	15.2%	13.9%
Terminal growth rate	5.0%	4.8%	4.9%	5.1%	5.3%	5.3%
Expected earnings growth (compound annual growth rate - 5 years)[1]	large	2.8%	1.0%	6.9%	4.2%	2.6%
Common Equity Tier 1 ratio (5 year average)	13.0%	12.9%	11.5%	12.8%	12.8%	12.3%

1. *For AmBank the expected earnings growth is noted as large due to the large loss arising in the current forecast year due to the impact of the 1MDB settlement and the impairment of goodwill. The expected earnings growth for years 2-5 for AmBank is 7.3%.*

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

- A change in the March 2021 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by ($58 million) / $66 million, and ($71 million) / $84 million for AmBank.
- A change in the March 2021 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by $15 million / ($16 million) and $5 million / ($6 million) for AmBank.

Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

Goodwill

On the reclassification of ANZ Share Investing as held for sale as at 31 March 2021, the relevant assets and liabilities were remeasured at the lower of their carrying value and the fair value less costs to sell resulting in $251 million of goodwill attributable to this business been written down. After the write down, the Group's goodwill balance was $2,989 million.

The Group conducted an assessment as to whether the carrying value of the goodwill was impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are the Group's reportable segments. CGUs with goodwill assets as at 31 March 2021 were the Australia Retail and Commercial division ($153 million), the New Zealand division ($1,777 million) and the Institutional division ($1,059 million).

Goodwill is considered to be impaired if the carrying amount of the relevant Cash Generating Unit (CGU) exceeds its recoverable amount. We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a VIU assessment performed where the FVLCOD approach indicates an impairment.

Management's approach used to determine the FVLCOD of each CGU was consistent with the prior period. The assessment of the recoverable amount of each CGU has been made in consideration of the impacts of COVID-19 and subsequent economic recovery on both earnings and asset prices, and reflects expectations of future events that are believed to be reasonable under the circumstances. The key inputs used to determine FVLCOD of each CGU containing goodwill are noted below:

- Future maintainable earnings for each of the CGU's used for the March 2021 half year assessment are similar or slightly above those used for the 2020 full year.
- Price/Earnings (P/E) multiples applied (including 30% control premium) - the P/E multiples derived from the valuations of comparator entities improved for all three CGUs:

	Price/Earnings Multiples	
Division	Mar 21 Half Year	Sep 20 Full Year
Australia Retail and Commercial	19.6	16.0
New Zealand	15.7	12.7
Institutional	16.8	13.4

Based on this assessment, no impairment was identified.

Customer remediation provisions

At 31 March 2021, the Group has recognised customer remediation provisions of $1,003 million (Sep 20: $1,109 million; Mar 20: $1,094 million) which includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation 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.

1. Basis of preparation, cont'd

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.

v) 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 2020 ANZ Annual Financial Report.

Discontinued operations are 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. Notes to the Condensed Consolidated Income Statement have been presented on a continuing basis.

Accounting standards adopted during the period

On 1 October 2020, the Group adopted the revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The adoption of the revised conceptual framework did not have a material impact on the Group.

In addition to the above, several amendments to existing accounting standards apply for the first time in 2021, but do not have a material impact on the Group.

vi) Future accounting developments

Interest Rate Benchmark Reform

In September 2020, the AASB issued AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2. This standard addresses issues that may affect the Group at the point of transition from an existing Interbank Offer Rate (IBOR rate) to a Risk Free Rate (RFR), including the effects of changes to contractual cash flows or hedging relationships. The standard includes amendments that provide practical expedients in respect of:

- accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.
- Permitting changes to hedge documentation and hedge designation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

The standard applies to the Group in the 2022 financial year and earlier application is permitted. The Group is in the process of assessing the impact of the new standard on its financial statements and timing of adoption.

The Group has exposure to IBOR rates that are subject to reform through its issuance of debt, the structural interest rate risk position, holdings of investment securities; products denominated in foreign currencies and associated hedging. The Group's hedging relationships are exposed to various IBOR rates subject to reform including USD, GBP, CHF and JPY LIBOR and Euro Interbank Offered Rate (EURIBOR).

To manage the impact of IBOR reform, the Group has established an enterprise-wide Benchmark Transition Program and is continuing to monitor market developments in relation to the transition and their impact on the Group's financial assets and liabilities to ensure that no unexpected consequences or disruption arises.

AASB 9 General hedge accounting

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging financial and non-financial risks.

AASB 9 provides the Group with an accounting policy choice to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting requirements until the International Accounting Standard Board's ongoing project on macro hedge accounting is completed. The Group currently applies the hedge accounting requirements of AASB 139.

2. Income

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Interest income	**9,879**	10,626	13,800	-7%	-28%
Interest expense	**(2,704)**	(3,589)	(6,382)	-25%	-58%
Major bank levy	**(189)**	(210)	(196)	-10%	-4%
Net interest income	**6,986**	6,827	7,222	2%	-3%
Other operating income					
i) Fee and commission income					
Lending fees[1]	**244**	276	303	-12%	-19%
Non-lending fees	**1,266**	1,246	1,441	2%	-12%
Commissions	**46**	75	46	-39%	0%
Funds management income	**140**	136	139	3%	1%
Fee and commission income	**1,696**	1,733	1,929	-2%	-12%
Fee and commission expense	**(646)**	(585)	(752)	10%	-14%
Net fee and commission income	**1,050**	1,148	1,177	-9%	-11%
ii) Other income					
Net foreign exchange earnings and other financial instruments income[2]	**729**	710	1,099	3%	-34%
Impairment of AmBank	**-**	-	(595)	n/a	-100%
Impairment of PT Panin	**-**	-	(220)	n/a	-100%
Reclassification of ANZ Share Investing to held for sale[3]	**(251)**	-	-	n/a	n/a
Sale of New Zealand legacy insurance portfolio	**13**	-	-	n/a	n/a
Sale of UDC	**-**	(7)	-	-100%	n/a
Dividend income on equity securities	**-**	26	-	-100%	n/a
Other	**30**	(11)	28	large	7%
Other income	**521**	718	312	-27%	67%
Other operating income	**1,571**	1,866	1,489	-16%	6%
Net income from insurance business	**52**	31	47	68%	11%
Share of associates' profit/(loss)	**(242)**	20	135	large	large
Operating income[4]	**8,367**	8,744	8,893	-4%	-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 on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.*
3. *The loss on reclassification of ANZ Share Investing to held for sale is included within Other operating income to align with the classification of loss on sale that would have applied if the sale had completed in the March 2021 half.*
4. *Includes charges associated with customer remediation of $74 million for the March 2021 half (Sep 20 half: $116 million; Mar 20 half: $58 million).*

3. Operating expenses

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
i) Personnel					
Salaries and related costs	**2,196**	2,133	2,177	3%	1%
Superannuation costs	**164**	160	169	3%	-3%
Other	**89**	120	119	-26%	-25%
Personnel[1]	**2,449**	2,413	2,465	1%	-1%
ii) Premises					
Rent	**42**	41	43	2%	-2%
Depreciation	**225**	254	263	-11%	-14%
Other	**83**	89	99	-7%	-16%
Premises	**350**	384	405	-9%	-14%
iii) Technology					
Depreciation and amortisation[2]	**334**	517	341	-35%	-2%
Subscription licences and outsourced services	**372**	375	405	-1%	-8%
Other	**79**	93	93	-15%	-15%
Technology[1,2]	**785**	985	839	-20%	-6%
iv) Restructuring	**105**	56	105	88%	0%
v) Other					
Advertising and public relations	**71**	88	89	-19%	-20%
Professional fees	**329**	374	293	-12%	12%
Freight, stationery, postage and communication	**95**	101	104	-6%	-9%
Other[3]	**298**	377	305	-21%	-2%
Other[1,3]	**793**	940	791	-16%	0%
Operating expenses[1,2,3]	**4,482**	4,778	4,605	-6%	-3%

1. *Includes customer remediation expenses of $92 million for the March 2021 half (Sep 20 half: $138 million; Mar 20 half: $71 million) across Personnel, Technology and Other expenses.*
2. *Includes accelerated amortisation of $197 million for the September 2020 half.*
3. *Includes litigation settlement expenses of $69 million for the March 2021 half and goodwill write-off of $77 million for the September 2020 half.*

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 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Profit before income tax from continuing operations	**4,376**	2,902	2,614	51%	67%
Prima facie income tax expense at 30%	**1,313**	871	784	51%	67%
Tax effect of permanent differences:					
Gains or losses on sale from divestments	**(4)**	2	-	large	n/a
Impairment of investment in AmBank and PT Panin	**-**	-	245	n/a	-100%
Share of associates' (profit)/loss	**72**	(6)	(41)	large	large
Reclassification of ANZ Share Investing to held for sale	**75**	-	-	n/a	n/a
Interest on convertible instruments	**22**	23	29	-4%	-24%
Overseas tax rate differential	**(50)**	(51)	(35)	-2%	43%
Provision for foreign tax on dividend repatriation	**26**	6	14	large	86%
Other	**(20)**	20	5	large	large
Subtotal	**1,434**	865	1,001	66%	43%
Income tax (over)/under provided in previous years	**(9)**	(3)	(23)	large	-61%
Income tax expense	**1,425**	862	978	65%	46%
Australia	**1,013**	535	580	89%	75%
Overseas	**412**	327	398	26%	4%
Income tax expense	**1,425**	862	978	65%	46%
Effective tax rate	**32.6%**	29.7%	37.4%		

5. Dividends

Dividend per ordinary share (cents)[1]	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Interim	**70**	-	25		
Final	**-**	35	-		
Total	**70**	35	25	100%	large
Ordinary share dividend ($M)[2]					
Interim dividend	**-**	709	-		
Final dividend	**994**	-	2,268		
Bonus option plan adjustment	**(21)**	(15)	(40)	40%	-48%
Total	**973**	694	2,228	40%	-56%
Ordinary share dividend payout ratio (%)[3]	**67.7%**	48.9%	45.9%		

1. *Fully franked for Australian tax purposes (30% tax rate) and carry New Zealand imputation credits of NZD 8 cents for the proposed 2021 interim dividend (2020 final dividend: NZD 4 cents; 2020 interim dividend: NZD 3 cents).*
2. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders (Mar 21 half: nil; Sep 20 half: nil; Mar 20 half: nil).*
3. *The dividend payout ratio for the March 2021 half is calculated using the proposed 2021 interim dividend of $1,992 million, based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2020 half and March 2020 half were calculated using actual dividend paid of $994 million and $709 million respectively.*

Ordinary Shares

The Directors propose an interim dividend of 70 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2021. The proposed 2021 interim dividend will be fully franked for Australian tax purposes. New Zealand imputation credits of NZD 8 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2021 interim dividend.

6. Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Earnings Per Share (EPS) - Basic					
Earnings Per Share (cents)	**103.7**	71.8	54.6	44%	90%
Earnings Per Share (cents) from continuing operations	**104.0**	72.1	57.8	44%	80%
Earnings Per Share (cents) from discontinued operations	**(0.3)**	(0.3)	(3.2)	0%	-91%
Earnings Per Share (EPS) - Diluted					
Earnings Per Share (cents)	**98.4**	66.3	51.5	48%	91%
Earnings Per Share (cents) from continuing operations	**98.7**	66.5	54.3	48%	82%
Earnings Per Share (cents) from discontinued operations	**(0.3)**	(0.2)	(2.8)	50%	-89%

	Half Year			Movement	
	Mar 21	Sep 20	Mar 20	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Reconciliation of earnings used in earnings per share calculations					
Basic:					
Profit for the period ($M)	**2,943**	2,032	1,546	45%	90%
Less: Profit attributable to non-controlling interests ($M)	**-**	-	1	n/a	-100%
Earnings used in calculating basic earnings per share ($M)	**2,943**	2,032	1,545	45%	90%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(8)**	(8)	(90)	0%	-91%
Earnings used in calculating basic earnings per share from continuing operations ($M)	**2,951**	2,040	1,635	45%	80%
Diluted:					
Earnings used in calculating basic earnings per share ($M)	**2,943**	2,032	1,545	45%	90%
Add: Interest on convertible subordinated debt ($M)	**92**	90	124	2%	-26%
Earnings used in calculating diluted earnings per share ($M)	**3,035**	2,122	1,669	43%	82%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(8)**	(8)	(90)	0%	-91%
Earnings used in calculating diluted earnings per share from continuing operations ($M)	**3,043**	2,130	1,759	43%	73%
Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1]					
WANOS used in calculating basic earnings per share (M)	**2,838.7**	2,831.2	2,830.6	0%	0%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**238.7**	362.2	401.4	-34%	-41%
Share based payments (options, rights and deferred shares) (M)	**7.0**	7.3	6.6	-4%	6%
WANOS used in calculating diluted earnings per share (M)	**3,084.4**	3,200.7	3,238.6	-4%	-5%

1. *Weighted average number of ordinary shares for the March 2021 half excludes 4.7 million weighted average number of treasury shares held in ANZEST Pty Ltd (Sep 20 half: 5.0 million; Mar 20 half: 4.9 million).*

7. Segment analysis

i) Description of segments

The Group operates on a divisional structure with five continuing divisions: Australia Retail and Commercial, Institutional, New Zealand, Pacific, and TSO and Group Centre. For further information on the composition of divisions refer to the Definitions on page 133.

The presentation of divisional results has not been impacted by methodology or structural changes during the period.

The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

ii) Operating segments

ANZ measures the performance of continuing segments on a cash profit basis. To calculate cash profit, certain non-core items are removed from statutory profit. Details of these items are included in the 'Other items' section of this note.

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.

For information on discontinued operations please refer to Note 13 of the Condensed Consolidated Financial Statements.

March 2021 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	3,974	1,519	1,393	49	51	-	**6,986**
Net fee and commission income							
- Lending fees	111	123	6	4	-	-	**244**
- Non-lending fees	618	348	293	10	(3)	-	**1,266**
- Commissions	29	1	16	-	-	-	**46**
- Funds management income	17	1	122	-	-	-	**140**
- Fee and commission expense	(286)	(144)	(215)	(1)	-	-	**(646)**
Net income from insurance business	52	-	-	-	-	-	**52**
Other income	(240)	685	16	20	96	(56)	**521**
Share of associates' profit/(loss)	1	-	-	-	(243)	-	**(242)**
Operating income	4,276	2,533	1,631	82	(99)	(56)	**8,367**
Profit/(Loss) after tax from continuing operations	1,782	948	771	7	(518)	(39)	**2,951**
Profit/(Loss) after tax from discontinued operations							**(8)**
Profit after tax attributable to shareholders							**2,943**

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.*

7. Segment analysis, cont'd

September 2020 Half Year	Australia Retail and Commercial $M	Institutional $M	New Zealand $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
Net interest income	3,868	1,558	1,321	44	36	-	**6,827**
Net fee and commission income							
- Lending fees	134	132	6	4	-	-	**276**
- Non-lending fees	616	370	255	11	(6)	-	**1,246**
- Commissions	42	-	33	-	-	-	**75**
- Funds management income	18	1	117	-	-	-	**136**
- Fee and commission expense	(266)	(130)	(188)	(1)	-	-	**(585)**
Net income from insurance business	30	-	-	-	1	-	**31**
Other income	(7)	1,109	3	20	22	(429)	**718**
Share of associates' profit/(loss)	(1)	-	-	-	21	-	**20**
Operating income	4,434	3,040	1,547	78	74	(429)	**8,744**
Profit/(Loss) after tax from continuing operations	1,123	1,244	450	(82)	(390)	(305)	**2,040**
Profit/(Loss) after tax from discontinued operations							**(8)**
Profit after tax attributable to shareholders							**2,032**
March 2020 Half Year							
Net interest income	4,048	1,624	1,410	65	75	-	**7,222**
Net fee and commission income							
- Lending fees	133	156	8	6	-	-	**303**
- Non-lending fees	694	406	331	18	(8)	-	**1,441**
- Commissions	25	-	21	-	-	-	**46**
- Funds management income	12	1	126	-	-	-	**139**
- Fee and commission expense	(322)	(178)	(248)	(4)	-	-	**(752)**
Net income from insurance business	47	-	-	-	-	-	**47**
Other income	6	782	9	30	(829)	314	**312**
Share of associates' profit	-	-	-	-	135	-	**135**
Operating income	4,643	2,791	1,657	115	(627)	314	**8,893**
Profit/(Loss) after tax from continuing operations	1,214	610	567	20	(998)	222	**1,635**
Profit/(Loss) after tax from discontinued operations							**(90)**
Profit after tax attributable to shareholders							**1,545**

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment. These items are presented in section (iii) below.*

iii) Other items

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Economic hedges	Institutional, New Zealand, TSO and Group Centre	**(51)**	(461)	340	-89%	large
Revenue and expense hedges	TSO and Group Centre	**12**	156	(120)	-92%	large
Structured credit intermediation trades	Institutional	**-**	-	2	n/a	-100%
Total from continuing operations		**(39)**	(305)	222	-87%	large

8. Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying variables or indices defined in the contract, require little or no initial net investment and are settled at a future date. Derivatives include contracts traded on registered exchanges and contracts agreed between counterparties. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading and sales activities. Derivatives are also used to manage the Group's own exposure to fluctuations in foreign exchange and interest rates as part of its asset and liability management activities.

The following table provides an overview of the Group's interest rate, foreign exchange, commodity and credit derivatives. They include all trading and balance sheet risk management contracts. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates relative to the terms of the derivative.

Fair Values	Assets Mar 21 $M	Liabilities Mar 21 $M	Assets Sep 20 $M	Liabilities Sep 20 $M	Assets Mar 20 $M	Liabilities Mar 20 $M
Interest rate contracts						
Forward rate agreements	**10**	**(12)**	86	(86)	255	(250)
Futures contracts	**45**	**(74)**	31	(231)	78	(160)
Swap agreements	**73,125**	**(71,523)**	109,918	(105,578)	112,934	(108,736)
Options purchased	**1,192**	**-**	1,676	-	2,436	-
Options sold	**-**	**(1,162)**	-	(2,609)	-	(3,865)
Total	**74,372**	**(72,771)**	111,711	(108,504)	115,703	(113,011)
Foreign exchange contracts						
Spot and forward contracts	**15,858**	**(14,389)**	11,882	(11,461)	26,038	(23,964)
Swap agreements	**12,683**	**(13,833)**	8,766	(12,388)	27,624	(27,138)
Options purchased	**311**	**-**	372	-	837	-
Options sold	**-**	**(587)**	-	(502)	-	(937)
Total	**28,852**	**(28,809)**	21,020	(24,351)	54,499	(52,039)
Commodity contracts	**1,439**	**(1,345)**	2,577	(1,834)	3,449	(2,288)
Credit default swaps						
Structured credit derivatives purchased	**-**	**-**	18	-	16	-
Other credit derivatives purchased	**1**	**(1)**	4	(3)	4	(6)
Credit derivatives purchased	**1**	**(1)**	22	(3)	20	(6)
Structured credit derivatives sold	**-**	**-**	-	(18)	-	(17)
Other credit derivatives sold	**2**	**-**	1	(1)	6	(3)
Credit derivatives sold	**2**	**-**	1	(19)	6	(20)
Total	**3**	**(1)**	23	(22)	26	(26)
Derivative financial instruments	**104,666**	**(102,926)**	135,331	(134,711)	173,677	(167,364)

9. Net loans and advances

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Australia					
Overdrafts	**4,070**	4,189	4,997	-3%	-19%
Credit cards outstanding	**6,119**	5,984	7,383	2%	-17%
Commercial bills outstanding	**6,152**	6,383	6,414	-4%	-4%
Term loans - housing	**280,545**	274,967	263,596	2%	6%
Term loans - non-housing	**138,771**	150,272	164,346	-8%	-16%
Lease receivables	**958**	991	1,066	-3%	-10%
Hire purchase contracts	**339**	364	452	-7%	-25%
Total Australia	**436,954**	443,150	448,254	-1%	-3%
Asia, Pacific, Europe & America					
Overdrafts	**516**	415	476	24%	8%
Credit cards outstanding	**5**	6	7	-17%	-29%
Term loans - housing	**472**	489	531	-3%	-11%
Term loans - non-housing	**51,867**	52,682	78,803	-2%	-34%
Lease receivables	**1,108**	1,031	29	7%	large
Other	**15**	20	28	-25%	-46%
Total Asia, Pacific, Europe & America	**53,983**	54,643	79,874	-1%	-32%
New Zealand					
Overdrafts	**599**	610	795	-2%	-25%
Credit cards outstanding	**1,181**	1,204	1,389	-2%	-15%
Term loans - housing	**87,561**	82,894	85,301	6%	3%
Term loans - non-housing	**37,390**	38,771	43,373	-4%	-14%
Lease receivables	**-**	-	138	n/a	-100%
Hire purchase contracts	**-**	-	1,657	n/a	-100%
Total New Zealand	**126,731**	123,479	132,653	3%	-4%
Sub-total	**617,668**	621,272	660,781	-1%	-7%
Unearned income[1,2]	**(437)**	(460)	(661)	-5%	-34%
Capitalised brokerage and other origination costs[1,2]	**1,378**	1,262	1,158	9%	19%
Gross loans and advances	**618,609**	622,074	661,278	-1%	-6%
Allowance for expected credit losses (refer to Note 10)	**(4,250)**	(4,981)	(4,669)	-15%	-9%
Net loans and advances	**614,359**	617,093	656,609	0%	-6%

1. *In the March 2021 half, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (Sep 20 half: $394 million; Mar 20 half: $293 million).*
2. *Amortised over the expected life of the loan.*

10. Allowance for expected credit losses

	As at								
	Mar 21			Sep 20			Mar 20		
	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	**3,472**	**778**	**4,250**	4,130	851	4,981	3,614	1,055	4,669
Off-balance sheet commitments	**795**	**31**	**826**	858	40	898	872	38	910
Investment securities - debt securities at amortised cost	**18**	**-**	**18**	20	-	20	15	-	15
Total	**4,285**	**809**	**5,094**	5,008	891	5,899	4,501	1,093	5,594
Other Comprehensive Income									
Investment securities - debt securities at FVOCI[1]	**11**	**-**	**11**	10	-	10	9	-	9

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 (OCI) 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 2019	**927**	**1,378**	**413**	**791**	**3,509**
Transfer between stages	204	(270)	(95)	161	**-**
New and increased provisions (net of releases)	30	840	132	718	**1,720**
Write-backs	-	-	-	(164)	**(164)**
Bad debts written off (excluding recoveries)	-	-	-	(469)	**(469)**
Foreign currency translation and other movements[1]	30	20	5	18	**73**
As at 31 March 2020	**1,191**	**1,968**	**455**	**1,055**	**4,669**
Transfer between stages	187	(291)	(106)	210	**-**
New and increased provisions (net of releases)	(112)	841	119	455	**1,303**
Write-backs	-	-	-	(157)	**(157)**
Bad debts written off (excluding recoveries)	-	-	-	(640)	**(640)**
Foreign currency translation and other movements[1]	(62)	(53)	(7)	(72)	**(194)**
As at 30 September 2020	**1,204**	**2,465**	**461**	**851**	**4,981**
Transfer between stages	345	(369)	(98)	122	**-**
New and increased provisions (net of releases)	(563)	3	52	333	**(175)**
Write-backs	-	-	-	(171)	**(171)**
Bad debts written off (excluding recoveries)	-	-	-	(340)	**(340)**
Foreign currency translation and other movements[1]	(11)	(14)	(3)	(17)	**(45)**
As at 31 March 2021	**975**	**2,085**	**412**	**778**	**4,250**

1. *Other movements include the impact of discount unwind on individually assessed allowances for ECL and the impact of divestments completed during the September 2020 half and the March 2020 half.*

10. 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 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2019	**473**	**151**	**21**	**23**	**668**
Transfer between stages	20	(24)	(2)	6	-
New and increased provisions (net of releases)	98	115	(2)	15	**226**
Write-backs	-	-	-	(6)	**(6)**
Foreign currency translation	19	2	1	-	**22**
As at 31 March 2020	**610**	**244**	**18**	**38**	**910**
Transfer between stages	14	(20)	-	6	-
New and increased provisions (net of releases)	1	20	6	4	**31**
Write-backs	-	-	-	(8)	**(8)**
Foreign currency translation and other movements[1]	(29)	(5)	(1)	-	(35)
As at 30 September 2020	**596**	**239**	**23**	**40**	**898**
Transfer between stages	36	(34)	(3)	1	-
New and increased provisions (net of releases)	(52)	4	-	(1)	**(49)**
Write-backs	-	-	-	(9)	**(9)**
Foreign currency translation	(12)	(2)	-	-	**(14)**
As at 31 March 2021	**568**	**207**	**20**	**31**	**826**

[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 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2020	14	1	-	-	15
As at 30 September 2020	20	-	-	-	20
As at 31 March 2021	**18**	**-**	**-**	**-**	**18**

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 (OCI) with a corresponding charge to profit or loss.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 31 March 2020	9	-	-	-	9
As at 30 September 2020	10	-	-	-	10
As at 31 March 2021	**11**	**-**	**-**	**-**	**11**

10. Allowance for expected credit losses, cont'd

Credit impairment charge/(release) analysis

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
New and increased provisions (net of releases)[1,2]					
- Collectively assessed	**(678)**	669	1,048	large	large
- Individually assessed	**455**	675	900	-33%	-49%
Write-backs[3]	**(180)**	(165)	(170)	9%	6%
Recoveries of amounts previously written off	**(88)**	(115)	(104)	-23%	-15%
Total credit impairment charge/(release)	**(491)**	1,064	1,674	large	large

1. *Includes the impact of transfers between collectively assessed and individually assessed.*
2. *New and increased provisions (net of releases) includes:*

	Mar 21 half		Sep 20 half		Mar 20 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	(630)	455	638	665	841	879
Off-balance sheet commitments	(49)	-	21	10	205	21
Investment securities - debt securities at amortised cost	-	-	8	-	1	-
Investment securities - debt securities at FVOCI	1	-	2	-	1	-
Total	**(678)**	**455**	**669**	**675**	**1,048**	**900**

3. *Consists of write-backs in Net loans and advances at amortised cost of $171 million (Sep 20 half: $157 million; Mar 20 half: $164 million), and Off-balance sheet commitment of $9 million (Sep 20 half: $8 million; Mar 20 half: $6 million).*

Loan Deferral and Relief Packages (Support Packages)

From March 2020 the Group offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. The loan repayment deferral package is considered to be a loan modification under AASB 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

These support packages were phased out during the March 2021 half. In the case of home loan support packages, 94% of all loans in Australia and New Zealand where customers took advantage of a support package have reverted back to loan repayments, with the remaining 6% having been either restructured or transferred to hardship. For business loan support packages in Australia, 90% of loans have returned to loan payments, with the remaining 10% having been restructured or transferred to hardship. For those customers who took up loan support packages, it is considered that the packages, as well as government support measures, may have obscured repayment delinquencies that might otherwise have occurred over the loan deferral period and those that may still occur in the future. Thus the Group has provided a component of ECL for expected delinquencies and increases in SICR.

Facilities which transitioned to interest-only or took up term extensions offered as a result of COVID-19, are now subsumed within the normal loan population and are managed accordingly.

11. Deposits and other borrowings

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Australia					
Certificates of deposit	**34,176**	28,258	34,733	21%	-2%
Term deposits	**61,503**	64,187	69,056	-4%	-11%
On demand and short term deposits	**247,730**	240,945	220,135	3%	13%
Deposits not bearing interest	**20,850**	18,771	14,410	11%	45%
Deposits from banks and securities sold under repurchase agreements[1]	**42,651**	58,762	52,942	-27%	-19%
Commercial paper	**22,829**	7,524	17,435	large	31%
Total Australia	**429,739**	418,447	408,711	3%	5%
Asia, Pacific, Europe & America					
Certificates of deposit	**4,532**	2,583	1,494	75%	large
Term deposits	**84,950**	86,735	121,141	-2%	-30%
On demand and short term deposits	**27,332**	24,366	24,211	12%	13%
Deposits not bearing interest	**6,448**	5,473	7,101	18%	-9%
Deposits from banks and securities sold under repurchase agreements	**35,456**	29,127	46,397	22%	-24%
Total Asia, Pacific, Europe & America	**158,718**	148,284	200,344	7%	-21%
New Zealand					
Certificates of deposit	**1,292**	1,650	1,651	-22%	-22%
Term deposits	**39,715**	46,351	50,414	-14%	-21%
On demand and short term deposits	**54,379**	49,905	45,978	9%	18%
Deposits not bearing interest	**18,618**	15,630	14,050	19%	33%
Deposits from banks and securities sold under repurchase agreements	**910**	448	1,422	large	-36%
Commercial paper and other borrowings	**3,252**	1,618	4,339	large	-25%
Total New Zealand	**118,166**	115,602	117,854	2%	0%
Total deposits and other borrowings	**706,623**	682,333	726,909	4%	-3%

1. *In March 2020, the Reserve Bank of Australia announced a Term Funding Facility (TFF) which is a three-year funding facility to ADIs at a fixed rate of 0.25%. ADIs are able to obtain initial funding of up to 3% of their existing outstanding credit with access to additional funding if they increase lending to small and medium-sized businesses. As at 31 March 2021, ANZ had drawn $12 billion (Sep 20: $12 billion) from its initial TFF allowance of $12 billion and it had drawn $0 billion (Sep 20: $0 billion) from its additional TFF allowance of $8 billion.*

12. Other provisions

	As at			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
ECL allowance on undrawn facilities (refer to Note 10)	**826**	898	910	-8%	-9%
Customer remediation	**1,003**	1,109	1,094	-10%	-8%
Restructuring costs	**122**	105	128	16%	-5%
Non-lending losses, frauds and forgeries	**77**	79	82	-3%	-6%
Other	**389**	388	559	0%	-30%
Total other provisions	**2,417**	2,579	2,773	-6%	-13%

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

13. Discontinued operations and assets and liabilities held for sale

i) Discontinued operations

The sale of the Group's Aligned Dealer Groups (ADGs) business completed on 1 October 2018, the sale of OnePath pensions and investments (OnePath P&I) business completed on 31 January 2020, and the sale of the Group's life insurance business completed on 31 May 2019.

As a result of the sale transactions outlined above, the financial results of the businesses were treated as discontinued operations from a reporting perspective.

Details of the financial performance and cash flows of discontinued operations are presented below.

Income Statement

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Net interest income	**-**	-	(5)	n/a	-100%
Other operating income	**27**	63	(109)	-57%	large
Operating income	**27**	63	(114)	-57%	large
Operating expenses	**(38)**	(80)	(120)	-53%	-68%
Profit/(Loss) before credit impairment and income tax	**(11)**	(17)	(234)	-35%	-95%
Credit impairment (charge)/release	**-**	-	-	n/a	n/a
Profit/(Loss) before income tax	**(11)**	(17)	(234)	-35%	-95%
Income tax (expense)/benefit	**3**	9	144	-67%	-98%
Profit/(Loss) for the period attributable to shareholders of the Company[1]	**(8)**	(8)	(90)	0%	-91%

1. *Includes the results of the OnePath P&I business up to sale completion in January 2020.*

Income Statement impact relating to discontinued operations

During the March 2021 half, the Group recognised the following impacts in relation to discontinued operations:

- $1 million of customer remediation charges ($1 million loss after tax) recorded in operating expenses.

During the September 2020 half, the Group recognised the following impacts in relation to discontinued operations:

- $2 million loss on disposal ($2 million loss after tax) recorded in operating income attributable to sale completion costs.
- $2 million of customer remediation charges ($2 million loss after tax) recorded in operating expenses.

During the March 2020 half, the Group recognised the following impacts in relation to discontinued operations:

- $16 million loss on disposal ($11 million loss after tax) recorded in operating income attributable to sale completion costs.
- $124 million of customer remediation charges ($128 million recorded in operating income and a release of $4 million recorded in operating expenses) and an associated $30 million tax benefit.
- $101 million charge was recorded in operating income offset by a $101 million tax benefit within income tax expense relating to the finalisation of the policyholder tax position associated with the sale of the life insurance business to Zurich.

Cash Flow Statement

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Net cash provided by/(used in) operating activities	**-**	-	(25)	n/a	-100%
Net cash provided by/(used in) investing activities	**-**	-	-	n/a	n/a
Net cash provided by/(used in) financing activities	**-**	-	25	n/a	-100%
Net increase/(decrease) in cash and cash equivalents	**-**	-	-	n/a	n/a

13. Discontinued operations and assets and liabilities held for sale, cont'd

ii) Assets and liabilities held for sale

As at 31 March 2021, the following divestments met the criteria to be classified as held for sale under accounting standards but based on materiality have not been presented separately as assets and liabilities held for sale on the Balance Sheet. There were no assets and liabilities held for sale in the September and March 2020 halves.

- **Worldline Joint Venture**

  In December 2020, the Group announced it had entered into a joint-venture with European-based payments company Worldline. The joint venture arrangement involves ANZ and Worldline forming a newly created merchant acquiring group, with ANZ and Worldline holding a 49% and 51% interest respectively. The transaction is expected to complete in the 2022 financial year and is subject to regulatory and other approvals and card scheme arrangements. At 31 March 2021, the net assets associated with this business were $8 million primarily relating to equipment of $30 million, various other assets of $5 million and payables and other liabilities of $27 million.

- **ANZ Share Investing**

  During the March 2021 half, the Group reclassified its ANZ Share Investing business as held for sale reflecting a continuation of the Group's simplification strategy. As a consequence of remeasuring the net assets at fair value less costs to sell the Group recognised a loss of $251 million in Other operating income relating to the write-down of goodwill attributable to the business. At 31 March 2021, the net assets associated with this business were $12 million primarily relating to goodwill.

14. Debt issuances

	As at			Movement	
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Total unsubordinated debt	**83,963**	98,607	119,136	-15%	-30%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN1	**1,120**	1,119	1,119	0%	0%
ANZ CN2	**1,609**	1,608	1,607	0%	0%
ANZ CN3	**968**	967	966	0%	0%
ANZ CN4	**1,615**	1,614	1,613	0%	0%
ANZ CN5	**927**	926	926	0%	0%
ANZ Capital Securities[3]	**1,347**	1,499	1,712	-10%	-21%
ANZ New Zealand Capital Notes[4]	**459**	463	487	-1%	-6%
Tier 2 Capital					
Perpetual subordinated notes[5]	**395**	422	485	-6%	-19%
Term subordinated notes[6]	**15,220**	12,443	12,197	22%	25%
Total subordinated debt	**23,660**	21,061	21,112	12%	12%
Total debt issuances	**107,623**	119,668	140,248	-10%	-23%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ New Zealand Capital Notes are Basel 3 compliant instruments.*
2. *Each of the ANZ Capital Notes will convert into a variable number of ANZ ordinary shares 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible into ANZ ordinary shares (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*
CN1	*ANZ*	*7 Aug 2013*	*1,120*	*1 Sep 2021*	*1 Sep 2023*
CN2	*ANZ*	*31 Mar 2014*	*1,610*	*24 Mar 2022*	*24 Mar 2024*
CN3	*ANZ, acting through its New Zealand branch*	*5 Mar 2015*	*970*	*24 Mar 2023*	*24 Mar 2025*
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*

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. *On 31 March 2015, ANZ Bank New Zealand Limited (ANZ New Zealand) issued NZ$500 million convertible notes (ANZ New Zealand Capital Notes). If ANZ or ANZ New Zealand's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, ANZ receives a notice of non-viability from APRA, ANZ New Zealand receives a direction from RBNZ or a statutory manager is appointed to ANZ New Zealand and makes a determination, then the ANZ New Zealand Capital Notes will immediately convert into a variable number of ANZ ordinary shares at a 1% discount subject to a maximum conversion number. In April 2020, the RBNZ informed New Zealand-incorporated registered banks (including ANZ New Zealand) that they should not redeem capital instruments at that time. Accordingly, ANZ New Zealand was not permitted to redeem the ANZ New Zealand Capital Notes on the optional exchange date (25 May 2020), although it can continue making coupon payments on those notes. As ANZ New Zealand did not exercise its option to convert the notes in May 2020, the terms of the ANZ New Zealand Capital Notes provide for their conversion into a variable number of ANZ ordinary shares on 25 May 2022 at a 1% discount (subject to certain conditions being satisfied).*
5. *The USD 300 million perpetual subordinated notes have been granted Basel 3 transitional capital treatment until the end of the transition period in December 2021.*
6. *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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*

15. 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		
On-balance sheet positions	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**
Net loans and advances	**614,359**	617,093	656,609	**-**	-	-	**614,359**	617,093	656,609
Investment securities									
- debt securities at amortised cost	**7,028**	6,816	7,231	**-**	-	-	**7,028**	6,816	7,231
- debt securities at FVOCI	**83,715**	85,460	77,476	**-**	-	-	**83,715**	85,460	77,476
- equity securities at FVOCI	**1,184**	1,062	1,166	**1,184**	1,062	1,166	**-**	-	-
- debt securities at FVTPL	**63**	53	50	**-**	-	-	**63**	53	50
Other financial assets	**300,339**	319,224	393,862	**15,829**	14,753	14,305	**284,510**	304,471	379,557
Total on-balance sheet positions	**1,006,688**	1,029,708	1,136,394	**17,013**	15,815	15,471	**989,675**	1,013,893	1,120,923
Off-balance sheet commitments									
Undrawn and contingent facilities[2]	**252,392**	266,716	269,417	**-**	-	-	**252,392**	266,716	269,417
Total	**1,259,080**	1,296,424	1,405,811	**17,013**	15,815	15,471	**1,242,067**	1,280,609	1,390,340

1. *Excluded comprises bank notes and coins and cash at bank within liquid assets, and equity securities within 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	CCR8- 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

15. Credit risk, cont'd

Net loans and advances

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	390,928	12,204	-	-	**403,132**
Satisfactory	149,462	33,317	-	-	**182,779**
Weak	8,493	14,150	-	-	**22,643**
Defaulted	-	-	4,160	1,941	**6,101**
Gross loans and advances at amortised cost	**548,883**	**59,671**	**4,160**	**1,941**	**614,655**
Allowance for ECL	(975)	(2,085)	(412)	(778)	**(4,250)**
Net loans and advances at amortised cost	**547,908**	**57,586**	**3,748**	**1,163**	**610,405**
Coverage ratio	**0.18%**	**3.49%**	**9.90%**	**40.08%**	**0.69%**
Loans and advances at fair value through profit or loss					3,013
Unearned income[1]					(437)
Capitalised brokerage and other origination costs[1]					1,378
Net carrying amount					**614,359**
As at September 2020					
Strong	395,608	18,262	-	-	413,870
Satisfactory	133,558	37,577	-	-	171,135
Weak	8,461	16,850	-	-	25,311
Defaulted	-	-	4,762	2,256	7,018
Gross loans and advances at amortised cost	**537,627**	**72,689**	**4,762**	**2,256**	**617,334**
Allowance for ECL	(1,204)	(2,465)	(461)	(851)	(4,981)
Net loans and advances at amortised cost	**536,423**	**70,224**	**4,301**	**1,405**	**612,353**
Coverage ratio	**0.22%**	**3.39%**	**9.68%**	**37.72%**	**0.81%**
Loans and advances at fair value through profit or loss					3,938
Unearned income[1]					(460)
Capitalised brokerage and other origination costs[1]					1,262
Net carrying amount					**617,093**
As at March 2020					
Strong	465,601	14,009	-	-	479,610
Satisfactory	114,178	39,137	-	-	153,315
Weak	5,959	11,692	-	-	17,651
Defaulted	-	-	4,837	2,435	7,272
Gross loans and advances at amortised cost	**585,738**	**64,838**	**4,837**	**2,435**	**657,848**
Allowance for ECL	(1,191)	(1,968)	(455)	(1,055)	(4,669)
Net loans and advances at amortised cost	**584,547**	**62,870**	**4,382**	**1,380**	**653,179**
Coverage ratio	**0.20%**	**3.04%**	**9.41%**	**43.33%**	**0.71%**
Loans and advances at fair value through profit or loss					2,932
Unearned income[1]					(661)
Capitalised brokerage and other origination costs[1]					1,158
Net carrying amount					**656,609**

1. *In the March 2021 half, deferred expenses previously netted within Unearned income were reclassified to Capitalised brokerage and other origination costs to better align with the nature of the balances. Comparatives have been restated accordingly (Sep 20 half: $394 million; Mar 20 half: $293 million).*

15. Credit risk, cont'd

Off-balance sheet commitments - undrawn and contingent facilities

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	168,628	1,829	-	-	**170,457**
Satisfactory	23,398	4,148	-	-	**27,546**
Weak	950	938	-	-	**1,888**
Defaulted	-	-	135	232	**367**
Gross undrawn and contingent facilities subject to ECL	**192,976**	**6,915**	**135**	**232**	**200,258**
Allowance for ECL included in Provisions	(568)	(207)	(20)	(31)	**(826)**
Net undrawn and contingent facilities subject to ECL	**192,408**	**6,708**	**115**	**201**	**199,432**
Coverage ratio	**0.29%**	**2.99%**	**14.81%**	**13.36%**	**0.41%**
Undrawn and contingent facilities not subject to ECL[1]					52,960
Net undrawn and contingent facilities					**252,392**
As at September 2020					
Strong	171,979	3,045	-	-	**175,024**
Satisfactory	22,983	3,972	-	-	**26,955**
Weak	1,123	1,132	-	-	**2,255**
Defaulted	-	-	144	203	**347**
Gross undrawn and contingent facilities subject to ECL	**196,085**	**8,149**	**144**	**203**	**204,581**
Allowance for ECL included in Provisions	(596)	(239)	(23)	(40)	**(898)**
Net undrawn and contingent facilities subject to ECL	**195,489**	**7,910**	**121**	**163**	**203,683**
Coverage ratio	**0.30%**	**2.93%**	**15.97%**	**19.70%**	**0.44%**
Undrawn and contingent facilities not subject to ECL[1]					63,033
Net undrawn and contingent facilities					**266,716**
As at March 2020					
Strong	172,684	1,617	-	-	**174,301**
Satisfactory	24,433	4,832	-	-	**29,265**
Weak	284	1,156	-	-	**1,440**
Defaulted	-	-	149	164	**313**
Gross undrawn and contingent facilities subject to ECL	**197,401**	**7,605**	**149**	**164**	**205,319**
Allowance for ECL included in Provisions	(610)	(244)	(18)	(38)	**(910)**
Net undrawn and contingent facilities subject to ECL	**196,791**	**7,361**	**131**	**126**	**204,409**
Coverage ratio	**0.31%**	**3.21%**	**12.08%**	**23.17%**	**0.44%**
Undrawn and contingent facilities not subject to ECL[1]					65,008
Net undrawn and contingent facilities					**269,417**

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

15. Credit risk, cont'd

Investment securities - debt securities at amortised cost

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	5,657	-	-	-	**5,657**
Satisfactory	1,389	-	-	-	**1,389**
Gross investment securities - debt securities at amortised cost	**7,046**	**-**	**-**	**-**	**7,046**
Allowance for ECL	(18)	-	-	-	**(18)**
Net investment securities - debt securities at amortised cost	**7,028**	**-**	**-**	**-**	**7,028**
Coverage ratio	**0.26%**	**-**	**-**	**-**	**0.26%**
As at September 2020					
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Gross investment securities - debt securities at amortised cost	**6,661**	**175**	**-**	**-**	**6,836**
Allowance for ECL	(20)	-	-	-	**(20)**
Net investment securities - debt securities at amortised cost	**6,641**	**175**	**-**	**-**	**6,816**
Coverage ratio	**0.30%**	**0.00%**	-	-	**0.29%**
As at March 2020					
Strong	5,733	-	-	-	5,733
Satisfactory	888	625	-	-	1,513
Gross investment securities - debt securities at amortised cost	**6,621**	**625**	-	-	**7,246**
Allowance for ECL	(14)	(1)	-	-	**(15)**
Net investment securities - debt securities at amortised cost	**6,607**	**624**	-	-	**7,231**
Coverage ratio	**0.21%**	**0.16%**	-	-	**0.21%**

Investment securities - debt securities at FVOCI

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Strong	83,494	-	-	-	**83,494**
Satisfactory	221	-	-	-	**221**
Investment securities - debt securities at FVOCI	**83,715**	**-**	**-**	**-**	**83,715**
Allowance for ECL recognised in other comprehensive income	(11)	-	-	-	**(11)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**
As at September 2020					
Strong	85,287	-	-	-	**85,287**
Satisfactory	173	-	-	-	**173**
Investment securities - debt securities at FVOCI	**85,460**	**-**	**-**	**-**	**85,460**
Allowance for ECL recognised in other comprehensive income	(10)	-	-	-	**(10)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**
As at March 2020					
Strong	77,213	-	-	-	**77,213**
Satisfactory	263	-	-	-	**263**
Investment securities - debt securities at FVOCI	**77,476**	-	-	-	**77,476**
Allowance for ECL recognised in other comprehensive income	(9)	-	-	-	**(9)**
Coverage ratio	**0.01%**	**-**	**-**	**-**	**0.01%**

15. Credit risk, cont'd

Investment securities - debt securities at FVTPL

			Stage 3		
As at March 2021	**Stage 1 $M**	**Stage 2 $M**	**Collectively assessed $M**	**Individually assessed $M**	**Total $M**
Satisfactory	63	-	-	-	**63**
Investment securities - debt securities at FVTPL	**63**	**-**	**-**	**-**	**63**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**
As at September 2020					
Satisfactory	53	-	-	-	**53**
Investment securities - debt securities at FVTPL	**53**	**-**	**-**	**-**	**53**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**
As at March 2020					
Satisfactory	50	-	-	-	**50**
Investment securities - debt securities at FVTPL	**50**	**-**	**-**	**-**	**50**
Allowance for ECL	-	-	-	-	**-**
Coverage ratio	**0.00%**	**-**	**-**	**-**	**0.00%**

Other financial assets

	As at		
	Mar 21 $M	**Sep 20 $M**	**Mar 20 $M**
Strong	**280,105**	293,171	369,909
Satisfactory	**3,846**	10,671	9,033
Weak	**556**	628	615
Defaulted	**3**	1	-
Other financial assets	**284,510**	304,471	379,557

16. Fair value measurement

The Group carries 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.

i) Assets and liabilities measured at fair value on the balance sheet

a) Valuation

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- when using quoted prices to value an instrument, these are independently verified from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

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 classified as: - trading securities - securities sold short - derivative financial assets and liabilities - investment securities - other assets	Valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - net loans and advances - deposits and other borrowings - debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.

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

c) Fair value hierarchy

The Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by 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 halves.

16. Fair value measurement, cont'd

d) Fair value hierarchy disclosure

The following table presents assets and liabilities carried at fair value:

	Fair value measurements			
As at March 2021	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Trading securities[1]	41,424	4,907	-	**46,331**
Derivative financial instruments	648	103,984	34	**104,666**
Investment securities[1]	83,573	209	1,180	**84,962**
Net loans and advances (measured at fair value)	-	3,003	10	**3,013**
Total	**125,645**	**112,103**	**1,224**	**238,972**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	3,598	-	**3,598**
Derivative financial instruments	947	101,954	25	**102,926**
Payables and other liabilities[2]	3,925	12	-	**3,937**
Debt issuances (designated at fair value)	-	1,926	-	**1,926**
Total	**4,872**	**107,490**	**25**	**112,387**
As at September 2020				
Assets				
Trading securities	44,004	6,909	-	50,913
Derivative financial instruments	681	134,588	62	135,331
Investment securities	85,330	137	1,108	86,575
Net loans and advances (measured at fair value)	-	3,925	13	3,938
Total	130,015	145,559	1,183	276,757
Liabilities				
Deposits and other borrowings (designated at fair value)	-	3,078	-	3,078
Derivative financial instruments	1,120	133,536	55	134,711
Payables and other liabilities[2]	3,830	13	-	3,843
Debt issuances (designated at fair value)	-	2,159	-	2,159
Total	**4,950**	**138,786**	**55**	**143,791**
As at March 2020				
Assets				
Trading securities	39,000	10,068	-	49,068
Derivative financial instruments	1,565	172,039	73	173,677
Available-for-sale assets	76,932	550	1,210	78,692
Net loans and advances (measured at fair value)	-	2,919	13	2,932
Total	117,497	185,576	1,296	304,369
Liabilities				
Deposits and other borrowings (designated at fair value)	-	5,461	-	5,461
Derivative financial instruments	1,778	165,519	67	167,364
Payables and other liabilities[2]	4,113	21	-	4,134
Debt issuances (designated at fair value)	-	2,681	-	2,681
Total	**5,891**	**173,682**	**67**	**179,640**

1. *Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred. Transfers from Level 1 to Level 2 and Level 2 to Level 1 for March 2021 and March 2020 halves are immaterial. In the September 2020 half, $100 million of bond securities assets were transferred from Level 2 to Level 1 following increased trading activity to support quoted prices.*
2. *Payables and other liabilities relates to securities sold short which are classified as held for trading and measured at fair value through profit or loss.*

16. Fair value measurement, cont'd

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

a) Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,199 million (Sep 20: $1,128 million; Mar 20: $1,229 million). The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Bank of Tianjin (BoT)

Movements in the Level 3 balance are due to the revaluation of the Group's investment in Bank of Tianjin.

The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Other

During the March 2021 half, the Group transferred $35 million of investment security assets and $5 million of derivative liabilities from Level 3 to Level 2, where valuation parameters for these financial instruments became observable during the period. There were no other transfers in or out of Level 3 in the current or prior halves.

b) Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (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 parameter used in deriving the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $102 million increase or decrease to the fair value of the investment (Sep 20: $93 million; Mar 20: $105 million), which would be recognised in shareholders' equity.

Other

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

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 we determine based on the valuation technique (referred to as the day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount 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.

16. Fair value measurement, cont'd

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, presenting the fair value of the entire class of financial assets and financial liabilities.

	Carrying amount in the balance sheet			Fair value
As at March 2021	At amortised cost $M	At fair value $M	Total $M	$M
Financial assets				
Net loans and advances	611,346	3,013	614,359	615,139
Investment securities	7,028	84,962	91,990	91,945
Total	**618,374**	**87,975**	**706,349**	**707,084**
Financial liabilities				
Deposits and other borrowings	703,025	3,598	706,623	706,813
Debt issuances	105,697	1,926	107,623	109,580
Total	**808,722**	**5,524**	**814,246**	**816,393**
As at September 2020				
Financial assets				
Net loans and advances	613,155	3,938	617,093	618,095
Investment securities	6,816	86,575	93,391	93,391
Total	**619,971**	**90,513**	**710,484**	**711,486**
Financial liabilities				
Deposits and other borrowings	679,255	3,078	682,333	682,623
Debt issuances	117,509	2,159	119,668	121,453
Total	**796,764**	**5,237**	**802,001**	**804,076**
As at March 2020				
Financial assets				
Net loans and advances	653,677	2,932	656,609	658,091
Investment securities	7,231	78,692	85,923	85,944
Total	**660,908**	**81,624**	**742,532**	**744,035**
Financial liabilities				
Deposits and other borrowings	721,448	5,461	726,909	727,326
Debt issuances	137,567	2,681	140,248	138,454
Total	**859,015**	**8,142**	**867,157**	**865,780**

17. Shareholders' equity

Issued and quoted securities	As at		
Ordinary shares	**Mar 21 No.**	**Sep 20 No.**	**Mar 20 No.**
Opening balance	**2,840,370,225**	2,836,177,422	2,834,584,923
Bonus Option Plan	**929,207**	819,781	1,592,499
Dividend reinvestment plan issues[1]	**4,242,368**	3,373,022	-
Closing balance	**2,845,541,800**	2,840,370,225	2,836,177,422
Less: Treasury Shares	**(4,484,712)**	(4,927,878)	(5,011,537)
Closing balance	**2,841,057,088**	2,835,442,347	2,831,165,885
Issued/(Repurchased) during the period	**5,171,575**	4,192,803	1,592,499

1. *The DRP in respect to the 2020 final dividend was satisfied in full through the issue of 4,242,368 shares at $22.19 to participating shareholders. The DRP in respect to the 2020 interim dividend was satisfied through the issue of 3,373,022 shares at $18.06 to participating shareholders.*

	As at			Movement	
Shareholders' equity	**Mar 21 $M**	**Sep 20 $M**	**Mar 20 $M**	**Mar 21 v. Sep 20**	**Mar 21 v. Mar 20**
Ordinary share capital	**26,615**	26,531	26,440	0%	1%
Reserves					
Foreign currency translation reserve	**(503)**	155	1,988	large	large
Share option reserve	**56**	85	62	-34%	-10%
FVOCI reserve	**567**	245	(51)	large	large
Cash flow hedge reserve	**643**	1,038	874	-38%	-26%
Transactions with non-controlling interests reserve	**(22)**	(22)	(22)	0%	0%
Total reserves	**741**	1,501	2,851	-51%	-74%
Retained earnings	**35,210**	33,255	32,073	6%	10%
Share capital and reserves attributable to shareholders of the Company	**62,566**	61,287	61,364	2%	2%
Non-controlling interests	**10**	10	11	0%	-9%
Total shareholders' equity	**62,576**	61,297	61,375	2%	2%

18. Changes in composition of the Group

There were no acquisitions or disposals of material controlled entities for the half year ended 31 March 2021.

19. Investments in Associates[1]

	Half Year			Movement	
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 v. Sep 20	Mar 21 v. Mar 20
Share of associates' profit/(loss)	**(242)**	20	135	large	large

Contributions to profit[2]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 21 $M	Sep 20 $M	Mar 20 $M	Mar 21 %	Sep 20 %	Mar 20 %
P.T. Bank Pan Indonesia	**65**	(19)	74	**39**	39	39
AMMB Holdings Berhad[3,4]	**(307)**	41	61	**24**	24	24
Other associates	**-**	(2)	-	**n/a**	n/a	n/a
Share of associates' profit/(loss)	**(242)**	20	135			

1. *At 31 March 2020, the Group recorded an impairment charge of $815 million in Other operating income with AmBank impaired by $595 million and PT Panin impaired by $220 million.*
2. *Contributions to profit reflect the IFRS equivalent results adjusted to align with the Group's financial year end and accounting policies which may differ from the published results of these entities. In the September 2020 half, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 Financial Instruments on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the September 2020 half recognising a transition adjustment in retained earnings. The adjustment of $68 million represents the Group's equity accounted share of the transition adjustment net of amounts previously recognised by the Group on 1 October 2018.*
3. *Following AmBank's agreement with the Malaysian Ministry of Finance to resolve potential claims relating to its involvement with 1Malaysia Development Berhad, the Group recognised a $212 million reduction in equity accounted earnings reflecting its share of the settlement provision during the March 2021 half, with a corresponding decrease in the carrying value of the investment.*
4. *During the March 2021 half, AmBank partially impaired goodwill carried on its balance sheet and the Group recognised a $135 million reduction in equity accounted earnings reflecting its share of the impairment recognised by AmBank, with a corresponding decrease in the carrying value of the investment.*

20. Related party disclosure

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 2020.

21. 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 (refer to Note 12) 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 2020 ANZ Annual Financial Report for a description of contingent liabilities and contingent assets as at 30 September 2020. A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Regulatory and customer exposures**

  In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both 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 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, 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.

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company – one action relating to the bank bill swap rate (BBSW), and one action relating to the Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR). The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated US anti-trust laws and (in the BBSW case only) anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. In March 2021, the Company reached an agreement to settle the BBSW class action. The settlement is without admission of liability and remains subject to negotiation and execution of complete settlement terms as well as court approval. The financial impact of the settlement is not material and has been fully provided at 31 March 2021. The separate class action in relation to SIBOR is ongoing and is being defended.

  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.

21. Contingent liabilities and contingent assets, cont'd

- **Capital raising actions**

  In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against the Company and a senior employee alleging that they were involved in cartel conduct by the joint lead managers of the Company's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The Company and its senior employee are defending the allegations. The trial is currently scheduled to start in April 2022.

  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. The Company is defending the allegations.

- **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.

- **Royal Commission**

  The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. The findings and recommendations of the Commission are resulting in additional costs and may lead to 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 and Indemnities**

  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.

22. Significant events since balance date

On 26 April 2021, the Group posted notice that it will exercise its option to redeem wholesale A$700,000,000 floating rate subordinated notes due May 2026. The notes will be redeemed on 17 May 2021 for their par value of $700 million.

Other than the matter above, there have been no other significant events from 31 March 2021 to the date of signing this report that have not been adjusted or disclosed.

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 2021 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 2021

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 are not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 March 2021 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 2021;
- 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 22 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 the Code

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 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 2021 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 2021

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 2021, 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

Martin McGrath
Partner

Melbourne
4 May 2021