2017

Half Year U.S. Disclosure Document

for the fiscal half year ended March 31, 2017

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

The date of this 2017 Half Year U.S. Disclosure Document is May 12, 2017.

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INTRODUCTION

All references in this document to this “U.S. Disclosure Document” should be read as referring to the 2017 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended March 31, 2017 (the “March 2017 half”), including the Annex attached hereto.

This U.S. Disclosure Document is dated May 12, 2017. All references in this document to “the date of this U.S. Disclosure Document” are to May 12, 2017.

All references in this U.S. Disclosure Document to “ANZ”, the “ANZ Group”, the “Group”, the “Bank”, “we”, “us” and “our” are to Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) together with its subsidiaries. All references in this U.S. Disclosure Document to the “Company” and to “ANZBGL” are to Australia and New Zealand Banking Group Limited.

Information contained in or accessible through any web site referred to in this U.S. Disclosure Document does not form part of this document unless we specifically state that it is incorporated by reference and forms part of this U.S. Disclosure Document. All references in this document to web sites are inactive textual references and are not active links.

This U.S. Disclosure Document has been prepared in order to provide U.S. investors with certain information regarding ANZ’s business and operations, as well as its financial position, as of March 31, 2017, and the results of operations for the fiscal half year then ended. All balances disclosed in this U.S. Disclosure Document relate to those of the Group. The Group’s Condensed Consolidated Financial Statements including the notes thereto and the independent auditor’s review report thereon for the March 2017 half (hereafter defined as the “Condensed Consolidated Financial Statements”), as prepared and filed by the Company with the Australian Securities Exchange (“ASX”) in accordance with its rules, are attached to this U.S. Disclosure Document as the Annex.

Forward-looking statements

This U.S. Disclosure Document contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Company or the ANZ Group to differ materially from the information presented herein. When used in this U.S. Disclosure Document, the words “forecast”, “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “may”, “probability”, “risk”, “will”, “seek”, “would”, “could”, “should” and similar expressions, as they relate to the Company or the ANZ Group and its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute “forward-looking statements” for the purposes of the United States (“U.S.”) Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date of this U.S Disclosure Document or to reflect the occurrence of unanticipated events.

For example, the forward-looking statements contained in this U.S. Disclosure Document will be affected by:

- adverse conditions in global debt and equity markets;
- general economic conditions in Australia, New Zealand and the Asia Pacific, Europe & America (“APEA”) regions and other jurisdictions in which we or our customers operate, including without limitation changes that impact the natural resources and real estate industries;
- losses associated with the ANZ Group’s counterparty exposures;
- market liquidity and investor confidence;
- changes to our credit ratings;
- inflation, interest rates, exchange rates, markets and monetary fluctuations and longer term changes;
- the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), regulatory disclosures and taxation laws and accounting standards in Australia and worldwide;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand, the APEA regions and other jurisdictions in which we or our customers operate;
- commercial and residential mortgage lending and real estate market conditions in Australia, New Zealand and the APEA regions;
- the effects of competition in the geographic and business environments in which we or our customers operate;
- our ability to adjust to and compete in the APEA geographic markets in which we operate or are seeking to operate;
- the ability to maintain or increase market share and control expenses;
- the timely development and acceptance of new products and services, and the perceived overall value of these products and services by users;
- the reliability and security of our technology and information security risks, including potential cyber-attacks;
- risks associated with information systems;
- operational and environmental factors, including natural disasters, such as earthquakes, floods, cyclones, volcanic eruptions, bush fires and tsunamis;
- demographic changes and changes in political, social, and economic conditions in any of the jurisdictions in which we or our customers operate;
- our ability to complete, integrate or separate and process acquisitions and dispositions;
- the stability of Australian and international financial systems, disruptions to financial markets and any losses we or our customers may experience as a result;
- adverse impacts on our reputation;
- the impact of existing or potential litigation and regulatory actions applicable to the ANZ Group, its business or its customers;
- the effectiveness of our risk management policies, including our internal processes, systems, organizational management and employees;
- other risks and uncertainties detailed under “Competition”, “Supervision and regulation”, and “Risk factors” in “Section 2: Information on the Group” and elsewhere throughout this U.S. Disclosure Document; and
- various other factors beyond our control.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this U.S. Disclosure Document. For further discussion, refer to “Risk factors” in “Section 2: Information on the Group”.

Basis of preparation

The summary of condensed consolidated income statements and selected ratios for the fiscal half years ended March 31, 2017, September 30, 2016, and March 31, 2016, and the summary of condensed consolidated balance sheets and selected ratios as of March 31, 2017, September 30, 2016, and March 31, 2016, have been derived from the Condensed Consolidated Financial Statements. The Condensed Consolidated Financial Statements are attached to this U.S. Disclosure Document as the Annex.

The Condensed Consolidated Financial Statements and the financial information included herein, except where otherwise noted, have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards ("AASs"), AASB 134 Interim Financial Reporting issued by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001(Cth) (the "Corporations Act"). The Group's application of the recognition and measurement requirements of AASs ensures that the Group's Condensed Consolidated Financial Statements and the financial information included herein comply with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"). Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

Amounts in this U.S. Disclosure Document are presented in Australian Dollars ("$", "AUD" or "A$") unless otherwise stated. Amounts reported in United States Dollars ("USD" or "US$") have been translated at the March 31, 2017 Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate"), which was US$0.7638 = AUD$1.00. For further information on the currency of presentation in this U.S. Disclosure Document, refer to "Currency of presentation and exchange rates" in "Section 2: Information on the Group".

Summary of condensed consolidated income statements and selected ratios

	Half Year			
	Mar 17 USD M[1]	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Interest income	11,019	14,426	14,861	15,090
Interest expense	(5,354)	(7,010)	(7,334)	(7,522)
Net interest income	5,665	7,416	7,527	7,568
Other operating income[2,3]	1,971	2,580	2,745	2,706
Operating income	7,636	9,996	10,272	10,274
Operating expenses[2]	(3,614)	(4,731)	(4,951)	(5,488)
Profit before credit impairment and income tax	4,022	5,265	5,321	4,786
Credit impairment charge[4]	(549)	(719)	(1,025)	(904)
Profit before income tax[5]	**3,473**	**4,546**	**4,296**	**3,882**
Income tax expense[6]	(1,243)	(1,627)	(1,318)	(1,140)
Profit after income tax[5]	2,230	2,919	2,978	2,742
Profit attributable to non-controlling interests	(6)	(8)	(7)	(4)
Profit attributable to shareholders of the Company	**2,224**	**2,911**	**2,971**	**2,738**
Other operating income as a % of operating income[2,3]	25.8%	25.8%	26.7%	26.3%
Net interest margin	2.00%	2.00%	2.06%	2.07%
Cost to income ratio	47.3%	47.3%	48.2%	53.4%
Dividends on ordinary shares	1,757	2,300	2,290	2,711
Earnings per fully paid ordinary share (cents)				
Basic	76.5	100.2	102.6	94.8
Diluted	73.9	96.7	98.3	89.7
Ordinary share dividend payout ratio (%)[7]	80.7%	80.7%	78.8%	85.2%
Dividend per ordinary share (cents)	61	80	80	80

1 *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2017 Noon Buying Rate applied in this U.S. Disclosure Document.*

2 *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated accordingly (Sep 16 half: $8 million; Mar 16 half: $9 million).*

3 *Shanghai Rural Commercial Bank ("SRCB") contributed $58 million to other operating income in the March 2017 half (Sep 16 half: $122 million; Mar 16 half: $137 million). Bank of Tianjin ("BoT") contributed $86 million to other operating income in the March 2016 half.*

4 *The credit impairment charge represents the aggregation of the individual and collective credit impairment charges.*

5 *The divested Esanda Dealer Finance portfolio contributed $19 million to profit before tax (-$13 million profit after tax) for the March 2016 half and -$16 million to profit before tax (-$11 million profit after tax) for the September 2016 half. Refer to "Section 3: Operating and Financial Review and Prospects - Analysis of major income and expense items", for contribution of the divested Esanda Dealer Finance portfolio to net interest income, other operating income and operating expenses.*

6 *Includes the impact of contribution tax and investment income tax attributable to policyholders.*

7 *The dividend payout ratio is calculated by adjusting profit attributable to shareholders of the Company by the amount of preference share dividends paid. The dividend payout ratio calculation is based on the following dividend payments:*

Mar 2017	*Sep 2016*	*Mar 2016*
*$2,349 million**	*$2,342 million*	*2,334 million*

**Based on the proposed interim dividend announced on May 2, 2017 and on the forecast number of ordinary shares expected to be on issue at the dividend record date.*

Summary of condensed consolidated balance sheets and selected ratios[1]

	As of			
	Mar 17 USD M[2]	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Shareholders' equity[3]	44,141	57,791	57,818	56,363
Subordinated debt[4]	15,503	20,297	21,964	17,557
Debt issuances	67,809	88,778	91,080	81,947
Deposits and other borrowings	457,071	598,417	588,195	578,071
Gross loans and advances	443,277	580,358	580,035	565,868
Less: Individual provision for credit impairment	(969)	(1,269)	(1,307)	(1,238)
Less: Collective provision for credit impairment[5]	(2,127)	(2,785)	(2,876)	(2,862)
Less: Loans and advances held for sale	(9,371)	(12,269)	-	-
Net loans and advances	430,810	564,035	575,852	561,768
Total assets	684,755	896,511	914,869	895,278
Net assets	44,230	57,908	57,927	56,464
Risk weighted assets[6]	303,259	397,040	408,582	388,335
Summary of consolidated ratios				
Profit attributable to the shareholders of the Company as a percentage of:				
Average total assets	0.6%	0.6%	0.6%	0.6%
Average ordinary shareholders' equity[7]	10.1%	10.1%	10.5%	9.5%
Average ordinary shareholders' equity as a percentage of average total assets[8]	6.3%	6.3%	6.2%	6.4%
Capital adequacy ratios:[6]				
Common Equity Tier 1	10.1%	10.1%	9.6%	9.8%
Tier 1	12.1%	12.1%	11.8%	11.6%
Tier 2	2.4%	2.4%	2.5%	2.1%
Total	14.5%	14.5%	14.3%	13.7%
Number of ordinary shares on issue (millions)	2,936.0	2,936.0	2,927.5	2,917.6

1. *Balance Sheet amounts and metrics include assets and liabilities held for sale.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2017 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *Excludes non-controlling interests.*
4. *For the composition of subordinated debt refer to Note 12 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S Disclosure Document).*
5. *The collective provision includes amounts for off-balance sheet credit exposures of $574 million at March 31, 2017 (Sep 16: $631 million; Mar 16: $633 million). The impact on the income statement for the March 2017 half was a $46 million release (Sep 16 half: $35 million release; Mar 16 half: $3 million charge).*
6. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority (APRA) Basel 3 methodology (refer to page 13).*
7. *Excludes non-controlling interests and preference shares.*

Summary of credit risk data[1]

	As of			
	Mar 17 USD M[2]	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Gross impaired assets				
Impaired loans	1,893	2,478	2,646	2,564
Restructured items[3]	280	367	403	226
Non-performing commitments and contingencies	73	95	124	93
Total gross impaired assets	**2,246**	**2,940**	**3,173**	**2,883**
Provision for credit impairment:				
Individual provision - impaired loans	957	1,253	1,278	1,209
Individual provision - non-performing commitments and contingencies	12	16	29	29
Collective provision[4]	2,127	2,785	2,876	2,862
Total provision for credit impairment	**3,096**	**4,054**	**4,183**	**4,100**
Total gross loans and advances[5]	**443,277**	**580,358**	**580,035**	**565,868**
Credit Risk Weighted Assets[6]	261,074	341,809	352,033	334,308
Collective provision as a % of credit risk weighted assets[6]	0.81%	0.81%	0.82%	0.86%
Gross impaired assets as a percentage of gross loans and advances	0.51%	0.51%	0.55%	0.51%
Individual provision for credit impairment as a percentage of gross impaired assets	43.2%	43.2%	41.2%	42.9%
Individual provision for impaired loans as a percentage of impaired loans	50.6%	50.6%	48.3%	47.2%
Total provision for credit impairment as a percentage of:				
Gross loans and advances[5]	0.7%	0.7%	0.7%	0.7%
Credit risk weighted assets[6]	1.2%	1.2%	1.2%	1.2%

1. *Balance sheet and credit risk data for the March 2017 half includes assets and liabilities held for sale.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2017 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *Restructured items are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.*
4. *The collective provision includes amounts for off-balance sheet credit exposures of $574 million at March 31, 2017 (Sep 16: $631 million; Mar 16: $663 million).*
5. *Consists of loans and advances, customer liability for acceptances, capitalized brokerage/mortgage origination fees less unearned income.*
6. *Credit risk weighted assets are calculated using APRA Basel 3 methodology (refer to page 13).*

OVERVIEW

Australia and New Zealand Banking Group Limited ("ANZBGL") and its subsidiaries (together, the "Group"), which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. ANZBGL is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on July 14, 1977. ANZBGL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia, and the telephone number is +61 3 9683 9999. ANZ's Australian Business Number is ABN 11 005 357 522.

ANZBGL provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. Geographically, operations span Australia, New Zealand, a number of countries in the Asia Pacific region, the United Kingdom, France, Germany and the United States.

As of March 31, 2017, ANZBGL had total assets of $896.5 billion and shareholders' equity excluding non-controlling interests of $57.8 billion. In terms of total assets among banking groups, the Group ranked in the top two in Australia[1] as of March 31, 2017 and first in New Zealand[2] as of March 31, 2017.

ANZBGL's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (the "NZX"). At the close of trading on March 31, 2017, ANZBGL had a market capitalization of $93.4 billion, which ranked among the top three largest companies listed on the ASX[3].

1. *Source: Commonwealth Bank of Australia results announcement for the half year ended December 31, 2016; National Australia Bank results announcement for the half year ended March 31, 2017; Westpac Banking Corporation results announcement for the half year ended March 31, 2017.*
2. *Source: ASB Bank disclosure statement for the 6 months ended December 31, 2016; Bank of New Zealand disclosure statement for the 6 months ended March 31, 2017; Westpac New Zealand disclosure statement for the 6 months ended March 31, 2017.*
3. *Source: IRESS.*

BUSINESS MODEL

ANZ's business model primarily consists of raising funds through customer deposits and the wholesale debt markets and lending those funds to customers. In addition, the Group earns revenue from its Wealth activities through the provision of insurance, superannuation and funds management services, and its Markets activities from sales, trading and risk management.

Our primary lending activities are personal lending covering residential home loans, credit cards and overdrafts, and lending to corporate and institutional customers.

Our income is derived from a number of sources, primarily:

- Net interest income – represents the difference between the interest income the Group earns on its lending activities and the interest paid on customer deposits and wholesale funding;
- Net fee and commission income – represents fee income earned on lending and non-lending related financial products and services;
- Net funds management and insurance income – represents income earned from the provision of investment, insurance and superannuation solutions; and
- Other income – includes share of associates' profit, net foreign exchange earnings, gains and losses from economic and revenue hedges as well as revenues generated from sales, trading and risk management activities in the Markets business.

STRATEGY

Our strategy is to use our strong Australian and New Zealand foundations, distinctive geographic footprint, service and insights to better meet the needs of customers and capture opportunities linked to regional trade and capital flows. In doing this, ANZ provides shareholders with access to a unique combination of high-returning franchises and direct exposure to long-term Asian growth.

Our strategy has three elements – creating the best bank in Australia and New Zealand for home owners and small business customers, building the best bank in the world for clients driven by regional trade and capital flows, and establishing common, digital-ready infrastructure to provide great customer experience, scale and control. We believe our strategy is underpinned by strong expense, capital and risk management disciplines and the quality of our people.

The financial services industry is being reshaped by a set of forces that make it more difficult to achieve the performance levels of the past, with lower economic growth, heightened consumer expectations, increased competitive intensity and greater regulatory, legal and political scrutiny.

Left unchecked, these forces will lower sector growth, reduce profitability and increase the commoditization of the industry. In response, we believe we are creating a simpler, better capitalized bank that is more focused, more innovative and more values-based.

Strategic Priorities
Create a simpler, better capitalized, better balanced and more agile bank. Reduce operating costs and risks by removing product and management complexity, exiting low return and non-core businesses and reducing our reliance on low-returning aspects of institutional banking in particular.
Focus our efforts on attractive areas where we can carve out a winning position. Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy. Be the best bank in the world for customers driven by the movement of goods and capital in our region.
Drive a purpose and values led transformation of the Bank. Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment.
Build a superior everyday experience for our people and customers to compete in the digital age. Build more convenient, engaging banking solutions to simplify the lives of customers and our people.

PRINCIPAL ACTIVITIES OF THE GROUP

During the March 2017 half, the Group made changes to its operating model for technology, operations and shared services to accelerate delivery of its technology and digital roadmap, bring operations closer to its customers base and achieve operational efficiency gains. As a result of these organizational changes, divisional operations from Technology, Services & Operations ("TSO") and Group Centre have been realigned to divisions. The residual TSO and Group Centre now contains Group Technology, Group Hubs, Enterprise Services and Group Property as well as the Group Centre. The Group operates on a divisional structure with six divisions: Australia, Institutional, New Zealand, Wealth Australia, Asia Retail & Pacific, and TSO and Group Centre.

Other than the changes described above, there have been no other significant structural changes in the March 2017 half. However, certain prior period comparatives have been restated to align with the March 2017 half. The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

As of March 31, 2017, the principal activities of the six divisions were:

Australia

The Australia division comprises the Retail and Corporate and Commercial Banking business units.

- Retail provides products and services to consumer and private banking customers in Australia via the branch network, mortgage specialists, the contact center and a variety of self-service channels (internet banking, phone banking, ATMs, website and digital banking).
- Corporate and Commercial Banking provides a full range of banking services including traditional relationship banking and sophisticated financial solutions, including asset financing through dedicated managers focusing on privately owned small, medium and large enterprises as well as the agricultural business unit.

Institutional

The Institutional division services global institutional and business customers across three product sets: Transaction Banking, Loans & Specialized Finance and Markets.

- Transaction Banking provides working capital and liquidity solutions including documentary trade, supply chain financing as well as cash management solutions, deposits, payments and clearing.
- Loans & Specialized Finance provides specialized loan structuring and execution, loan syndication, project and export finance, debt structuring and acquisition finance, structured trade and asset finance, and corporate advisory.
- Markets provide risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises the Retail and Commercial business units.

- Retail provides a full range of banking and wealth management services to consumer, private banking and small business banking customers. We deliver our services via our internet and app-based digital solutions and network of branches, mortgage specialists, relationship managers and contact centers.
- Commercial provides a full range of banking services including traditional relationship banking and sophisticated financial solutions (including asset financing) through dedicated managers focusing on privately owned medium to large enterprises and the agricultural business segment.

ANZ New Zealand's funds management business, including KiwiSaver, will be retained as it is considered core to ANZ New Zealand's retail business. Consideration will be given to ANZ New Zealand's life insurance business in due course.

Wealth Australia

The Wealth Australia division comprises the Insurance and Funds Management business units, which provide insurance, investment and superannuation solutions intended to make it easier for customers to connect with, protect and grow their wealth.

- Insurance includes life insurance, general insurance and ANZ Lenders Mortgage Insurance.

- Funds Management includes the Pensions and Investments business and ANZ Share Investing.

Following a strategic review of ANZBGL's Wealth business in Australia in 2016, ANZBGL is exploring a range of possible strategic and capital market options. This includes the possible sale or demerger of the life insurance, advice and superannuation and investments business in Australia, together with entering into a long term distribution agreement for the provision of life insurance and investments products and services to ANZ customers.

Asia Retail & Pacific

The Asia Retail & Pacific division comprises the Asia Retail and Pacific business units, connecting customers to specialists for their banking needs.

- Asia Retail provides general banking and wealth management services to affluent and emerging affluent retail customers across nine Asian countries via relationship managers, branches, contact centers and a variety of self-service digital channels (internet and mobile banking, phone and ATMs). Core products offered include deposits, credit cards, loans, investments and insurance. Subject to regulatory approval, ANZ expects the sale of its Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to DBS Bank Ltd. to be completed during 2017 and early 2018. For further information on this sale, see "Recent Developments" in ANZ's 2016 Annual U.S. Disclosure Document dated November 10, 2016 (the "2016 Annual U.S. Disclosure Document"). See also "Recent Developments" below.
- Pacific provides products and services to retail customers, small to medium-sized enterprises, institutional customers and Governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

Technology, Services & Operations and Group Centre

TSO and Group Centre provide support to the operating divisions, including technology, group operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Centre includes Treasury, Shareholder Functions and minority investments in Asia. Subject to customary closing conditions and regulatory approvals, the sale of Shanghai Rural Commercial Bank ("SRCB"), which is one of the minority investments in Asia, is expected to be completed in 2017.

RECENT DEVELOPMENTS

On May 9, 2017, the Australian Government released the 2017-18 Federal Budget which included the introduction of a major bank levy for authorized deposit-taking institutions ("ADIs") with licensed entity liabilities of at least $100 billion, commencing July 1, 2017 (the "Major Bank Levy"). Beginning from July 1, 2017, the Major Bank Levy is expected to affect Australia's five largest banks, including the Group. The Australian Government has indicated that the Major Bank Levy will be calculated quarterly as 0.015% of an ADI's licensed entity liabilities (for an annualized rate of 0.06%). Liabilities subject to the Major Bank Levy will include corporate bonds, commercial paper, certificates of deposit and Tier 2 capital instruments. The Major Bank Levy will not apply to additional Tier 1 capital and deposits of individuals, businesses and other entities protected by the Financial Claims Scheme, the Australian Government scheme that protects depositors of ADIs from potential loss due to the failure of these institutions. At the time of this U.S. Disclosure Document, it is difficult to definitively estimate the financial impact of the Major Bank Levy on the Group as, among other things, the Australian Government's proposal does not contain the details the Group needs to prepare such an estimate and the Group has yet to determine how to address the financial impact on it of the proposed Major Bank Levy. The Major Bank Levy could have a material adverse impact on the Group's business operations and financial condition, and could have an adverse impact on the Group's credit ratings.

On April 21, 2017, ANZBGL advised that it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business being sold includes $320 million in lending assets and $800 million in deposits as of March 31, 2017. The retail business services 125,000 customers in Vietnam. The premium to book value for the sale of the retail business in Vietnam is not material to ANZBGL. Subject to regulatory approval, ANZBGL expects the transfer of the Vietnam retail business to Shinhan Bank Vietnam to be complete by the end of 2017.

Other than the matters described above, there have been no other significant developments since March 31, 2017 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As of March 31, 2017, the four major banking groups in Australia (Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation) held approximately 79% of the total Australian lending assets of banks that conduct business in Australia. The operations of the smaller regional banks are typically focused on servicing customers in a particular state or region with an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of both bank financial institutions and non-bank financial institutions that compete in selected markets with the four major banking groups. Non-bank financial intermediaries, such as building societies and credit unions, compete principally in the areas of accepting deposits and residential mortgage lending. Some large building societies have been granted banking authorizations under the Banking Act. Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have also become more prominent in recent years.

Competition has historically been greater in the housing lending market, which initially resulted from the rise of mortgage originators, and subsequently from growth in the mortgage broker industry. In recent years, major banks have competed aggressively by offering significant discounts below the advertised rate. Additionally, the market turmoil experienced during the 2008 global financial crisis materially affected the business models of non-bank originators, and as a consequence, there was an overall uplift in mortgage market share to the major banks.

The retail deposit market in Australia is also competitive, particularly in times of higher credit growth to support funding and increased lending demand. An Australian Government Guarantee for retail customer bank deposits was introduced in 2008 during the global financial crisis, which led to increased deposits with the major Australian banks and a decrease in deposits with other deposit fund providers. In addition, changes in the financial services sector have made it possible for non-banks to offer products and services traditionally provided by banks, such as payments, home loans and credit cards.

In the Corporate and Commercial Banking business, which is part of the Australia division, competition has intensified among the major and regional banks, particularly as business investment and resulting demand for business credit has continued to decline from higher levels in 2012. An increased focus on protecting customer relationships and strategies to increase market share is placing increased pressure on lending margins. This sector is also seeing a greater emphasis on providing retail, wealth and institutional (predominantly markets and trade) products to business customers, their owners and employees in order to deepen customer relationships and increase revenue streams.

In the institutional market, competitors gain recognition through the quality of their client base, perceived skill sets, structured solutions and pricing, client insights, reputation and brands. In Australian domestic markets, competitors at the large corporate and institutional customer level are generally the major Australian banks, some global investment banks, and some Asian banks who are expanding beyond their local markets and the boutique operations of large multi-national banking conglomerates with a focus on niche areas.

The Institutional division customer relationship teams continue to work closely with specialist product groups, support functions and international networks to support the domestic and international requirements of some of the largest corporate and financial institutions in Australia. Priority is being given to customer flow and value added businesses such as Markets and cash management solutions with less reliance for improved returns on traditional balance sheet lending.

The funds management industry is an area of strong competition among the four major Australian banks and other financial services providers. Competition has increased as the Australian Government has encouraged long-term saving through superannuation by means of taxation concessions and the imposition of a mandatory superannuation guarantee levy on employers.

The retail funds management and life insurance markets in Australia are highly competitive and are dominated by large retail financial institutions. Significant changes in market share over the past decade have been driven by large acquisitions. The large retail institutions are generally well integrated and benefit from extensive aligned distribution networks and controlled product packaging by operating the major platforms, sometimes referred to as “funds supermarkets”.

The banking industry continues to evolve with new digital products and service solutions to meet customer needs and changing customer preferences. Demand for innovative, digital solutions is contributing to further competition from existing and new entrants to the banking industry, particularly in retail banking

New Zealand

The New Zealand financial services sector in which the Group operates is very concentrated and highly competitive. ANZ's principal competitors are the three other major banks, ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary or branch of a major Australian bank. These banks participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. The New Zealand Government-owned Kiwibank Limited is active in retail segments, and Rabobank New Zealand Limited is active in retail deposits and agricultural lending markets. International banks such as Citigroup, HSBC and Deutsche Bank participate in a limited manner in the institutional market. Since late 2013, New Zealand has also seen Industrial and Commercial Bank of China, China Construction Bank and Bank of China obtain banking licenses to establish New Zealand subsidiaries. Their focus appears to be in wholesale banking, in particular, trade banking to and from China.

Competition in the financial services sector can be intense and difficult to predict. Competition in the deposit market has increased rapidly in New Zealand, with banks attempting to grow their share of retail deposits and reduce their wholesale funding. Lending to the residential mortgage market accounts for over half of the lending in New Zealand by registered banks and this market is a key area of competitive tension.

Outside the banking sector, a number of smaller finance companies are active in the personal and commercial property markets through competitive lending and deposit product offerings. The non-banking sector constituted approximately 3% of total financial system assets as of December 31, 2016.

Asia

Banking in Asia is highly competitive. There are a large number of global banks (for example Citibank, HSBC & Standard Chartered) and regional banks (for example DBS Bank Ltd., CIMB and Maybank) operating in the region in addition to the local banks in each market. The Group's most active competitors, particularly in the institutional business, are global investment banks and large Chinese and Japanese banks.

The Group currently operates in 15 Asian markets, focused primarily in institutional banking and delivering financial solutions to customers driven by regional trade and capital flows. We believe the Group's geographic coverage, strength in its domestic markets of Australia and New Zealand, and targeted focus on customers, industries and product specialization (including Markets and Transactional Banking) enables the Group to differentiate itself from its competitors across the region.

Competition remains robust as a large number of banks have shown a willingness to commit significant portions of their balance sheet in support of growth opportunities in the region. This has contributed to the net interest margin on institutional lending in Asia being generally lower than that of similar lending in Australia and New Zealand. Competition in Asia is expected to continue to grow with relatively stronger economic growth prospects compared with other developed markets, attracting global and regional bank investment in the region.

While the Group provides a broad suite of financial services to institutional customers, it does not seek to be a full-service bank to the retail or commercial markets in Asia. A review of the retail and wealth operations in Asia was undertaken during 2016, and on October 31, 2016, the Group announced it had entered into an agreement to sell its Retail and Wealth businesses in Singapore, China, Hong Kong, Taiwan and Indonesia to DBS Bank Ltd. The transition of these businesses is being undertaken on a country by country basis and is expected to be completed in stages in 2017 and early 2018. On April 21, 2017 the Group also announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. See "Recent Developments" above.

At this stage, the Bank's Retail and Wealth businesses in the Philippines and Japan remain under strategic review.

SUPERVISION AND REGULATION

As a major banking group, the Group is subject to extensive regulation by regulatory agencies and security exchanges in each of the major markets where it operates. This section provides an overview of the regulatory landscape applicable to the Group, focusing on Australia, New Zealand and the United States.

AUSTRALIA

Overview of APRA's Prudential and Regulatory Supervision

Since July 1, 1998, APRA has been responsible for the prudential and regulatory supervision of Australian ADIs, which cover banks (including ANZBGL), credit unions, building societies, insurance companies (including OnePath Life Limited) and superannuation funds. Prior to this, the Australian banking industry was regulated by the Reserve Bank of Australia (the “RBA”). The RBA has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA draws authority from the Australian Prudential Regulation Authority Act 1998 of Australia.

APRA requires ADIs to meet certain prudential requirements that are covered in a range of APRA Prudential Standards.

APRA discharges its responsibilities in part by requiring ADIs subject to its supervision to regularly provide it with reports that set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. APRA gives special attention to capital adequacy, liquidity, earnings, credit quality and associated loan loss experience, concentration of risks, maturity profile of assets and liabilities, operational risks, market risks, interest rate risk in the banking book, exposures to related entities, outsourcing, funds management, securitization activities and international banking operations. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial condition. Where APRA considers that an ADI may become unable to meet its obligations or suspends payment (among other circumstances), APRA can take control of the ADI's business (including by appointment of an ADI statutory manager). APRA also has power to direct the ADI not to make payments in respect of its indebtedness and to compulsorily transfer some or all of the ADI’s assets and liabilities to another ADI in certain circumstances. A counterparty to a contract with an ADI cannot rely solely on the fact that an ADI statutory manager is in control of the ADI's business or on the making of a direction or compulsory transfer order as a basis for denying any obligations to the ADI or for accelerating any debt under that contract or closing out any transaction relating to that contract.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from each ADI with selective “on site” visits and formal meetings with the ADI's senior management and the external auditor. APRA has also formalized a consultative relationship with each ADI's external auditor, with the agreement of the ADIs. The external auditor provides additional assurance to APRA that the information sourced from an ADI’s accounting records and included in the ADI’s APRA reporting is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards. The external auditor also undertakes targeted reviews of specific risk management areas as selected by APRA. In addition, an ADI's Chief Executive Officer attests to, and its directors endorse, the adequacy and operating effectiveness of the ADI's risk management systems to control exposures and limit risks to prudent levels.

Capital Management and Adequacy and Liquidity within APRA's Regulations

For further details of the Group's capital management and adequacy, liquidity and APRA's regulatory environment, refer to the sections entitled “Liquidity and capital resources” set out in “Section 3: Operating and Financial Review and Prospects”.

Capital

The common framework for determining the appropriate level of bank regulatory capital is set by the Basel Committee on Banking Supervision (“BCBS”) under a framework that is commonly known as “Basel 3”.

For calculation of minimum capital requirements under Pillar 1 ("Capital Requirements") of the Basel Accord, the Group has been accredited by APRA to use the Advanced Internal Ratings Based ("AIRB") methodology for credit risk weighted assets and Advanced Measurement Approach ("AMA”) for the operational risk weighted asset equivalent.

Effective January 1, 2013, APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios are not directly comparable with international peers. The Basel 3 reforms include: increased capital deductions from Common Equity Tier 1 ("CET1") capital, an increase in capitalization rates (including prescribed minimum capital buffers, fully effective from January 1, 2016), tighter requirements around new Additional Tier 1 and Tier 2 securities and transitional arrangements for existing Additional Tier 1 and Tier 2 securities that do not conform to the new regulations. Other changes include capital requirements for counterparty credit risk and an increase in the asset value correlation with respect to exposures to large and unregulated financial institutions as well as changes that have resulted from the Financial Services Inquiry as described below.

Liquidity

ANZBGL's liquidity and funding risks are governed by a detailed policy framework that is approved by ANZBGL's Board Risk Committee. The management of the liquidity and funding positions and risks is overseen by the Group Asset and Liability Committee ("GALCO"). ANZBGL’s liquidity risk appetite is defined by the ability to meet a range of regulatory requirements and internal liquidity metrics mandated by ANZBGL’s Board Risk Committee. The metrics cover a range of scenarios of varying duration and level of severity. This framework helps:

- Provide protection against shorter-term but more extreme market dislocations and stresses;
- Maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding; and
- Ensure no undue timing concentrations exist in the Group’s funding profile.

A key component of this framework is the Liquidity Coverage Ratio (“LCR”) that was implemented in Australia on January 1, 2015. The LCR is a severe short term liquidity stress scenario, introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility (“CLF”) with the RBA. The CLF has been established as a solution to a

High Quality Liquid Asset ("HQLA") shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

ANZBGL seeks to observe strictly its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS 210, as well the prudential requirements of overseas regulators on ANZBGL's offshore operations.

Australian Regulatory Developments

Recent developments

The Australian Government announced its 2017-2018 Federal Budget on May 9, 2017. In addition to the Major Bank Levy described above under "Section 2: Information on the Group - Recent Developments" of this U.S. Disclosure Document, the Australian Government announced proposals for measures to increase financial system competition and customer access to data, the establishment of a new regulatory body to handle customer complaints against financial firms, enhancements to APRA's powers to make banks and their senior executives more accountable, measures to facilitate FinTech innovation and an inquiry into residential mortgage pricing. No new legislation has been introduced to give effect to these measures as at the date of this U.S. Disclosure Document. The impact of these measures on the Group is unknown at this stage.

Financial System Inquiry ("FSI")

The FSI final report into Australia's financial system was released on December 7, 2014 (the "FSI Final Report"). The contents of the FSI Final Report are wide-ranging and key recommendations that may have an impact on regulatory capital levels include:

- Setting capital standards ensuring that capital ratios of ADIs are "unquestionably strong";
- Raising the average internal ratings-based ("IRB") mortgage risk weights to narrow the difference between average mortgage risk-weights for ADIs, which use IRB models, and those that use standardized risk weights in order to increase competition in mortgage lending;
- Implementing a framework for minimum loss absorption and recapitalization capacity in line with emerging international practice;
- Developing a common reporting template that improves the transparency and comparability of capital ratios of ADIs; and
- Introducing a Leverage Ratio that acts as a backstop to ADIs' risk-based capital requirements, in line with Basel 3.

APRA has supported the FSI's recommendation that the capital ratios of ADIs should be unquestionably strong. With effect from July 2016, APRA increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including ANZ). In addition, on April 5, 2017, APRA announced that further guidance regarding unquestionably strong capital requirements will be released in the middle of 2017.

Further changes to the unquestionably strong framework may result in higher capital requirements for ADIs. Apart from the announcements described above, APRA has not made any announcements regarding the other key FSI recommendations. Therefore, the final outcomes from the FSI, including any impacts and the timing of these impacts on ANZ, remain uncertain.

Net Stable Funding Ratio ("NSFR")

APRA has finalized its NSFR requirements for Australian ADIs and confirmed that the NSFR will become a minimum requirement on January 1, 2018. As part of managing future liquidity requirements, ANZ monitors the NSFR in its internal reporting and believe the Group is well placed to meet this requirement by the implementation date.

Level 3 Conglomerates ("Level 3")

APRA is extending its prudential supervision framework to conglomerate groups via the Level 3 framework, which will regulate a bancassurance group such as ANZ as a single economic entity with minimum capital requirements and additional monitoring of risk exposure levels.

In August 2016, APRA confirmed the deferral of capital requirements for conglomerate groups until 2019 at the earliest, to allow for the finalization of the capital requirements arising from FSI recommendations as well as from international initiatives that are in progress.

The non-capital components of the Level 3 framework relating to group governance, risk exposures, intragroup transactions and other risk management and compliance requirements will become effective on July 1, 2017. ANZ is not expecting any material impact on its operations based upon the current version of these standards.

Current Proposals from the Basel Committee on Banking Supervision on Risk Weighted Assets ("RWA")

As part of the BCBS agenda to simplify RWA measurement and reduce their variability amongst banks, the BCBS has issued a number of consultation documents associated with:

- Standardized approach to RWA for credit risk;
- Revisions to standardized measurement approach to operational risk;
- Fundamental review of the trading book;
- Interest Rate Risk in the Banking Book;
- Framework on imposition of capital floors based on standardized RWA approaches; and
- Additional constraints on the use of internal models in determining credit RWA.

The BCBS review of the trading book standard has been finalized. The BCBS is currently consulting with the industry on the other proposals. The impact of these changes on ANZ are subject to the final form of these BCBS proposals and any further proposals the BCBS may adopt which APRA will implement for Australian ADIs such as ANZ.

Residential Mortgage Lending Practices

On December 9, 2014, APRA wrote to ADIs, outlining additional steps it may take to reinforce sound residential mortgage lending practices, which is part of APRA's effort to further increase the level of supervisory oversight on mortgage lending. APRA indicated that it will pay particular attention to certain areas of concern, including higher risk mortgage lending, growth in lending to property investors and loan affordability tests for new borrowers. Following this, APRA announced that ADIs will be subject to a 10% formal cap on home loan growth for investor lending purposes.

On March 31, 2017, APRA announced that ADIs will be required to limit the flow of new interest-only lending to 30 per cent of total new residential mortgage lending. Within this limit, ADIs are also expected to place strict internal limits on the volume of interest-only lending at loan-to-valuation ratios ("LVRs") above 80% and ensure there is strong scrutiny and justification of any instances of interest-only lending at LVRs above 90%.

As a lever available to ADIs to meet the above requirements and manage portfolio risk, the Group has implemented differentiated pricing between owner occupier and investor lending. Within these categories, differentiated pricing will also apply between customers making interest-only repayments and principal and interest repayments.

Changes to ANZBGL's ability to provide material financial support to its New Zealand Operations

APRA has reviewed the level of exposures that can be provided to the respective New Zealand banking subsidiaries and branches ("New Zealand Operations") of the four Australian parent banks, including ANZBGL. As a consequence, by January 1, 2021, ANZBGL's non-equity exposures (i.e., exposures other than equity investments and investments in capital instruments) to its New Zealand Operations in ordinary times, including senior funding, cannot exceed more than five percent of ANZBGL's Level 1 Tier 1 Capital. Excess exposures must be reduced by at least one-fifth by the end of each calendar year over the five year reduction period and may not exceed exposures as of June 30, 2015 until ANZBGL is, and expects to remain, below the five percent limit. In addition, APRA has stated that ANZBGL's ability to provide its New Zealand Operations with contingent funding during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to ANZBGL's New Zealand Operations, must not exceed 50 percent of ANZBGL's Level 1 Tier 1 Capital.

Sections 102.6 and 102.7 of the Australian Criminal Code

Under Sections 102.6 and 102.7 of the Australian Criminal Code (contained in the Criminal Code Act 1995 of Australia), a person commits a criminal offence if the person intentionally receives funds from, makes funds available to, collects funds for or on behalf of, or provides support or resources to a terrorist organization in circumstances where the person knows, or is reckless as to whether, the organization is a terrorist organization. Certain organizations are prescribed as terrorist organizations in regulations under the Criminal Code Act 1995 of Australia.

Under the Autonomous Sanctions Act 2011 of Australia and the Autonomous Sanctions Regulations 2011 of Australia, sanctions are imposed against certain specifically identified persons and entities associated with particular countries, and certain transactions involving the named persons or entities may only be conducted with specific approval from the Minister of Foreign Affairs. Contravention of these sanctions constitutes a criminal offence.

NEW ZEALAND

The Reserve Bank of New Zealand Act 1989 (the "Reserve Bank Act") requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks for the purposes of:

- promoting the maintenance of a sound and efficient financial system; or
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy around the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that it intends to keep to a minimum any impediments to the entry of new registered banks, in order to encourage competition in the banking system.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ seeks to achieve this by drawing on and enhancing disciplines that are naturally present in the market.

As a consequence, the RBNZ places considerable emphasis on a requirement that the banks disclose, on a quarterly basis, information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who the RBNZ considers are best placed to exercise that responsibility-the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposure, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published quarterly disclosure statements. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting with the senior management of registered banks;
- using crisis management powers available to it under the Reserve Bank Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on overseeing banks' compliance with anti-money laundering and countering financing of terrorism requirements;
- monitoring banks' outsourcing arrangements to determine whether a registered bank's management of risks associated with outsourcing are appropriately managed;
- issuing guidelines on banks' internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

The disclosure statements that are required to be issued quarterly by registered banks contain comprehensive corporate details, together with full financial statements at the full year, and unaudited interim financial statements at the half year and off-quarters. The financial statements are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ implemented the Basel 3 capital adequacy requirements, as modified to reflect New Zealand conditions, on January 1, 2013. From January 1 2014, the RBNZ has also required most New Zealand incorporated banks, including ANZ Bank New Zealand Limited ("ANZ New Zealand"), to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion (effective from January 1, 2014) to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit. Counterparty credit risk requirements and additional disclosure requirements to incorporate Basel 3 changes were implemented on March 31, 2013.

New Zealand incorporated banks (including ANZ New Zealand) are required to comply with the RBNZ's Liquidity Policy ("BS13"). The Liquidity Policy requires banks to meet a minimum core-funding ratio of 75%, ensuring that a greater proportion of bank funding is met through retail deposits and term wholesale funding. Basel 3 proposes a liquidity policy which the RBNZ considers very similar to the intent of BS13. However, the RBNZ considers that certain aspects of the new liquidity standards are not suitable for adoption in New Zealand. The RBNZ has stated that it will be reviewing its liquidity policy in 2017 or 2018 in light of the Basel Committee on Banking Supervision's new liquidity requirements. The RBNZ currently also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in the quarterly disclosure statements.

In addition, the RBNZ has wide reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consults with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

If a registered bank is declared to be subject to statutory management, no person may, amongst other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;

- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ’s supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a “significant influence” over a registered bank. “Significant influence” means the ability to appoint 25% or more of the Board of Directors of a registered bank or a qualifying interest (e.g., legal or beneficial ownership) in 10% or more of its voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it thinks fit.

New Zealand Regulatory Developments

Changes to ANZBGL's ability to provide material financial support

APRA has reviewed the level of exposures that can be provided to the respective New Zealand operations of the four Australian parent banks, including ANZBGL. As a consequence, by January 1, 2021, ANZBGL's non-equity exposures (i.e., exposures other than equity investments and investments in capital instruments) to ANZ New Zealand and ANZBGL's other operations in New Zealand in ordinary times, including senior funding, cannot exceed more than 5% of ANZBGL's Level 1 Tier 1 Capital. Excess exposures must be reduced by at least one-fifth by the end of each calendar year over the five year reduction period and may not exceed exposures as of June 30, 2015 until ANZBGL is, and expects to remain, below the 5% limit. In addition, APRA has stated that ANZBGL's ability to provide ANZ New Zealand with contingent funding during times of financial stress must be provided on terms that are acceptable to APRA and, in aggregate with all other exposures to ANZ New Zealand and its other New Zealand operations, must not exceed 50% of ANZBGL's Level 1 Tier 1 Capital.

RBNZ prudential credit controls

The RBNZ imposes restrictions on high LVR residential mortgage lending. New Zealand banks must restrict new non property-investment residential mortgage lending over 80% LVR to no more than 10% of the dollar value of a bank’s new non property-investment residential mortgage lending. New Zealand banks must also restrict property investment residential mortgage lending over 60% LVR to no more than 5% of the dollar value of a bank’s new property investment residential mortgage lending. The RBNZ has also set a specific asset class for loans to residential property investors. New Zealand banks must hold more capital for loans to residential property investors.

Financial reporting

In late 2015, the RBNZ announced it was considering removing the requirement for banks to publish ‘off-quarter' disclosure statements. Instead, banks would report privately to the RBNZ and the RBNZ would publish a quarterly ‘dashboard’ of key information on New Zealand locally incorporated banks. The RBNZ ran a consultation on the proposed dashboard approach to quarterly disclosure in late 2016. In February 2017 the RBNZ announced that it would continue to engage with stakeholders to discuss possible refinements to the dashboard concept and the issues raised during consultation.

RBNZ review of capital requirements

On May 1, 2017 the RBNZ published an issues paper announcing that it is undertaking a comprehensive review of the capital adequacy framework applying to incorporated registered banks in New Zealand over 2017 and 2018. The aim of the review is to identify the most appropriate framework for setting capital requirements for New Zealand banks, taking into account how the current framework has operated and international developments in bank capital requirements. The capital review will focus on the three key components of the current framework:

- The definition of eligible capital instruments;
- The measurement of risk; and
- The minimum capital ratios and buffers.

The RBNZ is seeking feedback about the topics covered by the issues paper with responses closing on June 9, 2017. Detailed consultation documents on policy proposals and options for each of the three components will be released later in 2017, with a view to concluding the review by the first quarter of 2018.

The RBNZ is also continuing to work on an exercise with New Zealand’s four largest banks, including ANZ New Zealand, to investigate differences in risk weights across internal bank models of housing and rural lending portfolios.

RBNZ review of outsourcing

On February 2, 2017, the RBNZ released its final policy positions (“Policy Positions”) on the review of its outsourcing policy for New Zealand banks. The Policy Positions effectively require ANZ New Zealand to be able to separate from ANZBGL to be able to provide, using systems not manual processing, basic banking services by 9am after the day of failure and indefinitely after the separation (with substitutability to another part of the ANZ Group not permissible).

The final Policy Positions contain the following key material requirements:

- a formal definition of outsourcing;
- a formal engagement process with the RBNZ on new proposed outsourcing arrangements with related parties;
- robust-back up arrangements for key functions outsourced to a parent or other related party;
- strengthened contractual provisions for outsourcing arrangements;
- foreign-owned locally incorporated banks to produce separation plans;
- clarity on the level of service a bank must be able to continue providing in the event of a failure and possible separation from its parent; and
- a five year transitional path, during which affected banks have to become compliant with the outsourcing policy.

The Policy Positions reflect the RBNZ’s efforts to address its concern that New Zealand banks have inconsistent interpretations and applications of the RBNZ’s existing outsourcing policy.

On March 21, 2017, the RBNZ released an exposure draft of its outsourcing policy which is intended to incorporate the Policy Positions. The consultation period on the exposure draft will run until May 26, 2017. RBNZ expects to implement the revised outsourcing policy by July 2017.

ANZ New Zealand is analyzing the requirements and impact on ANZ New Zealand. ANZ New Zealand will establish a project in due course to commence transition to compliance with the updated policy. The RBNZ has also indicated it will consult separately on a business continuity policy which will apply to all banks in New Zealand.

Financial Markets Authority ("FMA") Conduct Guide

In February 2017, the FMA released a guidance note setting out the FMA's expectations of good conduct by market participants, focusing on businesses licensed and authorized under the Financial Markets Conduct Act 2013. The guidance note does not create any new legal obligations. It instead signals how the FMA will use conduct as a "lens" for looking at how providers behave when meeting their existing obligations to clients and to assist in determining the level of monitoring and attention each provider will receive from the FMA.

Ministry of Business, Innovation and Employment review of the Financial Advisers Act 2008

Since 2015 the New Zealand Ministry of Business, Innovation and Employment has been conducting a review of the Financial Advisers Act 2008, which is the primary legislation governing the provision of financial advice in New Zealand. Following that review, the New Zealand Government announced in 2016 its intention to amend the existing regime and an exposure draft of the amendment Bill was released for submissions in early 2017 (the "Financial Advisers Act Bill"). The Financial Advisers Act Bill proposes a revision of the existing legislative regime and, among other things, will impose a duty on all financial advisers or representatives to put the interests of clients first, will remove the requirement for advice to be given by a natural person (enabling robo-advice), will introduce more meaningful disclosure requirements, and will require ANZ New Zealand to not provide any inappropriate payments or incentives to its financial advisers or representatives. Submissions on the draft Financial Advisers Act Bill closed on March 31, 2017, and following consideration of those submissions the Financial Advisers Act Bill is expected to be introduced to Parliament.

Anti-Money Laundering and Countering Financing of Terrorism Act 2009

On March 13, 2017, legislation to extend the scope of the AML/CFT Act was introduced into parliament via the Anti-Money Laundering and Countering Financing of Terrorism Act Amendment Bill ("the Bill"). The Bill outlines a proposed expansion of the AML/CFT Act to include some additional non-financial institution business sectors as "reporting entities", aligning with best practice recommendations set down by the Financial Action Task Force. The draft Bill also proposes to extend the current suspicious transaction reporting obligation to include an obligation to report suspicious activity, expands the scope of the reliance provisions in the AML/CFT Act, and creates some additional simplified customer due diligence categories. The Bill passed its first reading in parliament on March 23, 2017, with unanimous support. The Bill has been referred to the Law and Order Select Committee ("Committee") for further review, with the Committee requesting further public submissions on the Bill to be lodged by April 20, 2017.

In addition, new regulations will become effective from November 1, 2017, which will obligate reporting entities to report all international funds transfers exceeding NZD$1,000 along with all cash transactions exceeding NZD$10,000 to the Financial Intelligence Unit of the New Zealand Police (irrespective of any suspicion that may or may not exist relating to the underlying transaction). This will sit alongside existing obligations on reporting entities to report suspicious transactions.

ANZ New Zealand's AML/CFT Compliance Program will be reviewed in due course and amended as required, to ensure compliance with the revised legislative requirements.

UNITED STATES

ANZBGL has elected to be treated as a Financial Holding Company (a "FHC") by the Board of Governors of the Federal Reserve System (the “FRB”). A FHC is allowed to engage, or acquire companies engaged, in the United States in activities that are determined by the FRB and the Secretary of the Treasury to be financial in nature or incidental thereto, and activities that are determined by the FRB to be complementary to financial activities.

Under the Bank Holding Company Act of 1956 (the “BHC Act”), the activities of a FHC are subject to restrictions if it is determined that the FHC (in the case of ANZBGL, at the Group level or at the level of its U.S. bank subsidiary in Guam and American Samoa) ceases to be “well managed” or “well capitalized” or is the subject of an enforcement action requiring it to maintain a specific level of capital. The FRB is the "umbrella" supervisor with jurisdiction over FHCs, including ANZBGL.

ANZBGL is subject to U.S. federal laws and regulations, including the International Banking Act of 1978 (the "IBA"). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally-licensed branch regulated primarily by the OCC the Group's New York branch can generally engage in activities permissible for national banks, with the exception that the Group's New York branch may not accept retail deposits. The New York branch does not accept retail deposits and thus is not subject to the supervision of the Federal Deposit Insurance Corporation (“FDIC”). The U.S. bank subsidiary operating in Guam and American Samoa does accept retail deposits and is subject to supervision by the FDIC.

Most U.S. branches and agencies of foreign banks, including the Group's New York branch, are subject to reserve requirements on deposits pursuant to regulations of the FRB. The Group's New York branch must maintain its accounts and records separate from those of the Group generally and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the BHC Act also affect the Group's ability to engage in non-banking activities in the United States.

Under the IBA, a federal branch of a non-U.S. bank is subject to receivership by the OCC to the same extent as a national bank. The Comptroller may take possession of the business and property of a federal branch. The Comptroller has at its disposal a wide range of supervisory and enforcement tools for addressing violations of laws and regulations, and breaches of safety and soundness, which can be imposed upon federal branches. The Comptroller may remove federal branch management and assess civil money penalties. In certain circumstances, the Comptroller may also terminate a federal branch license at its own initiative or at the recommendation of the FRB.

The Group is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”). Dodd-Frank regulates many aspects of the business of banking in the United States and internationally. At this time, the Dodd-Frank Act has not had a material effect on the Group’s operations, though the ongoing development and monitoring of required compliance programs may require the expenditure of resources and management attention.

The “Volcker Rule” adopted under Dodd-Frank prohibits banks and their affiliates from engaging in certain "proprietary trading" (but allows certain activities such as underwriting, market making-related and risk-mitigating hedging activities) and limits the sponsorship of, and investment in, private equity funds and hedge funds, subject to certain important exceptions and exemptions, including those listed above as well as exemptions applicable to certain transactions and investments occurring solely outside of the United States.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps, require the central clearing of standardized over-the-counter (“OTC”) derivatives on regulated trading platforms and clearing houses and provide for heightened supervision of OTC derivatives dealers and major market participants. To date, the CFTC has implemented a significant portion of its rules for the regulation of the OTC swaps market, including rules concerning the registration of swap dealers, recordkeeping and reporting of swaps data, and the clearing and trading of certain interest-rate and index credit default swaps. Because ANZBGL is a registered swap dealer under the CFTC regulations, the Group is subject to these CFTC requirements as well as certain additional business conduct rules that apply to the Group’s swap transactions with counterparties that are U.S. persons.

The CFTC has issued Cross-Border Guidance which, among other things, provides guidance as to the circumstances in which non-U.S. swap dealers, such as ANZBGL, will not be subject to the CFTC’s rules when dealing with non-U.S. counterparties. The Cross-Border Guidance establishes a framework for the CFTC to permit “substituted compliance” by swap dealers located in non-U.S. jurisdictions with regulatory schemes determined by the CFTC to be comparable to its own. The CFTC has made such a determination with respect to certain aspects of Australian law and regulation and ANZBGL is able to rely on substituted compliance with respect to certain aspects of CFTC rules in connection with transactions with non-U.S. counterparties. The CFTC may issue further guidance in the future that could expand or limit the existing substituted compliance regime.

U.S. prudential regulators and the CFTC have finalized and issued their respective rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. Such requirements will become effective over a period of time commenced 2016. The requirement for swap dealers to collect and post variation margin with all counterparties, which was scheduled to take effect on March 1, 2017, has effectively been extended to September 1, 2017, through guidance issued by the regulators. However, compliance with respect to those counterparties to which a dealer has a “significant exposure” became required on March 1. The margin requirements can be expected to increase the costs of OTC derivative transactions and could adversely affect market liquidity.

Dodd-Frank also requires ANZBGL to submit an annual U.S. resolution plan to the FRB and the FDIC for approval. ANZBGL submitted its most recent annual U.S. resolution plan in December 2016. ANZBGL also is subject to “enhanced prudential regulations” under Reg. YY, Subpart N, which requires quarterly and annual certification of compliance with the financial and risk oversight requirements thereof.

The U.S. Foreign Account Tax Compliance Act (“FATCA”), requires financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or tax residents to the United States Federal tax authority, the Internal Revenue Service ("IRS"), either directly or via local tax authorities. If the required customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30 percent withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on January 1, 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group and/or its customers may face withholding tax if the Group does not provide such information in compliance with the applicable rules and regulations.

A major focus of U.S. governmental policies affecting financial institutions has been combating money laundering and terrorist financing. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") substantially broadened the scope of U.S. anti-money laundering laws by imposing significant compliance and due diligence obligations, identifying crimes and stipulating penalties and expanding the extra-territorial jurisdiction of the U.S. The U.S. Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act that apply to U.S. financial institutions, including subsidiaries and branches of foreign banks such as ANZBGL's U.S. broker-dealer subsidiary, ANZBGL's New York branch and its bank subsidiary that operates in Guam and American Samoa.

Those regulations require financial institutions operating in the United States to maintain appropriate policies, procedures and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the U.S. bank regulatory agencies are imposing heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. Recent resolutions involving other global financial institutions have involved the payment of substantial penalties, agreements with respect to future operation of their business and actions with respect to relevant personnel. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution, as well as result in the imposition of civil, monetary and criminal penalties.

OTHER REGULATORS

In addition to APRA's prudential and regulatory supervision, ANZBGL and its Australian subsidiaries are supervised and regulated in some respects by other regulators including the Australian Securities and Investments Commission (“ASIC”), the Australian Competition and Consumer Commission (“ACCC”), the Australian Transaction Reports and Analysis Center ("AUSTRAC") and various securities exchanges.

ASIC is Australia's corporate, markets and financial services regulator. It regulates Australian companies, financial markets, financial services organizations and professionals who deal and advice in investments, superannuation, insurance, deposit-taking and credit. ANZBGL provides products and participates in markets regulated by ASIC. ASIC has powers to protect consumers against misleading or deceptive and unconscionable conduct affecting all financial products and services, including credit.

The ACCC is an independent Commonwealth statutory authority that promotes competition and fair trading in the Australian marketplace to benefit consumers, businesses and the community. It also regulates national infrastructure services. Its primary responsibility is to ensure that individuals and businesses, including the Group, comply with the Australian competition, fair trading and consumer protection laws.

The Group is required to comply with certain anti-money laundering and counterterrorism financing legislation and regulations under Australian law and the local laws of all the countries in which it operates, including the AML Act. The AML Act is administered by AUSTRAC.

The Group has ordinary shares listed on the ASX and the NZX and has other equity securities and debt securities listed on these and certain other overseas securities exchanges. As a result, the Group must comply with a range of listing and corporate governance requirements in Australia, New Zealand and overseas.

In addition to the prudential capital oversight that APRA conducts over ANZBGL and its branch operations and the supervision and regulation described above, local banking operations in all of the ANZBGL offshore branches and banking subsidiaries are subject to host country supervision by their respective regulators, such as the Reserve Bank of New Zealand (the “RBNZ”), the Office of the Comptroller of the Currency in the United States (the "OCC"), the Federal Reserve Board in the United States (the "FRB"), the UK Prudential Regulatory Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, the China Banking Regulatory Commission and other financial regulatory bodies in those countries and in other relevant countries. In addition, the Group's strategy, expansion, and growth in the Asia Pacific region has given rise to a requirement to comply with a number of different legal and regulatory regimes across that region. These regulators, among other things, may impose minimum capitalization requirements on those operations in their respective jurisdictions.

RISK FACTORS

1. Introduction

The Group's activities are subject to risks that can adversely impact its business, operations and financial condition. The risks and uncertainties described below are not the only ones that the Group may face. Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it. If any of the listed or unlisted risks actually occur, the Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment. These risk factors below should be considered in conjunction with "Forward Looking Statements" in "Section 1: Key Information".

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

The Group's financial performance is primarily influenced by the political and economic conditions and the level of business activity in the major countries and regions in which it operates or trades, i.e., Australia, New Zealand, Asia Pacific, Europe and the United States. The Group's business, operations, and financial condition can be negatively affected by changes in political and economic and business conditions in these markets.

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

For example, the global financial crisis that commenced in 2007 saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity and the emergence of many challenges for financial services institutions worldwide that still persist to some extent in many regions. Sovereign risk and its potential impact on financial institutions in Europe and globally subsequently emerged as a significant risk (see risk factor 5 "Sovereign risk may destabilize global financial markets adversely affecting all participants, including the Group").

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

On June 23, 2016, the United Kingdom voted to leave the European Union in a referendum and on March 29, 2017 gave notice under Article 50 of the Treaty on European Union to commence the legal process to end the United Kingdom's membership in the European Union. The Group expects there will be an extended period of increased uncertainty and volatility in the global financial markets while the details of the departure (known as "Brexit") are negotiated. The United Kingdom's decision to leave the European Union may adversely affect the Group's ability to raise medium or long term funding in the international capital markets. There is potential for further consequences of Brexit to adversely impact the financial markets. In addition, a series of elections in key Eurozone countries during 2017 could heighten risk to the global business environment and increase market volatility.

Furthermore, since the start of his presidency in the United States in January 2017, President Donald Trump has outlined a political and economic agenda that, in certain ways, significantly differs from previous U.S. trade, tax, fiscal, regulatory and other policies. The extent, implementation and outcome of policy changes resulting from President Trump's agenda, and the consequences for global trade, the broader global economy and financial markets, are uncertain, and may negatively impact the Group.

Other current economic conditions impacting the Group and its customers include changes in the commercial and residential real estate markets in Australia and New Zealand (see risk factor 6 "Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect its business, operations and financial condition"). The demand for natural resources is also an important economic influence given that sector is a significant contributor to Australia's economy and that sector's significant exposure to Asia, particularly China and China's economic growth (see risk factor 21 "An increase in the failure of third parties to honor their commitments in connection with the Group's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition").

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

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

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

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

Natural and biological disasters such as, but not restricted to, cyclones, floods, droughts, earthquakes and pandemics, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the Group's ability to continue operating or trading in the country or countries directly or indirectly affected, which in turn may adversely affect the Group's business, operations and financial condition. In March 2017, certain of the Group's customers were affected by Cyclone Debbie in Queensland and New South Wales. For further discussion in relation to natural and biological disasters, refer to risk factor 23 "The Group may be exposed to the impact of future climate change, geological events, plant, animal and human diseases, and other extrinsic events which may adversely affect its business, operations and financial condition".

Other economic and financial factors or events that may adversely affect the Group's performance, and give rise to operational and markets risk are covered in risk factors 13 ("The Group is exposed to market risk, which may adversely affect its business, operations and financial condition") and 14 ("Changes in exchange rates may adversely affect the Group's business, operations and financial condition").

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

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

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

The Group relies on bank deposits to fund a significant portion of its balance sheet. Increased competition for deposits could increase the Group's cost of funding. The Group competes with banks and other financial services firms for such deposits. To the extent that the Group is not able to successfully compete for deposits, the Group would be forced to rely more heavily on other, less stable or more expensive forms of funding, or to reduce lending. This could adversely affect the Group's business, prospects, financial performance or financial condition.

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

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

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

5. Sovereign risk may destabilize global financial markets adversely affecting all participants, including the Group

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

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

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

- Residential housing loans, owner occupier and investment; and
- Commercial real estate loans.

Declining asset prices could impact customers and counterparties and the value of the security (including residential and commercial property) the Group holds against loans which may impair the Group's ability to recover amounts owing to the Group if customers or counterparties were to default. Since 2009, the world's major central banks have embarked upon unprecedented monetary policy stimulus. The resulting weight of funds searching for yield continues to drive underlying property markets in the Group's core property jurisdictions (Australia, New Zealand, Singapore and Hong Kong). Values for completed tenanted properties and residential house prices, particularly in metro east coast Australian and New Zealand markets, have steadily risen.

A significant decrease in Australian and New Zealand housing valuations triggered by, for example, an event or a series of events in the local or global economy or lack of confidence in market values, could adversely impact the Group's home lending activities because borrowers with loans in excess of their property value show a higher propensity to default and, in the event of such defaults the Group's security values would be eroded, causing the Group to incur higher credit losses, which could adversely affect the Group's financial performance and condition. The demand for the Group's home lending products may also decline due to buyer concerns about decreases in values or concerns about rising interest rates, which could make the Group's lending products less attractive to potential homeowners and investors.

Recently, the Australian Bureau of Statistics reported that Australian housing prices rose 4.1% over the quarter ended December 31, 2016, the strongest quarterly growth in Australian housing prices since the quarter ended June 30, 2015. Additionally, prompted by Australian housing price appreciation and rising Australian household debt, APRA introduced a new supervisory measure instructing Australian banks, including the Group, to limit new residential interest-only mortgages to 30% of total new residential mortgage lending. Should the Group's regulators impose further supervisory measures impacting the Group's residential lending or if Australian housing price growth subsides or property valuations decline, the demand for the Group's home lending products may decrease which may adversely affect the Group's business, operations and financial condition.

A significant decrease in commercial property valuations or a significant slowdown in Australia, New Zealand or other commercial real estate markets where the Group does business could result in a decrease in the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans, which, in either case, could materially and adversely impact the Group's financial condition and operations. The Group's portfolio of commercial property interest only loans, may be particularly susceptible to losses in the event of a decline in property prices as a result of refinance risk and deteriorating security values. A material decline in residential housing prices could also cause losses in the Group's residential build to sell portfolio if customers who are pre-committed to purchase these dwellings are unable or unwilling to complete their contracts and the Group is forced to re-sell these dwellings at a loss.

Although the Group reduced the leverage it generally provides for commercial property developers and investors and tightened its general lending conditions during 2016, the Group could still be adversely affected by the weakening of real estate markets in Australia, New Zealand or other markets where the Group does business.

7. The Group is exposed to liquidity and funding risk, which may adversely affect its business, operations and financial condition

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

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

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

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

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

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

As a financial institution, the Group is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand, the United States, Europe and Asia Pacific. The Group is also supervised by a number of different regulatory and supervisory authorities.

The Group is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates or obtains funding.

Compliance risk arises from these legal, regulatory and internal compliance requirements. If the Group, or an employee of the Group, fails to comply, the Group may be subject to fines, other penalties or restrictions on its ability to do business and it may lose customer confidence and business, which could have a material adverse impact on the Group. In Australia, an example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act in certain circumstances to investigate the Group's affairs and/or issue a direction to the Group (such as direction to comply with a prudential requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake a transaction). Other regulators also have the power to investigate the Group. For further information see Note 41 of ANZ's 2016 Annual Financial Statements (attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document) and Note 19 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

On May 9, 2017, the Australian Government released the 2017-18 Federal Budget which included the introduction of the Major Bank Levy. Beginning from July 1, 2017, the Major Bank Levy is expected to affect Australia's five largest banks, including the Group. The Australian Government has indicated that the Major Bank Levy will be calculated quarterly as 0.015% of an ADI's licensed entity liabilities (for an annualized rate of 0.06%). Liabilities subject to the Major Bank Levy will include corporate bonds, commercial paper, certificates of deposit and Tier 2 capital instruments. The Major Bank Levy will not apply to additional Tier 1 capital and deposits of individuals, businesses and other entities protected by the Financial Claims

Scheme. At the time of this U.S. Disclosure Document, it is difficult to definitively estimate the financial impact of the Major Bank Levy on the Group as, among other things, the Australian Government's proposal does not contain the details the Group needs to prepare such an estimate and the Group has yet to determine how to address the financial impact on it of the proposed Major Bank Levy. The Major Bank Levy could have a material adverse impact on the Group's business operations and financial condition, and could have an adverse impact on the Group's credit ratings, which could lead to an increase in the Group's funding costs.

In addition, recent public scrutiny of banking culture has led to an inquiry by the Australian House of Representatives Standing Committee on Economics into the four major Australian banks (including ANZ) focused on consumer protection and transparency in the banking sector. A first report of the Committee was issued in November 2016 and a second report is expected. In April 2016, public scrutiny of banking culture led to a proposal by the Australian Labor Party (the political party in opposition to the government) to establish a Royal Commission to investigate Australian banks. Regulatory investigations, fines, other penalties or regulator imposed conditions could adversely affect the Group's business, reputation, prospects, financial performance or financial condition.

Similar to other financial services providers, the Group faces increasing supervision and regulation in most of the jurisdictions in which the Group operates or obtains funding. In particular, the Group must comply with supervision and regulation in the areas of funding, liquidity, product design and pricing, capital adequacy, conduct and prudential regulation, cyber-security, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and trade sanctions.

The Group has fully implemented the requirements of the Basel Committee on Banking Supervision's ("BCBS") and APRA's capital reform packages (and APRA's implementation thereof) aimed at implementing Basel 3 and strengthening the resilience of the banking and insurance sectors. Details of these reforms are contained in APRA's prudential standards which implement the Basel 3 capital reforms, and which took effect from January 1, 2013.

In addition to the above, Basel 3 requirements include liquidity reforms. Consistent therewith, APRA requires the Group to comply with the Liquidity Coverage Ratio ("LCR") requirements with effect from January 1, 2015 and the Group will also be required to comply with the Net Stable Funding Ratio ("NSFR") requirements, with effect from January 1, 2018. Certain regulators in jurisdictions where the Group has a presence have also either implemented or are in the process of implementing Basel 3 and equivalent reforms.

In November 2014, the Financial Stability Board ("FSB") issued a consultative document that defined a global standard for minimum amounts of Total Loss-Absorbing Capacity ("TLAC") to be held by global systemically important banks ("G-SIBs"), with the objective of ensuring that G-SIBs have the loss absorbing and recapitalization capacity so that critical functions continue without requiring taxpayer support or threatening financial stability. While the Group is not currently subject to TLAC as it is not a G-SIB, should APRA decide to impose TLAC or similar regulations on the Group, it could increase the level of regulatory capital that the Group is required to maintain and could adversely affect the Group's business, financial performance or financial condition.

Separately, since 2014, the BCBS has also released a number of consultation documents as part of its reforms aimed at simplifying the measurement of risk-weighted assets and reducing their variability across banks and jurisdictions. Consultation and finalization of these reforms are current and on-going. Any impacts on the Group resulting from these reforms cannot be determined as final calibration is still to be finalized by the BCBS and they are also subject to the form of these proposals that APRA will implement in Australia.

In addition, there have also been a series of other regulatory releases from authorities in the various jurisdictions in which the Group operates or obtains funding that propose significant regulatory change for financial institutions. This includes proposals for changes to financial regulations in the United States (including the Dodd-Frank Act and its Volker Rule) which are under review as a result of an executive order released in February 2017, changes to senior executive accountability in Singapore and Hong Kong, more data protection regulations in Europe, the Markets in Financial Instruments Directive 2 in Europe and amendments to the United Kingdom's Criminal Finances Bill (which has extraterritorial reach). United Kingdom and European authorities may also propose significant regulatory changes as a result of "Brexit", however the scope and timing of any such changes remains uncertain.

The Final Report of the Financial System Inquiry ("FSI") (released on December 7, 2014) which concluded a comprehensive inquiry into Australia's financial system established by the Australian Government in late 2013, included a wide-ranging set of recommendations. The Government has authorized APRA to take forward a number of the FSI's recommendations, particularly as they related to the resilience of the financial system. Key recommendations from the FSI Final Report that may have an impact on regulatory capital levels include:

- setting capital standards ensuring that capital ratios of ADI's are 'unquestionably strong';
- raising the average internal ratings-based ("IRB") mortgage risk weight to narrow the difference between average mortgage risk weights for ADIs, which use IRB models, and those that use standardized risk weights in order to increase competition in mortgage lending;
- implementing a framework for minimum loss absorption and recapitalization capacity in line with emerging international practice;
- developing a common reporting template that improves the transparency and comparability of capital ratios of ADIs; and
- introducing a leverage ratio that acts as a backstop to ADIs' risk-based capital requirements, in line with Basel 3.

APRA supported the FSI's recommendation that the capital ratios of ADIs should be unquestionably strong and, with effect from July 2016, increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including the Group). In March 2017, APRA announced that the main policy item for its 2017 agenda is to set the capital standards that will result in capital ratios necessary for ADIs to meet the FSI's "unquestionably strong" requirements.

Apart from the announcements mentioned above, APRA has not implemented any of the other key recommendations in the FSI Final Report to date. However, APRA is expected to assess the impact of impending BCBS reforms (such as simplifying the measurement of risk-weighted assets) and to consider other measures relating to financial resilience, such as liquidity, funding, asset quality, and recovery and resolution planning relating to the FSI's recommendations. Accordingly, the final outcome of the FSI, including any impacts and the timing of these impacts on the Group, remain uncertain. In addition, there are several ongoing Government enquiries and proposals for new enquiries which may affect the Group and its business, though the impact of the enquiries and proposals for new enquiries cannot be determined at this stage.

APRA is currently undertaking several open consultations, including those related reporting requirements for the countercyclical capital buffer, liquidity measures and securitization, as well as other areas of focus. Until these are finalized, the impact to the Group is unknown. A new APRA prudential framework for ADI counterparty credit risk is also expected to commence in January 2019 at the earliest.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which the Group operates and, in addition, such changes may be inconsistently introduced across jurisdictions. Changes may also occur in the oversight approach of regulators. It is possible for example that governments in jurisdictions in which the Group operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, the Group's business, including for reasons relating to national interest and systemic stability.

Regulatory changes and the timing of their introduction continue to evolve. The nature and impact of future changes are not predictable and are beyond the Group's control. Regulatory change may impact the Group in a range of ways, such as by requiring the Group to change its business mix, incur additional costs as a result of increased management attention, raise additional amounts of higher-quality capital (such as ordinary shares, Additional Tier 1 capital or Tier 2 capital instruments) or retain capital (through lower dividends), and hold significant levels of additional liquid assets and undertake further lengthening of the funding base. Further examples of ways in which regulatory change may impact the Group include: limiting the types, amount and composition of financial services and products the Group can offer, limiting the fees and interest that the Group may charge, increasing the ability of other banks or of non-banks to offer competing financial services or products and changes to accounting standards, taxation laws and prudential regulatory requirements. Regulatory change could adversely affect one or more of the Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more business lines. Any such costs or restrictions could adversely affect the Group's business, prospects, financial performance or financial condition.

9. The Group is exposed to the risk of significant fines and sanctions in the event of breaches of law or regulation and law relating to anti-money laundering, counter-terrorism financing and sanctions

Anti-money laundering, counter-terrorist financing and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates across the Asia Pacific region has heightened these operational and compliance risks. Furthermore, the upward trend in compliance breaches by global banks and the related fines and settlement sums means that these risks continue to be an area of focus for the Group.

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

10. The Group may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios

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

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

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

APRA's Prudential Standards implementing Basel 3 are now in effect. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, which seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations will have their intended effect. Some of these regulations, together with any risks arising from any regulatory changes (including those arising from the requirements of the BCBS or the Australian Government's response to the FSI), are described in risk factor 8 "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition".

11. The Group is exposed to credit risk, which may adversely affect its business, operations and financial condition

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms.

For example, the Group's customers and counterparties in:

- the Australian natural resources sector which is particularly exposed to any prolonged slowdown in the Chinese economy could be materially and adversely impacted by a decline in natural resource prices;
- the Australian State governments have been successful in privatizing government owned assets such as electricity distribution networks, ports, road and rail networks. The flight of capital towards these investments has driven the values of these assets to historically high levels relying on long range assumptions to justify the investments. The value of the capital and profitability of these investments is vulnerable to interest rate and currency exchange rate movements. Long term interest rate and currency hedges are provided by banks to manage these risks. These long term

hedge exposures have volatile mark to market characteristics which are unsupported by collateralized security agreements for out of the money positions. Counterparty insolvency has scope to expose the Bank to large uncovered derivative liabilities; and

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

The Group's customers and counterparties may also be adversely impacted by more expensive imports due to the reduced strength of the Australian and New Zealand dollars relative to other currencies.

In addition, in assessing whether to extend credit or enter into other transactions with customers and/or counterparties, the Group relies on information provided by or on behalf of customers and/or counterparties, including financial statements and other financial information. The Group may also rely on representations of customers and independent consultants as to the accuracy and completeness of that information. The Group's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

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

12. *The Group is exposed to the risk that its credit ratings could change, which could adversely affect its ability to raise capital and wholesale funding and constrain the volume of new lending which may adversely affect the Group's business operations and financial condition*

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

On July 7, 2016, the Group announced that Standard & Poor's decision to revise the outlook on the Commonwealth of Australia to ratings outlook negative, resulted in a change in the credit rating outlook of ANZ and its strategically important entities, along with other major Australian banks, from stable to negative. Standard & Poor's outlook on the major Australian banks has remained negative, citing increasing economic imbalances, pressures on sovereign credit quality and potential weakening of sovereign supportiveness.

On August 19, 2016, the Group announced that Moody's decision to revise Australia's macro profile resulted in a change in the outlook for major Australian banks, including the Group, from stable to negative.

On December 8, 2016, Fitch's outlook on Australia's banking sector was revised from stable to negative but, notwithstanding this revision, Fitch indicated that the ratings of the major Australian banks, including ANZ, remained on stable outlook. On March 7, 2017, Fitch affirmed the ratings of the major Australian banks, including ANZ, with a stable outlook.

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

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

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

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

13. *The Group is exposed to market risk, which may adversely affect its business, operations and financial condition*

Market risk is the risk of loss arising from adverse changes in interest rates, currency exchange rates, credit spreads, or from fluctuations in bond, commodity or equity prices. For purposes of financial risk management, the Group differentiates between traded and non-traded market risks. Traded market risks principally arise from the Group's trading operations in interest rates, foreign exchange, commodities and securities. The non-traded market risk is predominantly interest rate risk in the banking book. Other non-traded markets risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations, market risk arising from the insurance business, non-traded equity risk and lease residual value risk. For a further discussion of market and related risks, see Note 20 of ANZ's 2016 Annual Financial Statements (attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document).

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

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

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

15. The Group is exposed to operational risk, which may adversely affect its business, operations and financial condition

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

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

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

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

Direct or indirect losses that occur as a result of operational failures, breakdowns, omissions or unplanned events could adversely affect the Group's financial results.

16. The Group is exposed to reputational risk, which may adversely affect its business, operations and financial condition

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

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

17. The Group may be exposed to conduct-related risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviors which do not appropriately consider the interests of consumers, the integrity of financial markets and the expectations of the community, in the course of its business activities

Such risks can result from:

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

The Group is regulated under various legislative regimes in the countries in which it operates that provide for customer protection in relation to advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorized to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes. Since September 2014, the Australian Senate Economics References Committee has been conducting an inquiry into aspects of the financial advice industry, including unethical or misleading financial advice and compensation processes for consumers impacted by that advice. This inquiry is due to report on June 30, 2017.

Inappropriate advice about financial products and services may result in material litigation (and associated financial costs) and together with the failure to avoid or manage conflicts of interest, may expose the Group to regulatory actions, restrictions or conditions on banking licenses and/or reputational consequences.

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

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

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

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

In addition, the Group has an ongoing need to update and implement new information systems applications and technology, in part to assist it to satisfy regulatory demands, ensure information security, enhance digital banking services for the Group's customers and integrate the various segments of its business. For example, the Group is considering the release of voice biometrics for customer transactions on mobile devices. The Group may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of the Group's information security controls or a decrease in the Group's ability to service its customers. ANZ New Zealand relies on the Group to provide a number of information technology systems, and any failure of the Group's systems could directly affect ANZ New Zealand.

19. *The Group is exposed to risks associated with information security including cyber-attacks, which may adversely affect its financial results and reputation*

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations, including in Australia, New Zealand and India. The Group operates in 33 countries and the risks to its systems are inherently higher in certain countries where, for example, political threats or targeted cyber-attacks by terrorist or criminal organizations are greater. The Group employs a team of information security experts who are responsible for the development and implementation of the Group's Information Security Policy. The Group also uses third parties to process and manage information on its behalf, and any failure by such third parties could adversely affect the Group's business. The Group is conscious that threats to information systems are continuously evolving and that cyber threats, including but not limited to, cyber compromise, advanced persistent threats, distributed denial of service, malware and ransomware attacks, and the risk of such attacks are increasing, and as such the Group may be unable to develop policies and procedures to adequately address or mitigate such risks. Accordingly, information about the Group and/or its clients may be inadvertently accessed, inappropriately distributed or illegally accessed or stolen. The Group may not be able to anticipate or to implement effective measures to prevent or minimize damage that may be caused by all information security threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. Any unauthorized access of the Group's information systems or unauthorized use of its confidential information could potentially result in disruption of the Group's operations, breaches of privacy laws, regulatory sanctions, legal action, and claims for compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial results and reputation.

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

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

21. *An increase in the failure of third parties to honor their commitments in connection with the Group's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition*

The Group is exposed to the potential risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honor its contractual obligations. As with any financial services organization, the Group assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses where it relies on the ability of a third party (including reinsurers) to satisfy its financial obligations to the Group on a timely basis. The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances.

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economy, a sustained high level of unemployment, a deterioration of the financial condition of the Group's counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

The Group is directly and indirectly exposed to the natural resources sector, including contractors and related industries. Lower commodity prices, mining activity, demand for resources, or corporate investment in the natural resources sector may adversely affect the amount of new lending the Group is able to write, or lead to an increase in lending losses from this sector. Lower oil prices over 2015 and 2016 have resulted in reduced investment and increased asset write downs which have flow on effects in the energy supply chain.

Upstream exploration and production firms and related services operators are currently the most directly exposed if new project investment is wound back and operations are rationalized. Services to mining customers are also subject to heightened oversight given the cautious outlook for the services sector. This industry-specific revenue decline may lead to a broader regional economic downturn with a long recovery period.

Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. Should material unexpected credit losses occur to the Group's credit exposures, it could have an adverse effect on the Group's business, operations and financial condition.

22. The unexpected loss of key staff or inadequate management of human resources may adversely affect the Group's business, operations and financial condition

The Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. The Chief Executive Officer and the management team of the Chief Executive Officer have skills and reputation that are critical to setting the strategic direction, successful management and growth of the Group, and whose unexpected loss due to resignation, retirement, death or illness may adversely affect the Group's business, operations and financial condition. If the Group had difficulty retaining or attracting highly qualified people for important roles, particularly in times of strategic change, the Group's business, operations and financial condition could be adversely affected.

23. The Group may be exposed to the impact of future climate change, geological events, plant, animal and human diseases, and other extrinsic events which may adversely affect its business, operations and financial condition

The Group and its customers are exposed to climate related events, including climate change. These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. In March 2017, certain of the Group's customers were affected by Cyclone Debbie in Queensland and New South Wales. The Group and its customers may also be exposed to other events such as geological events (including volcanic seismic activity or tsunamis), plant, animal and human diseases or a pandemic.

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

24. The Group is exposed to insurance risk, which may adversely affect its business, operations and financial condition

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In the Group's life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. In August 2015, the Group ceased to issue home, car and travel insurance and became a distributor only of these products. Existing insurance policies were transferred to QBE Insurance Group Limited as they came up for renewal. The only general insurance risk insured now is a small amount of involuntary unemployment benefits as part of consumer credit insurance sold in Australia. The Group has exposure to insurance risk in both its life insurance and general insurance business, which may adversely affect its businesses, operations and financial condition.

25. The Group is exposed to increased compliance costs and the risk of penalties and regulatory scrutiny with respect to the significant obligations imposed by global tax reporting regimes which are still evolving

The U.S. Foreign Account Tax Compliance Act ("FATCA") requires non U.S. financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or tax residents to the United States Federal tax authority, the Internal Revenue Service ("IRS") either directly or via local tax authorities. If the required customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30 percent withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on January 1, 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest.

- In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.) and the Group may face adverse consequences in case it does not provide such information in compliance with the applicable rules and regulations.
- The OECD's Common Reporting Standard ("CRS") provides for the automatic exchange of (financial account) information ("AEOI") in tax matters. Over 100 jurisdictions have committed to implement the CRS. The CRS has already commenced in a number of countries which the Group has operations including the Cayman Islands, Hong Kong, India, Singapore, South Korea and the United. Australia and New Zealand have legislated for the CRS to apply from July 1, 2017 (with government to government exchange of information to take place by September 2018). Australian and New Zealand financial institutions that do not fully comply with all the requirements of the CRS will be subject to administrative penalties. CRS requirements, though generally similar to FATCA, have significant differences and a higher standard of compliance in many aspects, including penalties for non-collection of prescribed customer information.

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

26. The Group may experience changes in the valuation of some of its assets and liabilities that may have a material adverse effect on its earnings and/or equity

Under AASs, the Group recognizes the following instruments at fair value with changes in fair value recognized in earnings or equity:

- derivative instruments, including in the case of fair value hedging, the fair value adjustment on the underlying hedged exposure with changes in fair value recognized in earnings with the exception of derivatives designated in qualifying cash flow or net investment hedges where the change is recognized in equity and released to earnings together with the underlying hedged exposure;
- assets and liabilities held for trading;

- available-for-sale assets with changes in fair value recognized in equity unless the asset is impaired, in which case, the decline in fair value is recognized in earnings;
- assets classified as held-for-sale where fair value is less than the original carrying amount; and
- assets and liabilities designated at fair value through profit and loss with changes recognized in earnings with the exception of changes in fair value attributable to the own credit component of liabilities that is recognized in equity.

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

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

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

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

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

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

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

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

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

The Group had contingent liabilities as of March 31, 2017 in respect of the matters outlined in Note 19 to the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

Note 19 includes, among other things, descriptions of:

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

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

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

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ANZ is aware) that have arisen since March 31, 2017 up to the date of the Condensed Consolidated Financial Statements which may have a significant effect on the financial position or profitability of ANZ and its subsidiaries taken as a whole.

29. The Group regularly considers acquisition and divestment opportunities, and there is a risk that the Group may undertake an acquisition or divestment that could result in a material adverse effect on its business, operations and financial condition

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

Divestments by the Group in the March 2017 half include entering into agreements to sell:

- majority of its Retail and Wealth businesses in Asia;
- 20% stake in Shanghai Rural Commercial Bank; and
- UDC Finance.

The Group is also considering sale of its life insurance, advice and superannuation and investments business in Australia.

There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for the Group’s securities. The Group’s operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that the Group’s credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. This could adversely affect the Group’s ability to conduct its business successfully and impact the Group’s operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment), and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the Group’s operations or results.

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

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

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

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

CURRENCY OF PRESENTATION AND EXCHANGE RATES

Currency of presentation

ANZ publishes consolidated financial statements in Australian Dollars. In this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, references to “US$”, “USD” and “U.S. dollars” are to U.S. Dollars and references to “$”, “AUD” and “A$” are to Australian Dollars. For the convenience of the reader, this U.S. Disclosure Document contains translations of certain Australian Dollar amounts into U.S. Dollars at specified rates. These translations should not be construed as representations that the Australian Dollar amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated. Unless otherwise stated, the translations of Australian Dollars into U.S. Dollars have been made at the rate of US$0.7638 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”) on March 31, 2017. On April 28, 2017 the Noon Buying Rate was US$0.7475 = A$1.00.

Noon Buying Rates for Australian Dollars

For each of the periods indicated, the high, low, average, and period-end Noon Buying Rates for Australian Dollars were:

	USD per AUD1.00			
Half year ended	**High**	**Low**	**Average[1]**	**Period-end**
March 31, 2016	0.7677	0.6855	0.7217	0.7677
September 30, 2016	0.7817	0.7184	0.7523	0.7667
March 31, 2017	0.7733	0.7174	0.7548	0.7638

1. *The half year average is calculated based on the Noon Buying Rate on the last business day of each month during the period.*

Major Exchange Rates

The major exchange rates used by the Group to translate the results of foreign subsidiaries, branches, investments in associates and issued debt to Australian Dollars were as follows:

	Balance Sheet			Profit & Loss Average		
	As of			Half Year		
	Mar 17	**Sep 16**	**Mar 16**	**Mar 17**	**Sep 16**	**Mar 16**
Chinese Yuan	**5.2716**	5.0809	4.9471	**5.1672**	4.9507	4.6622
Euro	**0.7160**	0.6789	0.6760	**0.7025**	0.6694	0.6558
Pound Sterling	**0.6122**	0.5874	0.5335	**0.6071**	0.5432	0.4886
Indian Rupee	**49.557**	50.764	50.741	**50.639**	50.258	48.101
Indonesian Rupiah	**10,184**	9,900	10,164	**10,018**	9,939	9,835
Japanese Yen	**85.565**	76.844	85.951	**83.904**	78.750	85.328
Malaysian Ringgit	**3.3834**	3.1576	3.0015	**3.3021**	3.0295	3.0565
New Taiwan Dollar	**23.216**	23.895	24.640	**23.681**	24.100	23.708
New Zealand Dollar	**1.0939**	1.0487	1.1093	**1.0593**	1.0640	1.0834
Papua New Guinean Kina	**2.4304**	2.4143	2.3724	**2.3906**	2.3648	2.1565
United States Dollar	**0.7644**	0.7617	0.7651	**0.7533**	0.7510	0.7212

For the March 2017 half, 33% (Sep 16 half: 36%; Mar 16 half: 35%) of ANZ's operating income was derived from the New Zealand and APEA geographic regions.

Operating income from the APEA and New Zealand geographic regions is denominated principally in the currencies outlined in the table below. Movements in foreign currencies against the Australian Dollar can therefore affect ANZ's earnings through the translation of overseas profits to Australian Dollars. Movements in the major exchange rates used by the Group to translate the results of foreign subsidiaries, investments in associates and issued debt to Australian Dollars were as follows:

Australian Dollar movement against foreign currencies[1]

Half year ended	Mar 2017	Sep 2016	Mar 2016
Chinese Yuan	4%	6%	0%
Euro	5%	2%	-3%
Pound Sterling	12%	11%	1%
Indian Rupee	1%	4%	0%
Indonesian Rupiah	1%	1%	-3%
Japanese Yen	7%	-8%	-7%
Malaysian Ringgit	9%	-1%	6%
New Taiwan Dollar	-2%	2%	1%
New Zealand Dollar	0%	-2%	0%
Papua New Guinean Kina	1%	10%	4%
United States Dollar	0%	4%	-4%

1. *Movement is based on comparison of the fiscal half year average exchange rate to the immediately preceding fiscal half year average exchange rate.*

ANZ monitors its exposure to revenues, expenses and invested capital denominated in currencies other than Australian Dollars. These currency exposures are managed in accordance with established hedging policies.

The Group has taken out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, U.S. Dollar and U.S. Dollar correlated). Refer to Note 20 of ANZ's 2016 Annual Financial Statements (attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document) for further details.

OPERATING AND FINANCIAL REVIEW

The following discussion of statutory profit is based on the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document) prepared under AASs (refer to "Section 1: Key Information - Basis of preparation" for a description of AASs).

ANZ's results for the past three fiscal half years are summarized below and are also discussed under the headings of "Analysis of major income and expense items" and "Results by division", which follow. The analysis that follows discusses results before income tax, unless otherwise stated.

Comparative information for the September 2016 half and March 2016 half at the divisional level within this U.S. Disclosure Document reflects the impact of the organizational changes as reported in the 2016 Annual U.S. Disclosure Document under "Section 3: Operating and Financial Review and Prospects – Operating and Financial Review", and changes to the TSO operating model as described under "Principal Activities of the Group" in this U.S. Disclosure Document. Consequently, divisional level information for the March 2016 half does not reflect the divisional level information that was included in the 2016 Half Year U.S. Disclosure Document, and has been restated. These reallocations do not have an impact on comparative information in the income statement or balance sheet at the Group level.

The Group recognized a number of items which impacted the Group's statutory profit. These items are described below to assist readers in understanding the ongoing business performance of the Group.

- **Asian minority investments adjustments and reclassification**

  During the March 2016 half, the Group recognized a $260 million impairment to its equity accounted investment in AMMB Holdings Berhad ("AmBank") bringing the carrying value in line with its value-in-use calculation (refer to Note 1 (iv) of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)).

  On March 30, 2016, Bank of Tianjin ("BoT"), an equity accounted investment, completed a capital raising and listing on the Hong Kong Stock Exchange through an initial public offering. As ANZBGL did not participate in the capital raising, its ownership interest decreased from 14% to 12%. As a consequence, ANZBGL ceased equity accounting for the investment in BoT and commenced accounting for it as an available for sale asset. A net gain of $29 million was recognized in relation to the remeasurement of the investment to fair value and recycling of associated equity accounting reserves.

  On January 3, 2017, the Group announced that it had agreed to sell its 20% stake in SRCB to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited. The agreement will see COSCO and Sino-Poland Enterprise each acquire 10% of SRCB. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed in the September 2017 half. This investment is part of the TSO and Group Centre division. In the March 2017 half, the Group recognized a $219 million impairment to the investment, $11 million of foreign exchange losses and $86 million of tax expenses, following the reclassification of the investment to held for sale. This March 2017 half loss will be largely offset by the release of foreign currency translation and available for sale reserves of $289 million on sale completion.

	Half Year (pre-tax)		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
AmBank	-	-	260
BoT	-	-	(29)
SRCB	230	-	-
Total	**230**	**-**	**231**

- **Reclassification of Asia Retail and Wealth to held for sale**

  On October 31, 2016, the Group announced it had agreed to sell its Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to Singapore's DBS Bank Ltd. Subject to regulatory approval, the Group expects the sale to be completed in stages in 2017 and early 2018. As a result of the sale agreement, the Group recognized $324 million of charges to impair software, goodwill and fixed assets as well as providing for redundancies (detailed in Note 11 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)). This business is part of the Asia Retail & Pacific division.

- **Software capitalization changes**

  During the March 2016 half, the Group amended the application of the Group's software capitalization policy by increasing the threshold for capitalization of software development costs to $20 million, reflecting the increasingly shorter useful life of smaller items of software, and directly expensing more project related costs. For software assets as of October 1, 2015 with an original cost below the revised threshold, the carrying values were expensed through an accelerated amortization charge of $556 million in the March 2016 half (recognized in TSO and Group Centre).

- **Restructuring**

  The Group accelerated the process of reshaping its workforce in 2016 to build a simpler, more agile bank. A restructuring expense of $278 million was recognized in the September 2016 fiscal year. Restructuring expenses were $36 million for the March 2017 half (Sep 16 half: $140 million; Mar 16 half: $138 million).

- **Esanda Dealer Finance divestment**

  On November 1, 2015, the Group sold the Esanda Dealer Finance portfolio with the majority of the business transferred by December 31, 2015. The gain on sale of the Esanda Dealer divestment was $66 million, which was recognized in the March 2016 half.

- **Derivative CVA methodology change**

  In determining the fair value of a derivative, the Group recognizes a derivative credit valuation adjustment ("CVA") to reflect the probability that the counterparty may default and the Group may not receive the full market value of outstanding transactions. It represents an estimate of the credit adjustment a market participant would include when deriving a purchase price to acquire the exposure. During the September 2016 half, the Group revised its methodology for determining the derivative credit valuation adjustment to make greater use of market information and enhanced modelling, and to align with leading market practice. The impact to profit before income tax associated with this methodology change was an incremental derivative credit valuation adjustment charge of $237 million.

Group Profit and Loss

	Half Year		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Net interest income	**7,416**	7,527	7,568
Other operating income[1,2]	**2,580**	2,745	2,706
Operating income	**9,996**	10,272	10,274
Operating expenses[1]	**(4,731)**	(4,951)	(5,488)
Profit before credit impairment and income tax	**5,265**	5,321	4,786
Credit impairment charge	**(719)**	(1,025)	(904)
Profit before income tax[3]	**4,546**	4,296	3,882
Income tax expense	**(1,627)**	(1,318)	(1,140)
Non-controlling interests	**(8)**	(7)	(4)
Profit after income tax[3]	**2,911**	**2,971**	**2,738**

1. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated (Sep 16 half: $8 million; Mar 16 half: $9 million).*
2. *SRCB contributed $58 million to other operating income in the March 2017 half (Sep 16 half: $122 million; Mar 16 half: $137 million). BoT contributed $86 million to other operating income in the March 2016 half.*
3. *The divested Esanda Dealer Finance portfolio contributed $19 million to profit before tax (-$13 million profit after tax) for the March 2016 half and -$16 million to profit before tax (-$11 million profit after tax) for the September 2016 half. Refer to "Section 3: Operating and Financial Review and Prospects - Analysis of major income and expense items", for contribution of the divested Esanda Dealer Finance portfolio to net interest income, other operating income and operating expenses.*

Comparison of March 2017 with March 2016

Profit after income tax increased 6% compared with the March 2016 half.

- Net interest income decreased $152 million (-2%) as the result of a 7 basis point decrease in net interest margin, partially offset by 2% growth in average interest earning assets. The net interest margin decline was due to higher average funding costs, deposit competition, growth in the liquidity portfolio and lower capital earnings due to the lower interest rate environment. These impacts were partially offset by repricing in home loans. Average interest earning assets growth reflected ANZ's strategic focus with growth in home loans in Australia and New Zealand, partially offset by a reduction in institutional lending due to portfolio rebalancing.
- Other operating income decreased $126 million (-5%) primarily due to a $324 million charge related to the reclassification of Retail and Wealth businesses in Asia to held for sale, a $230 million charge related to the reclassification of SRCB to held for sale, a $177 million loss of earnings from SRCB, BoT and Esanda Dealer Finance, a $161 million reduction in funds management and insurance income, a $73 million loss on economic hedges, as well as the $66 million gain on sale of the Esanda Dealer Finance divestment in the March 2016 half. These unfavorable impacts were partially offset by a significant improvement in Markets other operating income of $485 million, a $114 million gain on sale of 100 Queen Street, Melbourne, a $93 million gain on revenue hedges, and the $260 million impairment of the investment in AmBank in the March 2016 half.
- Operating expenses decreased $757 million (-14%), driven by a $556 million charge for software capitalization policy changes in the March 2016 half, a $153 million (-5%) reduction in personnel expenses reflecting a 7% reduction in average full time equivalent staff ("FTE"), and a reduction in restructuring expenses of $102 million (-74%). Excluding the impact of software capitalization policy changes, technology expenses increased $54 million (+7%) due to higher amortization from software.
- Credit impairment charges decreased $185 million (-20%). Individual credit impairment charges decreased by $92 million (-10%) primarily due to a reduction in resource related exposures in the Institutional division. Collective impairment charges decreased by $93 million primarily due to an improvement in the Group's overall risk profile, portfolio rebalancing particularly in the Institutional division and migration from collective to individual provisions, which was partially offset by a management adjustment for the Queensland cyclone.

Comparison of March 2017 with September 2016

Profit after income tax decreased 2% compared with the September 2016 half.

- Net interest income decreased $111 million (-1%) as the result of a 6 basis point decrease in net interest margin, partially offset by 2% growth in average interest earning assets. The net interest margin decline was due to growth in the liquidity portfolio, lower capital earnings as the result of a lower interest rate environment, higher average funding costs and deposit competition, partially offset by repricing in home loans. Average interest earning assets growth was driven by home loan growth in Australia and New Zealand.
- Other operating income decreased $165 million (-6%) primarily due to a $324 million charge related to the reclassification of Retail and Wealth businesses in Asia to held for sale, a $255 million loss on economic hedges, a $230 million charge related to the reclassification of SRCB to held for sale, a $211 million reduction in funds management and insurance income, and a $64 million loss of earnings from SRCB. These unfavorable impacts were partially offset by a significant improvement in Markets other operating income of $284 million, a $114 million gain on sale of 100 Queen Street, Melbourne, a $296 million gain on revenue hedges, and the $237 million derivative CVA methodology charge recognized in the September 2016 half.
- Operating expenses decreased $220 million (-4%) driven by a $104 million (-74%) reduction in restructuring expenses and a $92 million (-3%) reduction in personnel expenses reflecting a 2% reduction in average FTE.
- Credit impairment charges decreased $306 million (-30%). Individual credit impairment charges decreased by $248 million (-24%) primarily due to a $226 million decrease in the Institutional division. Collective impairment release increased $58 million due to an improvement in the Group's overall risk profile, portfolio rebalancing particularly in the Institutional division and migration from collective to individual provisions, which was partially offset by a management adjustment for the Queensland cyclone.

Analysis of major income and expense items

Net interest income

The following tables analyze net interest income, net interest margin, average interest earning assets and average deposits and other borrowings for the Group and for the Australia, Institutional and New Zealand divisions.

In the March 2017 half, the Group changed its calculation of net interest margin to net home loan deposit offset account balances against average interest earning assets to reflect the non-interest earning nature of home loan deposit offset account balances. Average interest earning assets were reduced as a result of this change to align with other major banks in Australia. For periods reported prior to the March 2017 half, net interest margin (Sep 16: 2.00%; Mar 16: 2.01%) and total average interest earning assets (Sep 16: $753,928 million; Mar 16: $754,391 million) have been restated accordingly in this U.S. Disclosure Document.[1]

[1] September 2016 half reported in this U.S. Disclosure Document.

	Half Year		
Group	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Net interest income [1,2]	**7,416**	7,527	7,568
Average interest earning assets[3,4]	**743,906**	730,275	731,395
Average deposits and other borrowings[4]	**597,337**	585,672	587,235
Net interest margin (%)[3]	**2.00**	2.06	2.07

	Half Year		
Net interest margin by major division	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Australia[2]			
Net interest margin (%)[3]	**2.69**	2.74	2.75
Average interest earning assets[3]	**308,391**	301,516	296,012
Average deposits and other borrowings	**193,671**	185,274	181,118
Institutional			
Net interest margin (%)	**1.05**	1.11	1.15
Average interest earning assets	**302,578**	297,889	313,003
Average deposits and other borrowings	**242,402**	232,143	233,775
New Zealand			
Net interest margin (%)	**2.30**	2.35	2.40
Average interest earning assets[4]	**109,664**	105,659	100,674
Average deposits and other borrowings[4]	**79,190**	77,661	73,175

1. *The divested Esanda Dealer Finance portfolio contributed $31 million to the net interest income for the September 2016 half.*
2. *Net interest income includes income relating to assets held for sale and income earned on assets prior to divestment.*
3. *In the March 2017 half, the Group changed its calculation of net interest margin to net home loan deposit offset account balances against average interest earning assets. Average home loan deposit offset account balances for the March 2017 half for the Australia division were $24,979 million (Sep 16: $23,653 million; Mar 16: $22,996 million).*
4. *Balance Sheet amounts as of March 31, 2017 include assets and liabilities held for sale.*

Comparison of March 2017 with March 2016

The decrease in net interest income of $152 million (-2%) was driven by:

Net interest margin (-7 bps)

- Asset mix and funding mix (0 bps): favorable mix impact from a higher proportion of capital and run-off of lower margin lending products in the Institutional division, offset by the adverse mix impact from the Esanda Dealer Finance divestment and improved funding mix.
- Funding costs (-3 bps): adverse impact due to increased wholesale funding costs.
- Deposit competition (-4 bps): lower margin from increased competition in Australia and New Zealand, partially offset by improved margins in Asia.
- Asset competition and risk mix (+7 bps): increase driven by home loans repricing.
- Markets and treasury (-7 bps): adverse impact to earnings on capital as the result of lower interest rates, growth in the liquidity portfolio and lower earnings from markets activities.

Average interest earning assets (+$12.5 billion or +2%)

- Average gross loans and advances (+$5.2 billion or +1%): increase driven by growth in home loans, partially offset by a decline in institutional lending due to portfolio rebalancing.
- Average trading and available for sale assets (+$5.7 billion or +6%): increase driven by growth in the liquidity portfolio.
- Average cash (+$2.2 billion or +4%): increase as the result of management of liquidity requirements.

Average deposits and other borrowings (+$10.1 billion or +2%)

- Average deposits and other borrowings (+$10.1 billion or +2%): increase driven by growth in customer deposits across Australia, Institutional and New Zealand divisions, offset by a decline in commercial paper.

Comparison of March 2017 with September 2016

The decrease in net interest income of $111 million (-1%) was driven by:

Net interest margin (-6 bps)

- Asset mix and funding mix (0 bps): favorable mix impact from a higher proportion of capital and run-off of lower margin loan products in the Institutional division, offset by adverse mix impact from lower growth in the cards business in the Australia division and improved funding mix.
- Funding costs (-1 bps): adverse impact due to increased wholesale funding costs.
- Deposit competition (-2 bps): lower margin from increased competition in Australia and New Zealand, partially offset by improved margins in Asia.
- Asset competition and risk mix (+1 bps): driven by home loan repricing, partially offset by lower institutional and commercial lending margins.
- Markets and treasury (-4 bps): adverse impact to earnings on capital as the result of lower interest rates, growth in the liquidity portfolio and lower earnings from markets activities.

Average interest earning assets (+$13.6 billion or +2%)

- Average gross loans and advances (+$4.8 billion or +1%): increase driven by growth in home loans, partially offset by a decline in institutional lending due to portfolio rebalancing.
- Average trading and available-for-sale assets (+$4.1 billion or +4%): increase driven by growth in the liquidity portfolio.
- Average cash (+7.2 billion or +16%): increase as the result of management of liquidity requirements.

Average deposits and other borrowings (+$11.7 billion or +2%)

- Average deposits and other borrowings (+$11.7 billion or +2%): increase driven by growth in customer deposits across Australia, New Zealand and Institutional divisions, offset by a decline in commercial paper.

Other operating income

	Half Year		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Net fee and commission income[1,2]	**1,177**	1,201	1,236
Net funds management and insurance income[2]	**696**	907	857
Markets other operating income[5,7]	**886**	365	401
Share of associates profit[2,3]	**173**	243	301
Net foreign exchange earnings[2,4]	**157**	149	141
Economic hedges[5]	**(254)**	1	(181)
Revenue hedges[6]	**148**	(148)	55
Other[1,2,8]	**(403)**	27	(104)
Total other operating income[9]	**2,580**	2,745	2,706

	Half Year		
Markets operating income	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Net interest income	**478**	472	560
Other operating income[7]	**886**	365	401
Markets operating income	**1,364**	837	961

1. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated (Sep 16 half: $8 million; Mar 16 half: $9 million).*
2. *Excluding the Markets business.*
3. *SRCB contributed $58 million to other operating income in the March 2017 half (Sep 16 half: $122 million; Mar 16 half: $137 million). BoT contributed $86 million to other operating income in the March 2016 half.*
4. *Net foreign exchange earnings for the March 2017 half includes $11 million charge related to the sale of SRCB.*
5. *Represents gains and losses on economic hedges used to manage interest rate and foreign exchange risk and the ineffective portion of designated accounting hedges.*
6. *Represents gains and losses on revenue hedges used to hedge large foreign exchange currency denominated revenue streams.*
7. *Markets other operating income for the September 2016 half includes a charge of $237 million related to the derivative CVA methodology change.*
8. *Other income for the March 2017 half includes the $324 million charge related to the sale of Retail & Wealth businesses in Asia, $219 million charge related to the sale of SRCB, and the $114 million gain on sale of 100 Queen Street, Melbourne. The March 2016 half includes the $260 million impairment of the investment in AmBank, the $29 million gain on cessation of equity accounting of BoT, and the $66 million gain on the Esanda Dealer Finance divestment.*
9. *The divested Esanda Dealer Finance portfolio contributed $12 million to the other operating income for the March 2016 half.*

Comparison of March 2017 with March 2016

Other operating income decreased by $126 million (-5%). Key factors affecting the result were:

Net fee and commission income (-$59 million or -5%)

- $37 million decrease as the result of lower performance in Asia Retail & Pacific.
- $22 million decrease in Institutional division primarily due to portfolio rebalancing.

Net funds management and insurance income (-$161 million or -19%)

- $219 million decrease primarily due to adverse disability claims, partially offset by favorable claims experience relating to lenders mortgage insurance, reduced fee income from moving customers to lower margin superannuation platforms, and lower income from invested capital.
- $71 million decrease due to the impact of changes in market discount rates on the re-measurement of insurance policy liabilities.
- $129 million increase in contribution tax and investment income tax attributable to policyholders due to higher return on investments.

Markets operating income (+$403 million or +42%)

- $258 million increase as the result of favorable trading conditions arising from a strengthening USD and rising yield curves. Tighter credit spreads, combined with the impact of foreign exchange and interest rate movements resulted in an increase of $197 million from derivative credit and funding valuation adjustments, net of associated hedges.
- $204 million increase reflecting growth in the liquidity portfolio and tighter bond spreads.
- $59 million decrease due to reduced client hedging activity as a result of low foreign exchange volatility and the low interest rate environment.

Share of associates' profit (-$128 million or -43%)

- $165 million decrease due to the cessation of equity accounting for BoT from March 2016 and SRCB from January 2017.
- $33 million increase primarily due to lower credit charges in P.T. Bank Pan Indonesia.

Economic hedges (-$73 million or -40%)

- For the March 2017 half, the majority of the $254 million loss related to funding related swaps, principally from tightening basis spreads on currency pairs most notably USD and Euro, and from the strengthening of the AUD against a number of major currencies.
- For the March 2016 half, the majority of the $181 million loss related to funding related swaps that were impacted by the significant strengthening in the AUD across a number of major currencies, notably the USD and Euro.

Revenue hedges (+$93 million)

- For the March 2017 half, the gain of $148 million on revenue hedges was attributable to the strengthening of the AUD against the NZD.

- For the March 2016 half, the gain of $55 million on revenue hedges was principally attributable to the recycling of the impact of prior period losses on USD positions that settled during the half.

Other (-$299 million)

- $324 million decrease as a result of the reclassification of Retail and Wealth businesses in Asia to held for sale.
- $219 million decrease due to the impairment of the investment in SRCB.
- $66 million decrease due to the Esanda Dealer Finance gain on divestment taken in the March 2016 half.
- $29 million decrease due to a valuation gain on cessation of equity accounting for BoT in the March 2016 half.
- $260 million increase due to the impairment of the investment in AmBank in the March 2016 half.
- $114 million gain on sale of 100 Queen Street, Melbourne.

Comparison of March 2017 with September 2016

Other operating income decreased by $165 million (-6%). Key factors affecting the result were:

Net fee and commission income (-$24 million or -2%)

- $35 million decrease as the result of lower performance in Asia Retail & Pacific.

Net funds management and insurance income (-$211 million or -23%)

- $106 million decrease due to the impact of changes in market discount rates on the re-measurement of insurance policy liabilities.
- $66 million decrease in Wealth Australia primarily due to adverse disability and lump sum claims, partially offset by favorable claims experience relating to lenders mortgage insurance, reduced fee income from moving customers to lower margin superannuation platforms, and lower returns from the guaranteed return business and invested capital.
- $24 million decrease in contribution tax and investment income tax attributable to policyholders due to lower return on investments.

Markets operating income (+$527 million or +63%)

- Excluding the $237 million charge relating to the derivative CVA methodology change in the September 2016 half, income in the Markets business increased $290 million.
- $231 million increase primarily attributed to valuation adjustments net of associated hedges as a result of tighter credit spreads combined with the impact of foreign exchange and interest rate movements.
- $118 million increase due to tighter bond spreads.
- $59 million decrease due to lower client flows as a result of reduced volumes of debt issuances in Asia and New Zealand.

Share of associates' profit (-$70 million or -29%)

- $64 million loss of income due to the cessation of equity accounting for SRCB from January 2017.

Economic hedges (-$255 million)

- The $255 million loss was driven by loss recognized in March 2017 half. Majority of the loss related to funding related swaps, principally from tightening basis spreads on currency pairs most notably USD and Euro, and from the strengthening of the AUD against a number of major currencies.

Revenue hedges (+$296 million)

- For the March 2017 half, the gain of $148 million on revenue hedges was the results of the strengthening of the AUD against the NZD.
- For the March 2016 half, the loss of $148 million on revenue hedges was principally attributable to weakening of AUD against the NZD exchange rate.

Other (-$430 million)

- $324 million charge as the result of the reclassification of Retail and Wealth businesses in Asia to held for sale.
- $219 million decrease due to the impairment of the investment in SRCB.
- $114 million gain on sale of 100 Queen Street, Melbourne.

Operating expenses

	Half Year		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Personnel expenses	**2,648**	2,740	2,801
Premises expenses	**457**	470	458
Technology expenses[1]	**831**	834	1,333
Restructuring expenses	**36**	140	138
Other expenses	**759**	767	758
Total operating expenses[2]	**4,731**	4,951	5,488
Full time equivalent staff ("FTE")	**46,046**	46,554	48,896
Average full time equivalent staff ("FTE")	**46,462**	47,489	49,777

1. *Technology expenses include a $556 million charge associated with accelerated amortization from software capitalization policy changes in the March 2016 half. Refer to page 34 for further details.*
2. *The divested Esanda Dealer Finance portfolio contributed $6 million to the operating expenses for the September 2016 half (March 16 half: $11 million).*

Comparison of March 2017 with March 2016

Operating expenses decreased 14%.

- Personnel expenses decreased $153 million (-5%) due to a 7% reduction in average FTE, partially offset by wage inflation.
- Technology expenses decreased $502 million (-38%) primarily as the result of software capitalization policy charges of $556 million in the March 2016 half. Excluding this, technology expenses increased $54 million (+7%) due to higher amortization from software.
- Restructuring expenses decreased $102 million (-74%) with a larger investment made in 2016 at the reset of the Group's strategy.

Comparison of March 2017 with September 2016

Operating expenses decreased 4%.

- Personnel expenses decreased $92 million (-3%) due to a 2% reduction in average FTE, partially offset by wage inflation.
- Restructuring expenses decreased $104 million (-74%) with a larger investment made in 2016 at the reset of the Group's strategy.

Credit Risk

Under AASs, the credit impairment charge represents management's best estimate of incurred loss. The estimated incurred loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The credit impairment charge consists of two components: the individual credit impairment charge and the collective credit impairment charge.

Provisions for credit impairment are raised when there is objective evidence of impairment. Impairment is assessed individually for financial assets that are individually known to be impaired and are individually significant (or on a portfolio basis for small value homogenous loans) and then on a collective basis for those loans not individually known to be impaired.

Under AASs, the collective provision for credit impairment is calculated for financial assets for which there is an incurred loss but the financial assets have not been individually identified as impaired.

The collective credit impairment charge is calculated as the change in the collective provision for credit impairment during the reporting period. The collective provision for credit impairment at the end of the reporting period reflects the impact on estimated future cash flows for loans where there is an incurred loss and that loss will become observable over an emergence period. The emergence period represents the time from when a loss event occurs until the Group assesses the loan for individual impairment and raises an individual provision. The impact on estimated future cash flows is calculated based on historical loss experience for assets with credit characteristics similar to those in the collective pool. The collective provision also takes into account management's assessment of the impact of large concentrated losses within the portfolio and the economic cycle.

Credit Impairment Charge

	Half Year								
	Mar 17 $M			Sep 16 $M			Mar 16 $M		
Division	**Individual charge**	**Collective charge[1]**	**Total charge**	**Individual charge**	**Collective charge[1]**	**Total charge**	**Individual charge**	**Collective charge[1]**	**Total charge**
Australia	**430**	**42**	**472**	469	(11)	458	429	33	462
Institutional	**210**	**(85)**	**125**	436	(17)	419	340	(16)	324
New Zealand	**61**	**(24)**	**37**	61	17	78	43	(1)	42
Asia Retail & Pacific	**86**	**(11)**	**75**	81	1	82	80	10	90
TSO & Group Center	**(1)**	**11**	**10**	(13)	1	(12)	(14)	-	(14)
Total	**786**	**(67)**	**719**	**1,034**	**(9)**	**1,025**	**878**	**26**	**904**

1. *The divested Esanda Dealer Finance portfolio contributed $10 million to the credit impairment charge for the September 2016 half and $13 million to the March 2016 half.*

Comparison of March 2017 with March 2016

- The individual credit impairment charge decreased $92 million (-10%) driven by a $76 million (+29%) increase in recoveries and write-backs and a $16 million (-1%) decrease in new and existing provisions. The Institutional division individual credit impairment charge decreased $130 million (-38%) reflecting an overall net reduction in resource and commodity stresses across the portfolio and higher single name customer write-backs in the March 2017 half.
- The collective credit impairment charge decreased $93 million driven by the Institutional division as the result of customer migration from collective to individual provisioning and a reduction in lending assets to improve the risk profile in line with portfolio rebalancing, partially offset by a management adjustment for the Queensland cyclone.

Comparison of March 2017 with September 2016

- The individual credit impairment charge decreased $248 million (-24%) driven primarily by a $226 million (-52%) decrease in the Institutional division reflecting the one-off settlement of the Pankaj and Radhika Oswal legal dispute in the September 2016 half, and an overall net reduction in resource and commodity stresses across the portfolio in the March 2017 half. A $39 million (-8%) decrease in the Australia division individual credit impairment charge is predominantly the result of higher recoveries and write-backs in the small business banking portfolio.
- The collective credit impairment release increased $58 million driven by the Institutional division as the result of customer migration from collective to individual provisioning and a reduction in lending assets to improve the risk profile in line with portfolio rebalancing, partially offset by a management adjustment for the Queensland cyclone.

Provision for credit impairment

	As of								
	Mar 17 $M			Sep 16 $M			Mar 16 $M		
Division	Individual provision	Collective provision[1]	Total provision	Individual provision	Collective provision[1]	Total provision	Individual provision	Collective provision[1]	Total provision
Australia	**647**	**1,230**	**1,877**	606	1,188	1,794	547	1,204	1,751
Institutional	**470**	**1,024**	**1,494**	569	1,114	1,683	556	1,126	1,682
New Zealand	**135**	**335**	**470**	117	374	491	114	337	451
Asia Retail & Pacific	**17**	**182**	**199**	15	196	211	21	192	213
TSO & Group Center	**-**	**14**	**14**	-	4	4	-	3	3
Total	**1,269**	**2,785**	**4,054**	**1,307**	**2,876**	**4,183**	**1,238**	**2,862**	**4,100**

1. The collective provision includes amounts for off-balance sheet credit exposures of $574 million at March 31, 2017 (Sep 16: $631 million; Mar 16: $633 million). The impact on the income statement for the March 2017 half was a $46 million release (Sep 16 half: $35 million release; Mar 16 half: $3 million charge).

Impaired assets and loans

	As of		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Gross impaired assets			
Impaired loans	**2,478**	2,646	2,564
Restructured items[1]	**367**	403	226
Non-performing commitments and contingencies[2]	**95**	124	93
Gross impaired assets	**2,940**	**3,173**	**2,883**
Individual provisions			
Impaired loans	**(1,253)**	(1,278)	(1,209)
Non-performing commitments and contingencies	**(16)**	(29)	(29)
Net impaired assets	**1,671**	**1,866**	**1,645**

1. Restructured items are facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.

2. Off balance sheet facilities (such as standby letters of credit, bill endorsements, documentary letters of credit, or guarantees to third parties) and undrawn on balance sheet facilities where the customer is defined as impaired.

	As of		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Gross impaired assets by division			
Australia	**1,227**	1,170	1,093
Institutional	**1,061**	1,405	1,282
New Zealand	**409**	346	273
Asia Retail & Pacific	**243**	252	235
Gross impaired assets	**2,940**	**3,173**	**2,883**

	As of		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Gross impaired assets by size of exposure			
Less than $10 million	**1,724**	1,784	1,597
$10 million to $100 million	**1,106**	899	970
Greater than $100 million	**110**	490	316
Total gross impaired assets	**2,940**	**3,173**	**2,883**

Comparison of March 2017 with March 2016

- Gross impaired assets increased $57 million (+2%) driven by the Australia and New Zealand divisions offset by a decrease in the Institutional division. The Australia division increase of $134 million (+12%) is due to the home loans, small business banking and corporate banking portfolios. The New Zealand division increase of $136 million (+50%) is driven by a small number of large single name exposures in the commercial and agri portfolios. The decrease in the Institutional division of $221 million (-17%) is due to higher write-offs and repayments on a small number of large exposures, including the Pankaj and Radhika Oswal legal dispute. The Group's individual provision coverage ratio on impaired assets was 43.2% as of March 31, 2017 (42.9% as of March 31, 2016).

Comparison of March 2017 with September 2016

- Gross impaired assets decreased $233 million (-7%) mainly driven by a decrease in the Institutional division of $344 million (-24%) as the result of higher write-offs and repayments on a small number of large exposures, including the Pankaj and Radhika Oswal legal dispute. The Australia division increase of $57 million (+5%) is due to home loans, small business banking and corporate banking portfolios. The New Zealand division increase of $63 million (+18%) is due to a small number of large single name exposures in the commercial and agri portfolios. The Group's individual provision coverage ratio on impaired assets was 43.2% as of March 31, 2017 (41.2% as of September 30, 2016).

	As of		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
New impaired assets			
Impaired loans	**1,637**	1,610	1,657
Restructured items	**88**	193	81
Non-performing commitments and contingencies	**62**	41	46
Total new impaired assets	**1,787**	**1,844**	**1,784**

	As of		
	Mar 17 $M	Sep 16 $M	Mar 16 $M
New impaired assets by division			
Australia	**816**	927	777
Institutional	**547**	499	652
New Zealand	**296**	290	194
Asia Retail & Pacific	**128**	128	161
Total new impaired assets	**1,787**	**1,844**	**1,784**

Comparison of March 2017 with March 2016

- New impaired assets were broadly flat. The Institutional division decreased $105 million as the result of an improved risk profile from portfolio rebalancing. This was partially offset by a $102 million increase in the New Zealand division as the result of a small number of large single name exposures in the commercial and agri portfolios, and a $39 million increase in the Australia division due to delinquencies in the retail portfolio.

Comparison of March 2017 with September 2016

- New impaired assets decreased $57 million driven by the Australia division reflecting large single name asset finance impairments taken in the September 2016 half, partially offset by a $48 million increase in the Institutional division due to impairments on a small number of single name customer exposures.

Other potential problem loans

ANZ does not use the category "potential problem loans" for loans that continue to accrue interest. ANZ's risk grading systems identify customers that attract a higher probability of default and where necessary these customers receive specialist management attention.

Accruing loans – past due 90 days or more

Set out below are loans that are past due by over 90 days. A facility is past due when a contracted payment (principal or interest) has not been met or the facility is outside of contractual arrangements (e.g. an overdraft is over the limit). This category comprises accrual loans that are past due 90 days or more and that are well secured, or loans that are past due 90 days or more and are portfolio managed (typically unsecured personal loans and credit cards) that can be held on an accrual basis for up to 180 days.

	As of		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Australia	**2,483**	2,454	2,282
Institutional	**50**	29	33
New Zealand	**165**	145	199
Asia Retail & Pacific	**69**	71	54
TSO and Group Center	**4**	4	5
Total accruing loans - past due 90 days or more	**2,771**	2,703	2,573

Comparison of March 2017 with March 2016

- The 90 days past due but not impaired increased by $198 million (+8%) due to home loans growth and portfolio deterioration predominantly in Western Australia and Queensland. There was also some deterioration in the regional business banking and small business banking portfolios.

Comparison of March 2017 with September 2016

- The 90 days past due but not impaired increased by $68 million (+3%) primarily from portfolio deterioration in the regional business banking and small business banking portfolios.

Concentrations of credit risk/loans and advances by industry category

Concentrations of credit risk arise when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group monitors its portfolios, to identify and assess risk concentrations. The Group's strategy is to maintain well-diversified credit portfolios focused on achieving an acceptable risk-return balance. Credit risk portfolios are actively monitored and frequently reviewed to identify, assess and guard against unacceptable risk concentrations. Concentration analysis will typically include geography, industry, credit product and risk grade. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to single name risk. These limits are established based on a combination of factors including the nature of counterparty, probability of default and collateral provided.

For additional information relating to the Group's credit risk exposures, refer to Note 20 of the 2016 Annual Financial Statements included in ANZ's 2016 Annual Report (extracts attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document).

Income tax expense

	Half Year		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Income tax expense charged to the income statement	**1,627**	1,318	1,140
Effective tax rate	**35.8%**	30.7%	29.4%
Australian corporate tax rate	**30.0%**	30.0%	30.0%

Comparison of March 2017 with March 2016

- The effective tax rate increased from 29.4% to 35.8%. The 640 basis point increase was primarily due to adjustment on reclassification of SRCB to held for sale (+340 bps), increase in policyholder and contribution tax (+190 bps), reduction in equity accounted earnings (+120 bps), reduced offshore earnings which have a lower average tax rate (+50 bps), as well as the non-recurrence of a tax provision release from the March 2016 half (+70 bps). This was partially offset by the non-tax deductible impairment of AmBank in the March 2016 half (-200 bps).

Comparison of March 2017 with September 2016

- The effective tax rate increased from 30.7% to 35.8%. The 510 basis point increase was primarily due to the adjustment on reclassification of SRCB to held for sale (+340 bps), reduction in equity accounted earnings (+50 bps), reduced offshore earnings which have a lower average tax rate (+40 bps) as well the non-recurrence of a tax provision release from the September 2016 half (+100 bps). This was partially offset by a decrease in policyholder and contribution tax (-50 bps) in the March 2017 half.

Condensed balance sheet

	As of		
	Mar 17 $B	Sep 16 $B	Mar 16 $B
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**89.3**	83.3	88.0
Trading and available-for-sale assets	**108.8**	110.3	100.5
Derivative financial instruments	**63.9**	87.5	88.7
Net loans and advances[1]	**564.0**	575.9	561.8
Investments backing policy liabilities	**37.6**	35.7	34.5
Assets held for sale	**14.1**	-	-
Other[1]	**18.8**	22.2	21.8
Total assets	**896.5**	914.9	895.3
Liabilities			
Settlement balances owed by ANZ / Collateral received	**14.9**	17.0	20.2
Deposits and other borrowings[1]	**581.4**	588.2	578.1
Derivative financial instruments	**65.1**	88.7	91.7
Debt issuances	**88.8**	91.1	81.9
Policy liabilities and external unit holder liabilities	**41.3**	39.5	38.4
Liabilities held for sale	**17.2**	-	-
Other[1]	**29.9**	32.5	28.5
Total liabilities	**838.6**	857.0	838.8
Total equity	**57.9**	57.9	56.5

1. *Balance as of March 31, 2017 excludes assets and liabilities reclassified to held for sale.*

Comparison of March 2017 with March 2016

- Trading and available for sale assets increased $8.3 billion (+8%), primarily driven by increased liquidity portfolio holdings due to balance sheet growth in the Markets business.
- Derivative financial assets and liabilities decreased $24.8 billion (-28%) and $26.6 billion (-29%) respectively as foreign exchange rate and interest rate movements resulted in lower derivative fair values.
- Net loans and advances increased $2.2 billion (flat). Adjusting for a reclassification of $12.3 billion to assets held for sale, the $14.5 billion increase was primarily driven by home loan growth across Australia (+$15.3 billion) and New Zealand (+$5.7 billion) divisions, partially offset by a $4.8 billion decrease in the Institutional division as a result of portfolio rebalancing and a $1.3 billion reduction in the Asia Retail & Pacific division.
- Cash settlement balances owed by ANZ / Collateral received decreased by $5.3 billion (-26%), driven by a decrease in settlement balances held by the Markets (-$2.6 billion) and Treasury (-$2.6 billion) businesses.
- Deposits and other borrowings increased $3.3 billion (+1%). Adjusting for a reclassification of $17.0 billion to liabilities held for sale, the $20.3 billion increase was driven by growth in customer deposits largely across the Australia, New Zealand and Institutional divisions (+$21.4 billion), growth in deposits from banks and other borrowings (+$18.1 billion), partially offset by reduction in commercial paper and certificates of deposit (-$19.2 billion).
- Debt issuances increased $6.9 billion (+8%) driven by new issuances.

Comparison of March 2017 with September 2016

- Cash / Settlement balances owed to ANZ / Collateral paid increased by $6.0 billion (+7%), primarily driven by increased cash and settlement balances held by the Markets and Treasury businesses.
- Derivative financial assets and liabilities both decreased by $23.6 billion (-27%) as foreign exchange rate and interest rate movements resulted in lower derivative fair values.
- Net loans and advances decreased $11.9 billion (-2%). Adjusting for a reclassification of $12.3 billion to assets held for sale and a significant $5.2 billion decrease due to foreign currency translation, the $5.6 billion increase was primarily driven by home loan growth across Australia (+$9.6 billion) and New Zealand (+$1.5 billion) divisions, partially offset by a $4.4 billion decrease in the Institutional division as a result of portfolio rebalancing and a $0.8 billion decrease in the Asia Retail & Pacific division.
- Deposits and other borrowings decreased $6.8 billion (-1%). Adjusting for a reclassification of $17.0 billion to liabilities held for sale and a significant $5.7 billion decrease due to foreign currency translation, the $15.9 billion increase was driven by growth in customer deposits largely across the Australia, New Zealand and Institutional divisions (+$23.8 billion), growth in deposits from banks and other borrowings (+$5.7 billion), partially offset by reduction in commercial paper and certificates of deposit (-$13.5 billion).

Assets and liabilities held for sale as of March 31, 2017 reflect the reclassification of Asia Retail and Wealth businesses, UDC Finance and SRCB assets and liabilities to held for sale. Refer to Note 11 to the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document) for further details.

Results by division

Comparative information for the September 2016 half and March 2016 half at the divisional level reflects the impact of the organizational changes as reported in the 2016 Annual U.S. Disclosure Document under "Section 3: Operating and Financial Review and Prospects - Operating and Financial Review" and changes to the TSO model as described under "Principal Activities of the Group" in this U.S. Disclosure Document. Consequently, divisional level information for the March 2016 half does not reflect the divisional level information that was included in the 2016 Half Year U.S. Disclosure Document, and has been restated. These reallocations do not have an impact on comparative information in the income statement or balance sheet at the Group level.

For further information on the composition of the divisions refer to Note 7 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

March 2017 Half Year

$M	Australia	Institutional	New Zealand	Wealth Australia	Asia Retail & Pacific	TSO & Group Center	Group
Net interest income	4,133	1,588	1,260	5	331	99	**7,416**
Other operating income	602	1,357	317	539	(139)	(96)	**2,580**
Operating income	4,735	2,945	1,577	544	192	3	**9,996**
Operating expenses	(1,693)	(1,379)	(600)	(370)	(353)	(336)	**(4,731)**
Profit before credit impairment and income tax	3,042	1,566	977	174	(161)	(333)	**5,265**
Credit impairment (charge)/release	(472)	(125)	(37)	-	(75)	(10)	**(719)**
Profit before income tax	2,570	1,441	940	174	(236)	(343)	**4,546**
Income tax expense and non-controlling interests	(772)	(420)	(263)	(51)	19	(148)	**(1,635)**
Profit/(loss) after income tax	1,798	1,021	677	123	(217)	(491)	**2,911**

September 2016 Half Year

$M	Australia	Institutional	New Zealand	Wealth Australia	Asia Retail & Pacific	TSO & Group Center	Group
Net interest income	4,125	1,647	1,242	5	347	161	**7,527**
Other operating income	597	817	329	605	235	162	**2,745**
Operating income	4,722	2,464	1,571	610	582	323	**10,272**
Operating expenses	(1,731)	(1,445)	(635)	(391)	(379)	(370)	**(4,951)**
Profit before credit impairment and income tax	2,991	1,019	936	219	203	(47)	**5,321**
Credit impairment (charge)/release	(458)	(419)	(78)	-	(82)	12	**(1,025)**
Profit before income tax	2,533	600	858	219	121	(35)	**4,296**
Income tax expense and non-controlling interests	(755)	(192)	(236)	(62)	(22)	(58)	**(1,325)**
Profit/(loss) after income tax	1,778	408	622	157	99	(93)	**2,971**

March 2016 Half Year

$M	Australia	Institutional	New Zealand	Wealth Australia	Asia Retail & Pacific	TSO & Group Center	Group
Net interest income	4,077	1,800	1,206	6	351	128	**7,568**
Other operating income	609	916	315	639	243	(16)	**2,706**
Operating income	4,686	2,716	1,521	645	594	112	**10,274**
Operating expenses	(1,695)	(1,513)	(590)	(410)	(429)	(851)	**(5,488)**
Profit before credit impairment and income tax	2,991	1,203	931	235	165	(739)	**4,786**
Credit impairment (charge)/release	(462)	(324)	(42)	-	(90)	14	**(904)**
Profit before income tax	2,529	879	889	235	75	(725)	**3,882**
Income tax expense and non-controlling interests	(760)	(246)	(243)	(68)	(15)	188	**(1,144)**
Profit after income tax	1,769	633	646	167	60	(537)	**2,738**

Australia

	Half Year		
Australia	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Net interest income	**4,133**	4,125	4,077
Other operating income	**602**	597	609
Operating income	**4,735**	4,722	4,686
Operating expenses	**(1,693)**	(1,731)	(1,695)
Profit before credit impairment and income tax	**3,042**	2,991	2,991
Credit impairment charge	**(472)**	(458)	(462)
Profit before income tax	**2,570**	2,533	2,529
Income tax expense and non-controlling interests	**(772)**	(755)	(760)
Profit after income tax	**1,798**	**1,778**	**1,769**
Consisting of:			
Retail	**1,226**	1,217	1,190
Corporate and Commercial Banking	**572**	561	579
Profit after income tax	**1,798**	**1,778**	**1,769**
Balance Sheet			
Net loans & advances	**336,736**	327,109	321,448
Other external assets	**2,952**	2,921	3,026
External assets	**339,688**	330,030	324,474
Customer deposits	**197,632**	187,667	184,226
Other external liabilities	**11,117**	11,842	12,333
External liabilities	**208,749**	199,509	196,559
Risk weighted assets[1]	**159,575**	157,410	130,679
Average gross loans and advances	**333,965**	326,218	319,009
Average deposits and other borrowings	**193,671**	185,274	181,118
Ratios			
Return on average assets	**1.08%**	1.09%	1.10%
Net interest margin[2]	**2.69%**	2.74%	2.75%
Operating expenses to operating income	**35.8%**	36.7%	36.2%
Operating expenses to average assets	**1.01%**	1.06%	1.06%
Individual credit impairment charge/(release)	**430**	469	429
Individual credit impairment charge/(release) as a % of average GLA	**0.26%**	0.29%	0.27%
Collective credit impairment charge/(release)	**42**	(11)	33
Collective credit impairment charge/(release) as a % of average GLA	**0.03%**	(0.01%)	0.02%
Gross impaired assets	**1,227**	1,170	1,093
Gross impaired assets as a % of GLA	**0.36%**	0.36%	0.34%
Total full time equivalent staff ("FTE")	**11,518**	11,639	12,094

1. *Risk weighted assets as of September 30, 2016 includes APRA's revised average mortgage risk weight targets.*
2. *In the March 2017 half, the Group changed its calculation of net interest margin to net home loan deposit offset account balances against average interest earning assets. Average home loan deposit offset account balances for the March 2017 half for the Australia division were $24,979 million (Sep 16 half: $23,653 million; Mar 16 half: $22,996 million). Refer to page 37 for further details.*

Comparison of March 2017 with March 2016

Profit after income tax increased by $29 million (+2%).

- Net loans and advances grew primarily in retail in home loans, particularly in New South Wales, and in corporate and commercial banking.
- Net interest margin declined 6 basis points as the result of higher average funding costs, and lower earnings on deposits due to the lower interest rate environment.
- Other operating income decreased $7 million (-1%) mainly due to the Esanda Dealer Finance divestment.
- Operating expenses decreased $2 million as the result of a 5% reduction in FTE, partially offset by inflation and continued investment in the business.
- Credit impairment charges increased $10 million (+2%) in line with volume growth and higher delinquency rates in mining states for home loans and delinquencies in the cards business, partially offset by higher recoveries and write-backs.

Comparison of March 2017 with September 2016

Profit after income tax increased by $20 million (+1%).

- Net interest margin declined 5 basis points as the result of higher average funding costs, and lower earnings on deposits due to the lower interest rate environment.
- Other operating income increased $5 million (+1%) driven by interchange related income.
- Operating expenses decreased $38 million (-2%) as the result of a 1% reduction in FTE and lower restructuring expenses.
- Credit impairment charges increased $14 million (+3%) in line with volume growth and higher delinquency rates in mining states for home loans and delinquencies in the cards business, partially offset by higher recoveries and write-backs.

Institutional

Institutional	Half Year Mar 17 $M	Sep 16 $M	Mar 16 $M
Net interest income	**1,588**	1,647	1,800
Other operating income[1]	**1,357**	817	916
Operating income	**2,945**	2,464	2,716
Operating expenses[1]	**(1,379)**	(1,445)	(1,513)
Profit before credit impairment and income tax	**1,566**	1,019	1,203
Credit impairment charge	**(125)**	(419)	(324)
Profit before income tax	**1,441**	600	879
Income tax expense and non-controlling interests	**(420)**	(192)	(246)
Profit after income tax	**1,021**	**408**	**633**
Consisting of:			
Transaction Banking	**216**	209	173
Loans & Specialized Finance	**297**	119	263
Markets	**518**	187	192
Central Functions	**(10)**	(107)	5
Profit after income tax	**1,021**	**408**	**633**
Balance Sheet			
Net loans & advances	**120,791**	125,955	125,639
Other external assets	**258,119**	281,705	275,903
External assets	**378,910**	**407,660**	**401,542**
Customer deposits	**179,326**	171,155	176,157
Other external liabilities	**156,178**	177,645	170,762
External liabilities	**335,504**	**348,800**	**346,919**
Risk weighted assets	**159,230**	168,428	182,051
Average gross loans and advances	**125,645**	128,501	139,006
Average deposits and other borrowings	**242,402**	232,143	233,775
Ratios			
Return on average assets	**0.51%**	0.20%	0.31%
Net interest margin	**1.05%**	1.11%	1.15%
Net interest margin (excluding Markets)	**2.17%**	2.21%	2.16%
Operating expenses to operating income	**46.8%**	58.6%	55.7%
Operating expenses to average assets	**0.69%**	0.70%	0.74%
Individual credit impairment charge/(release)	**210**	436	340
Individual credit impairment charge/(release) as a % of average GLA	**0.34%**	0.68%	0.49%
Collective credit impairment charge/(release)	**(85)**	(17)	(16)
Collective credit impairment charge/(release) as a % of average GLA	**(0.14%)**	(0.03%)	(0.02%)
Gross impaired assets	**1,061**	1,405	1,282
Gross impaired assets as a % of GLA	**0.87%**	1.10%	1.01%
Total full time equivalent staff ("FTE")	**4,899**	5,112	5,601

1. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated (Sep 16 half: $8 million; Mar 16 half: $9 million).*

Comparison of March 2017 with March 2016

Profit after income tax increased by $388 million (+61%).

- Net loans and advances reduced due to portfolio rebalancing with average CRWAs down 15%, mainly in Transaction Banking and Loans & Specialized Finance businesses.
- Net interest margin (excluding the Markets business) increased 1 basis point due to higher deposit margins and portfolio mix improvements, partially offset by pricing pressure on lending margins.
- Other operating income increased $441 million (+48%) with benefits from tightening credit spreads and positive valuation adjustments.
- Operating expenses decreased $134 million (-9%) with FTE down 13% due to the ongoing simplification of the business, partially offset by higher depreciation and amortization charges and regulatory and compliance spend.
- Credit impairment charges decreased $199 million (-61%) due to a benign credit environment and an overall reduction in lending assets driven by portfolio rebalancing.

Comparison of March 2017 with September 2016

Profit after income tax increased by $613 million (+150%).

- Net interest margin (excluding the Markets business) decreased 4 basis points due to lower asset margins and unfavorable portfolio mix, partially lower interest earning assets due to portfolio rebalancing and improved deposit margins.
- Other operating income increased $540 million (+66%) due to a one-off derivative CVA methodology change charge of $237 million in the September 2016 half and the Markets business benefiting from tightening credit spreads and positive valuation adjustments.
- Operating expenses decreased $66 million (-5%) with FTE down 4% due to the ongoing simplification of the business, partially offset by higher depreciation and amortization charges and regulatory and compliance spend.
- Credit impairment charges decreased $294 million (-70%) due to the settlement of the Pankaj and Radhika Oswal legal dispute in the September 2016 half, a benign credit environment and an overall reduction in lending assets driven by portfolio rebalancing.

New Zealand

	Half Year		
New Zealand	**Mar 17 NZD M**	**Sep 16 NZD M**	**Mar 16 NZD M**
Net interest income	**1,334**	1,322	1,307
Other operating income	**153**	169	168
Net funds management and insurance income	**183**	181	173
Operating income	**1,670**	1,672	1,648
Operating expenses	**(636)**	(677)	(639)
Profit before credit impairment and income tax	**1,034**	995	1,009
Credit impairment (charge)/release	**(39)**	(83)	(46)
Profit before income tax	**995**	912	963
Income tax expense and non-controlling interests	**(278)**	(251)	(263)
Profit after income tax	**717**	**661**	**700**
Consisting of:			
Retail	**499**	477	464
Commercial	**219**	194	223
Central Functions	**(1)**	(10)	13
Profit after income tax	**717**	**661**	**700**
Balance Sheet[1]			
Net loans & advances	**114,731**	113,145	110,028
Other external assets	**7,032**	4,723	4,234
External assets	**121,763**	**117,868**	**114,262**
Customer deposits	**81,238**	76,362	75,380
Other external liabilities	**25,177**	26,852	24,530
External liabilities	**106,415**	**103,214**	**99,910**
Risk weighted assets	**62,421**	62,523	61,480
Average gross loans and advances	**114,087**	112,321	108,798
Average deposits and other borrowings	**83,884**	82,676	79,274
In-force premiums[2]	**192**	190	186
Funds under management ("FUM")[3]	**27,146**	26,485	24,835
Average funds under management[3]	**26,383**	25,751	23,808
Ratios			
Return on average assets	**1.20%**	1.14%	1.24%
Net interest margin	**2.30%**	2.35%	2.40%
Operating expenses to operating income	**38.1%**	40.5%	38.8%
Operating expenses to average assets	**1.07%**	1.17%	1.14%
Individual credit impairment charge/(release)	**64**	65	47
Individual credit impairment charge/(release) as a % of average GLA	**0.11%**	0.12%	0.09%
Collective credit impairment charge/(release)	**(25)**	18	(1)
Collective credit impairment charge/(release) as a % of average GLA	**(0.04%)**	0.03%	(0.00%)
Gross impaired assets	**448**	363	302
Gross impaired assets as a % of GLA	**0.39%**	0.32%	0.27%
Insurance expenses to in-force premiums[2]	**30.1%**	33.4%	34.2%
Retail Insurance lapse rates	**13.8%**	15.4%	14.9%
Funds Management expenses to average FUM[3]	**0.32%**	0.44%	0.27%
Total full time equivalent staff ("FTE")	**6,250**	6,317	6,401

1. *Balance Sheet amounts as of March 31, 2017 include assets and liabilities held for sale*
2. *In-force premiums reflect the disposal of the New Zealand medical business in the March 2016 half.*
3. *Funds Management expense and FUM only relates to the Pensions and Investments business.*

New Zealand results and commentary are reported in NZD. AUD results are shown on page 55.

Comparison of March 2017 with March 2016

Profit after income tax increased by $17 million (+2%).

- Net loans and advances grew primarily in retail home loans.
- Net interest margin declined 10 basis points as the result of a higher proportion of lower margin fixed rate lending and term deposits, pricing competition and higher funding costs.
- Other operating income reduced NZD $15 million (-9%) due to the gain on sale of a fixed asset in the March 2016 half. Net funds management and insurance income increased NZD $10 million (6%) due to higher funds under management balances.
- Operating expenses decreased NZD $3 million (flat) as the result of a 2% reduction in FTE, partially offset by inflation.
- Credit impairment charges decreased NZD $7 million (-15%) as the result of credit quality improvements across commercial and agri portfolios, partially offset by increases to new and existing provisions.

Comparison of March 2017 with September 2016

Profit after income tax increased by $56 million (+8%).

- Net interest margin declined 5 basis points as the result of a higher proportion of lower margin fixed rate lending and term deposits, pricing competition and higher funding costs.
- Other operating income reduced NZD $16 million (-9%) driven by lower fee income.
- Net funds management and insurance income increased NZD $2 million (+1%) due to higher funds under management balances.
- Operating expenses decreased NZD $41 million (-6%) as the result of a reduction in 1% FTE, partially offset by inflation.
- Credit impairment charges decreased NZD $44 million (-53%) as the result of credit quality improvements across commercial and agri portfolios.

New Zealand

Table reflects AUD for New Zealand.
NZD results shown on page 53.

New Zealand	Half Year Mar 17 $M	Sep 16 $M	Mar 16 $M
Net interest income	**1,260**	1,242	1,206
Other operating income	**144**	159	155
Net funds management and insurance income	**173**	170	160
Operating income	**1,577**	1,571	1,521
Operating expenses	**(600)**	(635)	(590)
Profit before credit impairment and income tax	**977**	936	931
Credit impairment (charge)/release	**(37)**	(78)	(42)
Profit before income tax	**940**	858	889
Income tax expense and non-controlling interests	**(263)**	(236)	(243)
Profit after income tax	**677**	**622**	**646**
Consisting of:			
Retail	**472**	449	428
Commercial	**206**	183	206
Central Functions	**(1)**	(10)	12
Profit after income tax	**677**	**622**	**646**
Balance Sheet[1]			
Net loans & advances	**104,884**	107,893	99,185
Other external assets	**6,429**	4,505	3,816
External assets	**111,313**	**112,398**	**103,001**
Customer deposits	**74,266**	72,818	67,951
Other external liabilities	**23,016**	25,605	22,113
External liabilities	**97,282**	**98,423**	**90,064**
Risk weighted assets	**57,064**	59,621	55,421
Average gross loans and advances	**107,704**	105,518	100,427
Average deposits and other borrowings	**79,190**	77,661	73,175
In-force premiums[2]	**175**	181	167
Funds under management[3]	**24,816**	25,256	22,388
Average funds under management[3]	**24,912**	24,189	21,976
Ratios			
Return on average assets	**1.20%**	1.14%	1.24%
Net interest margin	**2.30%**	2.35%	2.40%
Operating expenses to operating income	**38.1%**	40.4%	38.8%
Operating expenses to average assets	**1.07%**	1.17%	1.14%
Individual credit impairment charge/(release)	**61**	61	43
Individual credit impairment charge/(release) as a % of average GLA	**0.11%**	0.11%	0.09%
Collective credit impairment charge/(release)	**(24)**	17	(1)
Collective credit impairment charge/(release) as a % of average GLA	**(0.04%)**	0.03%	(0.00%)
Gross impaired assets	**409**	346	273
Gross impaired assets as a % of GLA	**0.39%**	0.32%	0.27%
Insurance expenses to in-force premiums[2]	**30.1%**	33.4%	34.2%
Retail Insurance lapse rates	**13.8%**	15.4%	14.9%
Funds Management expenses to average FUM[3]	**0.32%**	0.44%	0.27%
Total full time equivalent staff ("FTE")	**6,250**	6,317	6,401

1. *Balance Sheet amounts as of March 31, 2017 include assets and liabilities held for sale*
2. *In-force premiums reflect the disposal of the New Zealand medical business in the March 2016 half.*
3. *Funds Management expense and FUM only relates to the Pensions and Investments business.*

Wealth Australia

Wealth Australia	Half Year Mar 17 $M	Sep 16 $M	Mar 16 $M
Net interest income	**5**	5	6
Other operating income	**46**	46	42
Net funds management and insurance income	**493**	559	597
Operating income	**544**	610	645
Operating expenses	**(370)**	(391)	(410)
Profit before income tax	**174**	219	235
Income tax expense	**(51)**	(62)	(68)
Profit after income tax	**123**	**157**	**167**
Consisting of			
Insurance	**102**	127	126
Funds Management	**41**	48	39
Corporate and Other	**(20)**	(18)	2
Profit after income tax	**123**	**157**	**167**
Income from invested capital[1]	**41**	47	**63**
Key metrics			
In-force premiums			
Life	**1,600**	1,603	1,569
General Insurance	**226**	226	335
Average in-force premiums			
Life	**1,602**	1,587	1,543
General Insurance	**225**	280	422
Funds under management	**49,251**	48,251	46,630
Average funds under management	**48,375**	48,060	47,182
Ratios			
Operating expenses to operating income	**68.0%**	64.1%	63.6%
Insurance expenses to in-force premiums	**11.9%**	11.60%	12.2%
Retail Insurance lapse rates	**13.8%**	15.0%	13.0%
Funds Management expenses to average FUM[2]	**0.50%**	0.48%	0.58%
Total full time equivalent staff ("FTE")	**2,043**	2,098	2,158
Aligned adviser numbers[3]	**1,511**	1,545	1,618

1. *Income from invested capital represents after tax revenue generated from investing all Insurance and Funds Management business's capital balances held for regulatory purposes. The invested capital as of March 31, 2017 was $3.4 billion (Sep 16: $3.4 billion; Mar 16: $3.4 billion), which comprises fixed interest securities of 48% and cash deposits of 52% (Sep 16: 48% fixed interest securities and 52% cash deposits, Mar 16: 45% fixed interest securities and 55% cash deposits).*
2. *Funds Management expense and FUM relates to the Pensions and Investments business and excludes ANZ Share Investing.*
3. *Includes corporate authorized representatives of dealer groups wholly or partially owned by ANZ Wealth Australia and ANZ employed financial planners.*

Comparison of March 2017 with March 2016

Profit after income tax decreased by $44 million (-26%).

- Operating income decreased $101 million (-16%) due to:
  - $40 million (-14%) decrease in Insurance business income as a result of adverse disability claims experience and a one-off charge from the exit of a Group Life Insurance plan, partially offset by reinsurance profit share and favorable claims experience in lenders mortgage insurance.
  - $28 million (-12%) decrease in Funds Management business income in line with the planned strategy to move customers to a lower margin superannuation platform.
  - $33 million (-29%) decrease in Corporate & Other business units income as results from the March 2016 half results benefited from realized gains due to rebalancing of invested capital.
- Operating expenses decreased $40 million (-10%) due to productivity initiatives that resulted in a 5% reduction in FTE, partially offset by inflation and higher regulatory compliance and remediation spend.

Comparison of March 2017 with September 2016

Profit after income tax decreased by $34 million (-22%).

- Operating income decreased $66 million (-11%) due to:
  - $31 million (-11%) decrease in Insurance business income as a result of adverse disability and lump sum claims experience and a one-off charge from the exit of a Group Life Insurance plan, partially offset by favorable claims experience in lenders mortgage insurance.
  - $14 million (-6%) decrease in Funds Management business income in line with the planned strategy to move customers to a lower margin superannuation platform.
  - $21 million (-20%) decrease in Corporate & Other business units income as the result of lower returns from the guaranteed return business and invested capital.
- Operating expenses decreased $21 million (-5%) due to productivity initiatives that resulted in a 3% reduction in FTE, partially offset by inflation and higher regulatory compliance and remediation spend.

Asia Retail & Pacific

	Half Year		
Asia Retail & Pacific	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Net interest income	**331**	347	351
Other operating income	**(139)**	235	243
Operating income	**192**	582	594
Operating expenses	**(353)**	(379)	(429)
Profit before credit impairment and income tax	**(161)**	203	165
Credit impairment (charge)/release	**(75)**	(82)	(90)
Profit before income tax	**(236)**	121	75
Income tax expense	**19**	(22)	(15)
Profit after income tax	**(217)**	99	60
Balance Sheet[1]			
Net loans & advances	**12,525**	13,370	13,862
Customer deposits	**21,867**	22,782	23,496
Risk weighted assets	**12,601**	13,372	13,183
Ratios[1]			
Return on average assets	**(1.89%)**	0.82%	0.48%
Net interest margin	**3.00%**	3.00%	2.93%
Operating expenses to operating income	**183.9%**	65.1%	72.2%
Operating expenses to average assets	**3.08%**	3.15%	3.46%
Individual credit impairment charge/(release)	**86**	81	80
Individual credit impairment charge/(release) as a % of average GLA	**1.31%**	1.16%	1.09%
Collective credit impairment charge/(release)	**(11)**	1	10
Collective credit impairment charge/(release) as a % of average GLA	**(0.17%)**	0.01%	0.14%
Gross impaired assets	**243**	252	235
Gross impaired assets as a % of GLA	**1.91%**	1.86%	1.67%
Total full time equivalent staff ("FTE")	**4,719**	4,894	5,440

1. *Balance Sheet amounts as of March 31, 2017 include assets and liabilities held for sale.*

On October 31, 2016, the Group announced it had agreed to sell its Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to Singapore's DBS Bank Ltd. Subject to regulatory approval, the Group expects the sale to be completed in stages in 2017 and early 2018. As a result of the sale agreement, the Group recognized $324 million of charges to impair software, goodwill and fixed assets as well as providing for redundancies (detailed in Note 11 of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document)).

The results presented above reflect the impact of the transaction.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Group has insufficient capacity to fund increases in assets. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group and managed in accordance with the risk appetite set by the Board.

The Group's approach to liquidity risk management incorporates two key components:

- **Scenario modelling of funding sources**

  ANZ's liquidity risk appetite is defined by the ability to meet a range of regulatory requirements and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity. The objective of this framework is to:

  - Provide protection against shorter-term extreme market dislocations and stresses.
  - Maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding.
  - Ensure no undue timing concentrations exist in the Group's funding profile.

  A key component of this framework is the Liquidity Coverage Ratio ("LCR"), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility ("CLF") with the Reserve Bank of Australia ("RBA"). The CLF has been established to offset the shortage of available High Quality Liquid Assets ("HQLA") in Australia and provides an alternative form of contingent liquidity. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

- **Liquid assets**

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

  - Highest-quality liquid assets ("HQLA1"): Cash, highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
  - High-quality liquid assets ("HQLA2"): High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
  - Alternative liquid assets ("ALA"): Assets qualifying as collateral for the CLF and other eligible securities listed by the Reserve Bank of New Zealand ("RBNZ").

  The Group monitors and manages the size and composition of its liquid assets portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the board.

	Half Year Average		
	Mar 17 $B	**Sep 16 $B**	**Mar 16 $B**
Market Values Post Discount[1]			
HQLA1[2]	**127.1**	119.7	117.2
HQLA2	**4.3**	4.1	3.3
Internal Residential Mortgage Backed Securities (Australia)[2]	**33.7**	35.3	35.1
Internal Residential Mortgage Backed Securities (New Zealand)[3]	**0.6**	1.2	1.5
Other ALA[4]	**15.6**	17.7	18.6
Total Liquid Assets	**181.3**	178.0	175.7
Cash flows modeled under stress scenario			
Cash outflows	**172.7**	182.9	181.0
Cash inflows	**38.2**	40.2	42.1
Net cash outflows	**134.5**	142.7	138.9
Liquidity Coverage Ratio[5]	**135%**	125%	126%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.*
2. *RBA open repo arrangement netted down from CLF, with a corresponding increase in HQLA.*
3. *New Zealand LCR surplus is excluded from NZ internal RMBS, consistent with APS 330 treatment.*
4. *Comprised of assets qualifying as collateral for the CLF, excluding internal RMBS, up to approved facility limit; and any liquid assets contained in the RBNZ's Liquidity Policy - Annex: Liquidity Assets - Prudential Supervision Department Document BS13A12.*
5. *All currency Level 2 LCR.*

Funding

ANZ targets a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.

$15.5 billion of term wholesale debt with a remaining term greater than one year as of March 31, 2017 was issued during the half year ended March 31, 2017. The weighted average tenor of new term debt was 5.1 years.

	As of		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Customer deposits and other liabilities[1]			
Australia	**197,632**	187,667	184,226
Institutional	**179,326**	171,155	176,157
New Zealand	**74,266**	72,818	67,951
Wealth Australia	**326**	343	362
Asia Retail & Pacific	**21,867**	22,782	23,496
TSO and Group Centre[2]	**(5,202)**	(5,142)	(5,414)
Customer deposits	**468,215**	449,623	446,778
Other funding liabilities[3]	**15,362**	14,531	16,127
Total customer liabilities (funding)	**483,577**	464,154	462,905
Wholesale funding[4]			
Debt issuances	**88,778**	91,080	81,947
Subordinated debt	**20,297**	21,964	17,557
Certificates of deposit	**57,428**	61,429	65,077
Commercial paper	**9,482**	19,349	21,065
Other wholesale borrowings[5,6]	**66,433**	65,442	56,391
Total wholesale funding	**242,418**	259,264	242,037
Shareholders' equity	**57,908**	57,927	56,464
Total funding	**783,903**	781,345	761,406

	As of		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Funded assets			
Other short term assets & trade finance assets[7]	**60,008**	65,800	68,015
Liquids[6]	**168,030**	161,302	147,419
Short term funded assets	**228,038**	227,102	215,434
Lending & fixed assets[8]	**555,865**	554,243	545,972
Total funded assets	**783,903**	781,345	761,406
Funding liabilities[4,6]			
Other short term liabilities	**48,022**	48,806	40,360
Short term funding	**53,495**	69,028	73,559
Term funding < 12 months	**20,968**	23,668	22,224
Other customer and central bank deposits[1,9]	**84,880**	79,597	87,632
Total short term funding liabilities	**207,365**	221,099	223,775
Stable customer deposits[1,10]	**416,775**	402,146	392,151
Term funding > 12 months	**93,556**	90,708	81,589
Shareholders' equity and hybrid debt	**66,207**	67,392	63,891
Total stable funding	**576,538**	560,246	537,631
Total funding	**783,903**	781,345	761,406

1. *Includes term deposits and other deposits.*
2. *Includes an adjustment recognized in Group Centre to eliminate Wealth Australia investments in ANZ deposit products.*
3. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in Wealth Australia.*
4. *Excludes liability for acceptances as they do not provide net funding.*
5. *Includes borrowings from banks, net derivative balances, special purpose vehicles and other borrowings.*
6. *Includes RBA open-repo arrangement netted down by the exchange settlement account cash balance.*
7. *Includes short-dated assets such as trading securities, available for sale securities, trade dated assets and trade finance loans.*
8. *Excludes trade finance loans.*
9. *Total customer liabilities (funding) plus central bank deposits less stable customer deposits.*
10. *Stable customer deposits represent operational type deposits or those sourced from retail / business / corporate customers and the stable component of other funding liabilities.*

Term debt maturity profile

The amounts disclosed below represent principal and interest cash flows. Foreign currency denominated debt has been translated using spot foreign exchange rates as of March 31, 2017.

Contractual maturity ($m)	2017	2018	2019	2020	2021	After 2021	Total
Debt issuances	17,978	18,007	18,500	14,245	19,368	14,415	102,512
Subordinated debt[1]	2,990	1,513	2,272	-	1,285	3,952	12,012
Total	**20,968**	**19,520**	**20,772**	**14,245**	**20,653**	**18,367**	**114,524**

1. *The maturity profile for all subordinated debt is presented based on the next callable date. Excludes additional tier 1 capital.*

	As of March 31, 2017		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investor Services	P-1	Aa2	Negative
Standard & Poor's	A-1+	AA-	Negative
Fitch Ratings	F1+	AA-	Stable

Capital management

	As of		
	APRA Basel 3		
Qualifying Capital	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Tier 1			
Shareholders' equity and non-controlling interests	**57,908**	57,927	56,464
Prudential adjustments to shareholders' equity	**(509)**	(481)	(584)
Gross Common Equity Tier 1 capital	**57,399**	57,446	55,880
Deductions	**(17,182)**	(18,179)	(17,778)
Common Equity Tier 1 capital	**40,217**	39,267	38,102
Additional Tier 1 capital	**7,874**	9,018	6,960
Tier 1 capital	**48,091**	48,285	45,062
Tier 2 capital	**9,648**	10,328	8,076
Total qualifying capital	**57,739**	58,613	53,138
Capital adequacy ratios			
Common Equity Tier 1	**10.1%**	9.6%	9.8%
Tier 1	**12.1%**	11.8%	11.6%
Tier 2	**2.4%**	2.5%	2.1%
Total	**14.5%**	14.3%	13.7%
Risk weighted assets	**397,040**	408,582	388,335

APRA implementation of Basel 3 capital reforms

APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios will not be directly comparable with international peers.

ANZ's interpretation of the material differences in APRA's implementation of Basel 3 and Basel 3 as implemented in major offshore jurisdictions include:

Deductions

- Investment in insurance and banking associates – APRA requires full deduction against CET1. On an Internationally Comparable basis, these investments are subject to a concessional threshold before a deduction is required.
- Deferred tax assets – A full deduction is required from CET1 for deferred tax assets ("DTA") relating to temporary differences. On an Internationally Comparable basis, this is first subject to a concessional threshold before the deduction is required.

Risk Weighted Assets ("RWA")

- IRRBB RWA – APRA requires inclusion of Interest Rate Risk in the Banking Book ("IRRBB") within the RWA base for the CET1 ratio calculation. This is not required on an Internationally Comparable basis.
- Mortgages RWA – APRA imposes a floor of 20% on the downturn Loss Given Default ("LGD") used in credit RWA calculations for residential mortgages. Additionally, from July 2016, APRA also requires a higher correlation factor above the Basel framework 15% requirement in order to raise the average risk weighting of Australian residential mortgages to at least 25%. The Internationally Comparable Basel 3 framework only requires a downturn LGD floor of 10% and a correlation factor of 15%.
- Specialized Lending - APRA requires the supervisory slotting approach be used in determining credit RWA for specialized lending exposures. The Internationally Comparable basis allows for the advanced internal ratings based approach to be used when calculating RWA for these exposures.
- Unsecured Corporate Lending LGD – Adjustment to align ANZ's unsecured corporate lending LGD to 45% to be consistent with banks in other jurisdictions. The 45% LGD rate is also used in the Foundation Internal Ratings-Based approach ("FIRB").
- Undrawn Corporate Lending Exposure at Default ("EAD") – To adjust ANZ's credit conversion factors ("CCF") for undrawn corporate loan commitments to 75% (used in FIRB approach) to align with banks in other jurisdictions.

Comparison of March 2017 with September 2016

ANZ's CET1 ratio increased 52 bps to 10.1% during the March 2017 half. Key drivers of the movement in the CET1 ratio were:

- Net organic capital generation is +114 bps or $4.7 billion. This was primarily driven by statutory profit for the half and net reduction in underlying RWA (excluding impact of foreign exchange impacts, regulatory changes and other one offs). The RWA reduction was mainly driven by an $8.7 billion decrease in the Institutional division's Credit RWAs from lower lending, due to portfolio rebalancing.
- Payment of the September 2016 Final Dividend (net of shares issued under the DRP) reduced the CET1 ratio by 51 bps.
- Other items decreased CET1 by 11 bps reflecting net impacts from other RWA measurement changes and net foreign currency translation impacts.

Leverage Ratio

At March 31, 2017, the Group's APRA Leverage Ratio was 5.3% which is above the 3% minimum currently proposed by the Basel Committee on Banking Supervision ("BCBS"). APRA has not finalized a minimum Leverage Ratio requirement for Australians ADIs. The following table summarizes the Group's Leverage Ratio calculation:

	As of		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**
Tier 1 Capital (net of capital deductions)	**48,091**	48,285	45,062
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**747,708**	744,359	733,935
Derivative exposures	**30,968**	30,600	30,542
Securities financing transaction ("SFT") exposures	**30,286**	31,417	21,420
Other off-balance sheet exposures	**97,492**	98,460	102,953
Total exposure measure	**906,454**	904,836	888,850
APRA Leverage Ratio[1]	**5.3%**	5.3%	5.1%

1. *Leverage Ratios include Additional Tier 1 securities subject to Basel 3 transitional relief, net of any transitional adjustments.*

Comparison of March 2017 with September 2016

ANZ's leverage ratio is broadly flat relative to September 2016 due to capital generation from cash earnings (net of dividend payments) being offset by the buyback and cancellation of remaining CPS2 Additional Tier 1 capital instruments of $1.1 billion not reinvested in CN4 and increased holdings of High Quality Liquid Assets.

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 foreign exchange, interest rate, commodity and credit derivatives. They include all trading and balance sheet risk management contracts. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates relative to the terms of the derivative.

	As of					
	Mar 17		Sep 16		Mar 16	
Fair Values	**Assets $M**	**Liabilities $M**	**Assets $M**	**Liabilities $M**	**Assets $M**	**Liabilities $M**
Foreign exchange contracts						
Spot and forward contracts	**12,703**	**(11,830)**	10,960	(10,794)	17,145	(16,911)
Swap agreements	**11,439**	**(13,247)**	10,680	(14,309)	18,000	(23,473)
Options purchased	**565**	**-**	887	-	1,388	-
Options sold	**-**	**(587)**	-	(802)	-	(1,087)
	24,707	**(25,664)**	22,527	(25,905)	36,533	(41,471)
Commodity contracts						
Derivative contracts	**2,340**	**(1,461)**	2,294	(1,395)	2,424	(1,950)
Interest rate contracts						
Forward rate agreements	**2**	**(2)**	12	(17)	35	(46)
Swap agreements	**35,939**	**(36,011)**	61,355	(59,011)	48,490	(46,127)
Futures contracts	**40**	**(316)**	33	(119)	31	(213)
Options purchased	**649**	**-**	1,098	-	907	-
Options sold	**-**	**(1,388)**	-	(2,076)	-	(1,557)
	36,630	**(37,717)**	62,498	(61,223)	49,463	(47,943)
Credit default swaps						
Structured credit derivatives purchased	**56**	**-**	40	-	49	-
Other credit derivatives purchased	**14**	**(129)**	117	(125)	256	(268)
Total credit derivatives purchased	**70**	**(129)**	157	(125)	305	(268)
Structured credit derivatives sold	**-**	**(64)**	-	(50)	-	(62)
Other credit derivatives sold	**135**	**(15)**	20	(27)	22	(12)
Total credit derivatives sold	**135**	**(79)**	20	(77)	22	(74)
Total	**63,882**	**(65,050)**	87,496	(88,725)	88,747	(91,706)

Summary

Refer to "Section 4: Directors, Senior Management/Executives and Employees" on pages 71 to 75 of ANZ's 2016 Annual U.S. Disclosure Document for a comprehensive discussion of the Group's Directors, Senior Management and Executives, and Corporate Governance.

During the period since the 2016 Annual U.S. Disclosure Document to the date of this U.S. Disclosure Document, there were no material changes to these matters with the exception of the following:

Changes to Directors

The following change to ANZ's Directors took effect:

- Mr I J Macfarlane, AC retired as a Director on December 16, 2016.

Changes to Senior Management and Executives

Effective December 1, 2016, Ms. Alexis George was appointed Group Executive, Wealth Australia. During her 20 year career in financial services, Ms. George has held a number of senior roles across superannuation, funds management and insurance in Australia, Europe and Asia. Prior to joining ANZ in 2013 as Managing Director, Insurance, Ms. George spent ten years with ING Group in senior roles which included CEO Czech Republic and Slovakia, responsible for banking, insurance and funds management and Regional COO, Asia responsible for Product, Marketing, IT and Operations.

On February 27, 2017, the appointment of Dr. Kathryn van der Merwe as Group Executive, Talent and Culture was announced, effective May 1, 2017. Dr. van der Merwe joins ANZ from Bain & Company where she has held senior leadership roles focused on business transformation. This includes a focus on strengthening organizational culture and capability, and the development and delivery of change strategies to improve performance and facilitate sustainable growth. Most recently she was Expert Vice President for Bain's Results Delivery Practice in the Asia Pacific region having worked for the firm for 14 years. While at Bain, Dr. van der Merwe made a significant contribution through developing and leading training, staff engagement, leadership programs and recruitment, and received global recognition for her contribution to training, coaching, mentoring and leadership. Dr. van der Merwe holds a PhD in Psychology from the University of New South Wales, Australia.

Industrial Relations Developments

In Australia, the minimum terms and conditions of employment of most non-management staff, including salaries, may be negotiated between unions and management as part of a collective enterprise bargaining agreement ("EBA") subject to majority employee approval. All employees are also subject to individual common law contracts of employment. As disclosed previously, ANZ put into place a new EBA that applies to approximately 92% of its Australian employees. The new EBA commenced operation on December 29, 2015, following successful conclusion of negotiations with the Finance Sector Union and a staff ballot in which a majority of 89% voted to endorse it.

The large majority of New Zealand employees are covered by individual employment agreements. ANZ's collective employment agreement with FIRST Union, which covers approximately 12% of New Zealand employees, was renewed in July 2016 and is effective from August 1, 2016 expiring on July 31, 2018. Management is not involved in any significant labor disputes with any employees.

Major Shareholders

We are not directly or indirectly controlled by another corporation, any government or any other natural or legal person(s), separately or jointly. As of the date of this U.S. Disclosure Document, we know of no person who is the beneficial owner of 5% or more of our ordinary shares. Refer to the Remuneration Report section of our 2016 Annual Report (extracts attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document) for further information (as of the relevant dates referred to therein) regarding share and option holdings by key management personnel (including directors).

Refer to the discussion headed, "Limitations affecting security holders" under Section 6 below for details of the Australian law limitations on the right of non-residents or non-citizens of Australia to hold, own or vote on shares in the Company.

Description of Ordinary Shares and Constituent Documents

Constitution

A copy of the Company's Constitution, as adopted by shareholders on December 18, 2007 and incorporating amendments approved by shareholders on December 17, 2010, is available on the U.S. Investor Website. There have been no changes to the Constitution subsequently. The Company's Constitution does not contain a limit on how many shares the Company may have on issue at any time.

Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be determined by the directors from time to time in accordance with the Company's Constitution. Dividends that are not claimed are required to be dealt with in accordance with laws relating to unclaimed monies.

The Company must not pay a dividend unless:

- the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- the payment of the dividend is fair and reasonable to the Company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

Payment of a dividend on ordinary shares may also be restricted by the terms of preference shares carrying a prior right to the payment of a dividend. Before paying any dividend, directors must ensure that they are in compliance with APRA prudential standards. See "Information on the Group - Supervision and Regulation" for more information on APRA prudential standards.

Voting rights

Subject to any applicable laws, as described further below and agreements to the contrary, each ordinary shareholder present at a general meeting (whether in person or by proxy, attorney or representative) is entitled to one vote on a show of hands (unless the shareholder has appointed two proxies in which case neither can vote) or, on a poll, one vote for each fully paid ordinary share held.

Right to share in surplus assets

In the event of a winding-up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any surplus proceeds on liquidation.

Rights to redemption

Ordinary shareholders have no right to redeem their shares.

Further calls

Holders of fully paid ordinary shares have no liability for further capital calls by the Company. There are no partly paid ordinary shares.

There is no provision of the Company's Constitution that discriminates against any existing or prospective holder of ordinary shares as a result of such shareholder owning a substantial number of shares on issue.

Preference shares

The Company's Constitution authorizes the Board to issue preference shares with any rights attaching to them that the Board determines prior to their issue. These include rights to dividends that are cumulative or non-cumulative and that are in priority to the rights of ordinary shareholders, and rights to a return of capital and to participate in surplus assets in a winding up in priority to the rights of ordinary shareholders. Preference shareholders have rights to vote only in limited circumstances unless the Board otherwise determines prior to issue of the preference shares. There is no limit on the amount of preference shares which the Company may issue.

Changes to the rights of shareholders

The Company's Constitution has effect as a contract between the Company and each shareholder, and between each shareholder, under which each person agrees to observe and perform the Company's Constitution as it applies to that person. In accordance with the Corporations Act, the Company may modify or repeal its Constitution, or a provision of its Constitution, by a special resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

An ADI statutory manager appointed by APRA has power under the Banking Act to, among other things, cancel shares or rights to acquire shares in the Company or vary or cancel rights attached to shares, notwithstanding the Constitution, the Corporations Act, the terms of any contract to which the Company is party or the listing rules of any financial market in whose list the Company is included.

Share rights – American Depositary Shares (“ADSs”)

Each ADS confers an interest in 1 fully paid ordinary share in the Company which has been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are legally vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American Depositary Receipts (“ADRs”), which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Convening of and admission to general meetings

The Board may call a meeting of the Company’s shareholders. The directors must call and arrange to hold a general meeting of the Company if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of the Company at their own expense.

At least 28 days’ notice must be given of a meeting of the Company’s shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders except for holders of partly paid ordinary shares who have failed to pay a call in respect of such shares are entitled to attend to vote at general meetings of the Company. Voting rights attaching to other classes of shares in the Company may differ.

The directors may, in accordance with the Constitution and the Corporations Act, determine a time before a meeting at which membership in the Company (for the purposes of the meeting) is to be ascertained in respect of holding of shares that are quoted on the stock market of the ASX.

Transfer

A holder of a share may transfer it by any means permitted by the Corporations Act, subject to limited restrictions in the Constitution and applicable law. See further “Limitations Affecting Security Holders” below.

Limitations on ownership and changes in control

The Constitution contains certain limitations on the rights to own securities in the Company. However, there are detailed Australian laws and regulations which govern the acquisition of interests in the Company, and a summary of those is set out in “Section 6: Limitations affecting security holders”.

The Constitution requires any sale or disposal of the Company’s main undertaking to be subject to ratification by the Company in a general meeting. The ASX Listing Rules may also require ANZ to obtain shareholder approval to effect any such sale or disposal. Except for that provision, there are no provisions in the Constitution which would have the effect of delaying, deferring or preventing a change in control of the Company which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its controlled entities.

If the Company issues partly paid shares to a person and that person fails to pay a call on those shares when required, the Board may give that person a notice which requires the member to pay the called amount and provides information in respect of how and when the called amount is to be paid. If the requirements of the notice are not satisfied, the Board, via resolution, may forfeit the partly paid share (and all dividends, interest and other money payable in respect of that share and not actually paid before the forfeiture) by resolution before the called amount is paid.

In addition, unless the terms of issue provide otherwise, under the Constitution the Company has a first and paramount lien on each share for all money called or payable at a fixed time in respect of that share that is due and unpaid, and certain amounts paid by the Company for which the Company is indemnified under the terms of the Constitution. If the Company has a lien on a share, and an amount secured by the lien is due and payable, the Company may give notice to the person registered as the holder of the share requiring payment of the amount and specifying how and when the payment must be made. If the requirements of that notice are not fulfilled, the Company may sell the share as if it had been forfeited.

The Board may also direct the sale of a share that is part of a “non-marketable parcel”. For these purposes, a “non-marketable parcel” is a parcel of shares of a single class registered in the same name or same joint names which is less than the number that constitutes a marketable parcel of shares of that class under the ASX Listing Rules, or, subject to applicable law as specified in the Constitution, any other number determined by the Board from time to time.

Constitution provisions governing disclosure of shareholdings

There are no provisions of the Constitution which provide an ownership threshold above which share ownership must be disclosed. However, the Corporations Act requires a person to disclose certain prescribed information to the Company and the ASX if the person has or ceases to have a “substantial holding” in the Company. The term ‘substantial holding’ is defined in the Corporations Act as broadly, a relevant interest in 5% or more of the total number of votes attaching to voting shares and is not limited to direct shareholdings.

The Corporations Act also permits the Company or ASIC to direct any member of the Company to make certain disclosures in respect of their interest in the Company’s shares and the interest held by any other person in those shares.

Changes in capital

The Constitution does not make any provision governing changes in the capital of the Company that is more stringent than is required by Australian law.

Change in Control

There are no arrangements known to ANZ, the operation of which may at a subsequent date result in a change in control of ANZ.

Related Party Transactions

Loans made to directors of the Company and other Key Management Personnel ("KMP") of the Group are made in the ordinary course of business on normal commercial terms and conditions no more favorable than those given to other employees or customers, including the term of the loan, security required and the interest rate.

All other transactions with KMP and their related parties are made on terms equivalent to those that prevail in arm's length transactions. These transactions generally involve the provision of financial and investment services including services to eligible international assignees ensuring they are neither financially advantaged nor disadvantaged by their relocation. All such transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to the users of the financial report in making and evaluating decisions about the allocation of scarce resources. For further information on related party transactions, refer to Note 18 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S Disclosure Document).

CHESS

CHESS stands for the "Clearing House Electronic Subregister System" and is operated by ASX Settlement Pty Limited, a wholly owned subsidiary of the ASX. ASX Settlement Pty Limited authorizes certain participants such as brokers, custodians, institutional investors and settlement agents to access CHESS and settle trades made by themselves or on behalf of clients.

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary on +61-3-8654-7597 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Legal proceedings

The information below is consistent with Note 19 (Contingent liabilities and contingent assets) of the Condensed Consolidated Financial Statements (attached as part of the Annex to this U.S. Disclosure Document).

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group. Refer to Note 41 of ANZ's 2016 Annual Financial Statements for a description of contingent liabilities and contingent assets as of September 30, 2016 (attached as part of Annex A to ANZ's 2016 Annual U.S. Disclosure Document).

A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Bank fees litigation**

  A litigation funder commenced a class action against ANZ in 2010, followed by a second similar class action in March 2013. The applicants contended that certain exception fees (honour, dishonour and non-payment fees on transaction accounts and late payment and over-limit fees on credit cards) were unenforceable penalties and that various of the fees were also unenforceable under statutory provisions governing unconscionable conduct, unfair contract terms and unjust transactions. A further action, limited to late payment fees only, commenced in August 2014.

  The penalty and statutory claims in the March 2013 class action failed and the claims have been dismissed. The August 2014 action was discontinued in October 2016.

  The original claims in the 2010 class action have been dismissed. A new claim has been added to the 2010 class action, in relation to ANZ's entitlement to charge certain periodical payment fees. This new claim is at an early stage.

- **Benchmark/rate actions**

  In March 2016, ASIC commenced court proceedings against ANZ in respect of interbank trading and the bank bill swap rate ("BBSW"). ASIC is seeking declarations and civil penalties for alleged contraventions including alleged market manipulation, unconscionable conduct, misleading or deceptive conduct, and alleged breaches by ANZ of certain statutory obligations as a financial services licensee. ASIC has subsequently initiated similar proceedings against two other Australian banks. ASIC's case against ANZ concerns transactions in the Australian interbank BBSW market in the period from March 2010 to May 2012. ANZ is defending the proceedings. The potential civil penalty or other financial impact is uncertain.

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including ANZ – one action relating to 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, SIBOR, or SOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including ANZ, violated US anti-trust laws, anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. ANZ is defending the proceedings. The matters are at an early stage.

  In February 2017, the South African Competition Commission commenced proceedings against local and international banks including ANZ 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. The matter is at an early stage.

- **Regulatory reviews and customer exposures**

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

- **Security recovery actions**

  Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets over recent years. ANZ will defend these claims.

Subsequent events since the end of the financial period

On April 21, 2017, the Group announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business in Vietnam included approximately $320 million in lending assets and $800 million in deposits as of March 31, 2017. The premium to book value for the sale is not material to the ANZ Group. The transaction is expected to be completed by the end of 2017.

Other than the matter above, there have been no subsequent events for ANZ since the end of the financial period (March 31, 2017) to the date of this U.S. Disclosure Document.

Dividend distribution policy

The Board of Directors of ANZ will determine the amount and timing of dividend distributions to holders of ordinary shares based on the financial performance and financial position of the Group.

ANZ has a Dividend Reinvestment Plan ("DRP") and a Bonus Option Plan ("BOP") that will operate in respect of the 2017 interim dividend. For the 2017 interim dividend, ANZ intends to provide shares under the DRP through an on market purchase and BOP through the issue of new shares. The 'Acquisition Price' to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on May 12, 2017, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZ ordinary shares. Eligibility criteria applies to the participation in the DRP and BOP. In particular, until the Board otherwise determines, participation in the DRP and BOP is not available directly or indirectly to any entity or person, including any legal or beneficial owner of the ordinary shares of ANZBGL, who is (or who is acting on behalf of or for the account or benefit of an entity or person who is) in or resident in the United States of America, its possessions or territories, or in Canada.

Exchange controls

There are currently no general Australian exchange control regulations in force that restrict the payment of dividends, interest or other remittances to holders of our securities. Exchange controls are, however, implemented in Australia from time to time to reflect Australian public policy, and operate to prohibit the entry into certain transactions with specified persons or entities without the consent of the applicable Australian regulatory body. These include the following:

1. The Autonomous Sanctions Regulations 2011 of Australia prohibit dealing with certain "designated persons or entities" by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit. "Designated persons or entities" include:
   (a) persons who have been indicted for an offense by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia, as well as certain supporters of the former Milosevic regime;
   (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
   (c) certain persons or entities associated with the weapons of mass destruction or missiles program of the Democratic People's Republic of Korea (North Korea);
   (d) certain persons associated with the Myanmar regime;
   (e) certain persons or entities who have contributed or are contributing to Iran's nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
   (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya;
   (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; and
   (h) persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.
2. Under Part 4 of the Charter of the United Nations Act 1945 of Australia, the Charter of the United Nations ("Dealing with Assets") Regulations 2008 of Australia provide for sanctions against using or dealing with financial or other assets of persons or entities listed by the Minister for Foreign Affairs in the Commonwealth of Australia Gazette from time to time. Under Part 3 of the Charter of the United Nations Act 1945 of Australia and pursuant to specific regulations, it is prohibited to make certain supplies (which may include financial supplies) in respect of certain countries, including:
   (a) Democratic Republic of the Congo (see the Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008 of Australia);
   (b) Democratic People's Republic of Korea (North Korea) (see the Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008 of Australia);
   (c) Sudan (see the Charter of the United Nations (Sanctions – Sudan) Regulations 2008 of Australia);
   (d) Iran (see the Charter of the United Nations (Sanctions – Iran) Regulations 2016 of Australia);
   (e) Iraq (see the Charter of the United Nations (Sanctions – Iraq) Regulations 2008 of Australia);
   (f) Al-Qaida and the Taliban (see the Charter of the United Nations (Sanctions – Al-Qaida) Regulations 2008 of Australia and the Charter of the United Nations (Sanctions – the Taliban) Regulation 2013 of Australia);
   (g) Somalia (see the Charter of the United Nations (Sanctions – Somalia) Regulations 2008 of Australia);
   (h) Lebanon (see the Charter of the United Nations (Sanctions – Lebanon) Regulations 2008 of Australia);
   (i) Eritrea (see the Charter of the United Nations (Sanctions – Eritrea) Regulations 2010 of Australia);
   (j) Libya (see the Charter of the United Nations (Sanctions – Libya) Regulations 2011 of Australia);
   (k) Central African Republic (see the Charter of the United Nations (Sanctions – Central African Republic) Regulation 2014 of Australia);
   (l) Yemen (see the Charter of the United Nations (Sanctions – Yemen) Regulation 2014 of Australia);
   (m) South Sudan (see the Charter of the United Nations (Sanctions – South Sudan) Regulations 2015 of Australia); and
   (n) Syria (see the Charter of the United Nations (Sanctions – Syria) Regulation 2015 of Australia).
3. Under the AML Act (or, where applicable, the Financial Transaction Reports Act 1988 of Australia), transfer of physical currency or e-currency of A$10,000 (or the foreign equivalent) and above must be reported by certain persons (including ANZ) to AUSTRAC.

Limitations affecting security holders

The following Australian laws impose limitations on the right of persons to hold, own or vote on shares in our company.

- Foreign Acquisitions and Takeovers Act 1975 of Australia

  The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia. The Foreign Acquisitions and Takeovers Act 1975 of Australia applies (subject to certain monetary thresholds) to, among other things, any acquisition or issue of shares which results in either:

  - a foreign person or foreign-controlled corporation alone or together with any associates being in a position to control 20% or more of the voting power or potential voting power or hold any legal or equitable interest in 20% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business; or
  - two or more foreign persons or foreign-controlled corporations, together with any associates of any of those foreign persons or foreign-controlled corporations being in a position to control 40% or more of the voting power or potential voting power or hold any legal or equitable interest in 40% or more of the issues shares or rights to issued shares in a corporation carrying on an Australian business.

    In either of these cases, and in certain other circumstances, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

- Financial Sector (Shareholdings) Act 1998 of Australia

  The Financial Sector (Shareholdings) Act 1998 of Australia prohibits a person (together with their associates, if any), or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person, together with their associates, holding a stake in the company of more than 15%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 15% but only if satisfied that it is in the Australian national interest. No such approvals have been granted in respect of our shares.

- Corporations Act and ASX Listing Rules

  Shareholding restrictions

  Any person acquiring voting shares in a listed company or an unlisted company with more than 50 members is subject to the provisions contained in Chapter 6 of the Corporations Act relating to the acquisition of relevant interests in voting shares. Subject to certain exceptions (and among other prohibitions), section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in such a company if, because of the acquisition, the person's or someone else's voting power in the company increases:

  - from 20% or below to more than 20%; or
  - from a starting point that is above 20% and below 90%.

  One of the exceptions to section 606 allows a person to acquire voting power of an additional 3% in a company if:

  - throughout the six months before the acquisition that person, or any other person, has had voting power in the company of at least 19%; and
  - as a result of the acquisition, neither that person, nor any other person who has had voting power of at least 19% in the preceding six months, would have voting power in the company more than 3% higher than they had six months before the acquisition.

  For the purposes of the Corporations Act, a person's voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a 'relevant interest' as a proportion of the total number of votes attached to all voting shares in the company. Broadly speaking, subject to certain qualifications, a person has a 'relevant interest' in securities if the person is the holder of the securities; has the power to exercise, or control the exercise of, a right to vote attached to the securities; or has the power to dispose of, or control the exercise of a power to dispose of, a security.

  In addition, under the Corporations Act, any person who begins to have or ceases to have, a substantial holding in us, or who already has a substantial holding and there is a movement of at least 1% in their holding, or who makes a takeover bid for our securities, is required to give a notice to us and to ASX Limited providing certain prescribed information, including their name and address and details or their relevant interests in our voting shares. Generally, such notice must be provided within two business days after the person becomes aware of the information.

  The sale of shares may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the shares, or the securities which convert into those shares, being issued without disclosure as required by the Corporations Act.

  Divestment of shares in relation to control transactions

  The Corporations Act also enables persons to compulsorily acquire shares in a company in certain circumstances, including where they obtain a relevant interest in 90% or more of the issued voting shares of a company through a takeover bid or other means. A person may also compulsorily acquire shares pursuant to a court order in connection with a scheme of arrangement under the Corporations Act, following approval of the scheme of arrangement by the requisite number of shareholders at a prior vote.

  The Australian Takeovers Panel also has the ability to make orders requiring persons to divest interests in shares, or to seize shares from persons, or restrict voting rights, where the Takeovers Panel finds (on an application by an interested party) where they make a decision that unacceptable circumstances exist in relation to the affairs of a company that warrant the granting of such an order.

  Restrictions on voting under the Corporations Act and ASX Listing Rules

  The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their associated or related entities from voting at general meetings of the Company in certain circumstances. These restrictions include, to the extent applicable to a shareholder, voting on: related party transactions involving the shareholder; change of control transactions involving the shareholder; capital actions involving the shareholder (including issues of shares requiring shareholder approval, share consolidations, splits and buy-backs); remuneration related resolutions presented to shareholders for approval, and other similar corporate actions.

Other restrictions relating to shares

Australian securities laws impose prohibitions of general application on misconduct in financial markets and dealings relating to financial products in Australia. These laws may prevent a person from acquiring or selling shares in the Company in certain circumstances (for example, where such conduct would constitute “insider trading”).

- Competition and Consumer Act 2010 of Australia

  The Competition and Consumer Act 2010 of Australia regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.

Withholding taxes

Australia imposes withholding taxes on certain payments to recipients outside Australia including certain dividend payments (to the extent such dividends are unfranked) and certain interest payments.

Constitution

The Company’s Constitution was most recently amended on December 17, 2010. There have been no changes to the Constitution subsequently.

Material contracts

There have been no material contracts entered into by the Group in the past two years, other than in the ordinary course of its business, upon which it is substantially dependent.

AASs – Australian Accounting Standards.

AASB – Australian Accounting Standards Board. The term "AASB" is commonly used when identifying Australian Accounting Standards issued by the AASB.

ADI – Authorized Deposit-taking Institution.

APRA – Australian Prudential Regulation Authority.

APS – ADI Prudential Standard.

BCBS – Basel Committee on Banking Supervision.

Collective provision is the provision for credit losses that are inherent in the portfolio but not able to be individually identified. A collective provision is only recognized when a loss event has occurred. Losses expected as a result of future events, no matter how likely, are not recognized.

Covered bonds are bonds issued by an ADI to external investors secured against a pool of the ADI's assets (the cover pool) assigned to a bankruptcy remote special purpose entity. The primary assets forming the cover pool are mortgage loans. The mortgages remain on the issuer's balance sheet. The covered bond holders have dual recourse to the issuer and the cover pool assets. The mortgages included in the cover pool cannot be otherwise pledged or disposed of but may be repurchased and substituted in order to maintain the credit quality of the pool. The Group issues covered bonds as part of its funding activities.

Credit risk is the risk of financial loss resulting from the failure of ANZ's customers and counterparties to honor or perform fully the terms of a loan or contract.

Credit risk weighted assets ("CRWA") represent assets which are weighted for credit risk according to a set formula as prescribed in APS 112/113.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations' debt excluding securitization deposits.

Derivative credit valuation adjustment ("CVA") – Over the life of a derivative instrument, ANZ uses a CVA model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of probability of default, loss given default, expected credit risk exposure and an asset correlation factor. Impaired derivatives are also subject to a CVA.

Dividend payout ratio is the total ordinary dividend payment divided by profit attributable to shareholders of the Company, adjusted for the amount of preference share dividends paid.

Gross loans and advances ("GLA") is made up of loans and advances, acceptances and capitalized brokerage/mortgage origination fees less unearned income.

IFRS – International Financial Reporting Standards.

Impaired assets are those financial assets where doubt exists as to whether the full contractual amount will be received in a timely manner, or where concessional terms have been provided because of the financial difficulties of the customer. Financial assets are impaired if there is objective evidence of impairment as a result of a loss event that occurred prior to the reporting date, and that loss event has had an impact, which can be reliably estimated, on the expected future cash flows of the individual asset or portfolio of assets.

Impaired loans comprise drawn facilities where the customer's status is defined as impaired.

Individual provision is the amount of expected credit losses on financial instruments assessed for impairment on an individual basis (as opposed to on a collective basis). It takes into account expected cash flows over the lives of those financial instruments.

Interest rate risk in the banking book ("IRRBB") relates to the potential adverse impact of changes in market interest rates on ANZ's future net interest income. The risk generally arises from:

1. Repricing and yield curve risk - the risk to earnings or market value as a result of changes in the overall level of interest rates and/or the relativity of these rates across the yield curve;
2. Basis risk - the risk to earnings or market value arising from volatility in the interest margin applicable to banking book items; and
3. Optionality risk - the risk to earnings or market value arising from the existence of stand-alone or embedded options in banking book items.

Internationally comparable ratios are ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel 3: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006). They also include differences identified in APRA's information paper entitled International Capital Comparison Study (July 13, 2015).

Net interest margin ("NIM") is net interest income as a percentage of average interest earning assets.

Net loans and advances represent gross loans and advances less provisions for credit impairment.

Operating expenses include personnel expenses, premises expenses, technology expenses, restructuring expenses, and other operating expenses (excluding credit impairment charges).

Operating income includes net interest income, net fee and commission income, net funds management and insurance income, share of associates' profit and other income.

Restructured items comprise facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.

Return on average assets is the profit attributable to shareholders of the Company, adjusted for the amount of preference share dividends paid, divided by average total assets.

Return on average ordinary shareholders' equity is the profit attributable to shareholders of the Company, adjusted for the amount of preference share dividends paid, divided by average ordinary shareholders' equity.

Risk weighted assets ("RWA") – Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non-asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.

Settlement balances owed to / by ANZ represent financial assets and/or liabilities which are in the course of being settled. These may include trade dated assets and liabilities, nostro / vostro accounts and securities settlement accounts.

Annex: Condensed Consolidated Financial Statements for the half year ended March 31, 2017

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal half year ended March 31, 2017

CONTENTS	*PAGE*

The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2017.

Directors

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

Mr DM Gonski, AC	Chairman
Mr SC Elliott	Director and Chief Executive Officer
Ms IR Atlas	Director
Ms PJ Dwyer	Director
Ms SJ Halton, AO, PSM	Director, appointed 21 October 2016
Mr Lee Hsien Yang	Director
Mr GR Liebelt	Director
Mr IJ Macfarlane, AC	Director, retired on 16 December 2016
Mr JT Macfarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $2,911 million. Further details are contained in Group Results on pages 17 to 41 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 17 to 41 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 103 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 21 April 2017, the Group announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business in Vietnam included approximately $320 million in lending assets and $800 million in deposits as at 31 March 2017. The premium to book value for the sale is not material to the ANZ Group. The transaction is expected to be completed by the end of 2017.

Other than the matter above, there have been no significant events from 31 March 2017 to the date of signing of this report.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

1 May 2017

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Interest income		**14,426**	14,861	15,090	-3%	-4%
Interest expense		**(7,010)**	(7,334)	(7,522)	-4%	-7%
Net interest income	2	**7,416**	7,527	7,568	-1%	-2%
Other operating income[1]	2	**1,711**	1,598	1,548	7%	11%
Net funds management and insurance income	2	**696**	907	857	-23%	-19%
Share of associates' profit	2,17	**173**	240	301	-28%	-43%
Operating income		**9,996**	10,272	10,274	-3%	-3%
Operating expenses[1]	3	**(4,731)**	(4,951)	(5,488)	-4%	-14%
Profit before credit impairment and income tax		**5,265**	5,321	4,786	-1%	10%
Credit impairment charge	9	**(719)**	(1,025)	(904)	-30%	-20%
Profit before income tax		**4,546**	4,296	3,882	6%	17%
Income tax expense	4	**(1,627)**	(1,318)	(1,140)	23%	43%
Profit for the period		**2,919**	2,978	2,742	-2%	6%
Comprising:						
Profit attributable to non-controlling interests		**8**	7	4	14%	100%
Profit attributable to shareholders of the Company		**2,911**	2,971	2,738	-2%	6%
Earnings per ordinary share (cents)						
Basic	6	**100.2**	102.6	94.8	-2%	6%
Diluted	6	**96.7**	98.3	89.7	-2%	8%
Dividend per ordinary share (cents)	5	**80**	80	80	0%	0%

1. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated (Sep16 half: $8 million; Mar16 half: $9 million).*

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Profit for the period	**2,919**	2,978	2,742	-2%	6%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss	**20**	(73)	5	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
Exchange differences taken to equity[1]	**(689)**	559	(1,015)	large	-32%
Exchange differences transferred to income statement	**-**	-	(126)	n/a	-100%
Other reserve movements	**(263)**	117	(56)	large	large
Share of associates' other comprehensive income[2]	**2**	10	(6)	-80%	large
Other comprehensive income net of tax	**(930)**	613	(1,198)	large	-22%
Total comprehensive income for the period	**1,989**	3,591	1,544	-45%	29%
Comprising total comprehensive income attributable to:					
Non-controlling interests	**9**	8	(4)	13%	large
Shareholders of the Company	**1,980**	3,583	1,548	-45%	28%

1. *Includes foreign currency translation differences attributable to non-controlling interests of $1 million gain (Sep 16 half: $1 million gain; Mar 16 half: $8 million loss).*
2. *Share of associates' other comprehensive income includes an available for sale revaluation reserve loss of $4 million (Sep 16 half: $21 million gain; Mar 16 half: $11 million loss) and a foreign currency translation reserve gain of $6 million (Sep 16 half: $5 million loss; Mar 16 half: $5 million gain) that may be reclassified subsequently to profit or loss, and the remeasurement of defined benefit plans of $nil (Sep 16 half: $6 million loss; Mar 16 half: nil) that will not be reclassified subsequently to profit or loss.*

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at			Movement	
Assets	**Note**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Cash		**56,419**	48,675	49,144	16%	15%
Settlement balances owed to ANZ		**21,696**	21,951	26,048	-1%	-17%
Collateral paid		**11,179**	12,723	12,783	-12%	-13%
Trading securities		**44,085**	47,188	50,073	-7%	-12%
Derivative financial instruments		**63,882**	87,496	88,747	-27%	-28%
Available for sale assets		**64,685**	63,113	50,377	2%	28%
Net loans and advances	8	**564,035**	575,852	561,768	-2%	0%
Regulatory deposits		**2,154**	2,296	2,135	-6%	1%
Assets held for sale	11	**14,145**	-	-	n/a	n/a
Investment in associates		**2,286**	4,272	4,213	-46%	-46%
Current tax assets		**242**	126	289	92%	-16%
Deferred tax assets		**572**	623	578	-8%	-1%
Goodwill and other intangible assets		**7,053**	7,672	7,585	-8%	-7%
Investments backing policy liabilities		**37,602**	35,656	34,541	5%	9%
Premises and equipment		**1,979**	2,205	2,188	-10%	-10%
Other Assets		**4,497**	5,021	4,809	-10%	-6%
Total assets		**896,511**	914,869	895,278	-2%	0%
Liabilities						
Settlement balances owed by ANZ		**9,736**	10,625	13,626	-8%	-29%
Collateral received		**5,189**	6,386	6,615	-19%	-22%
Deposits and other borrowings	10	**581,407**	588,195	578,071	-1%	1%
Derivative financial instruments		**65,050**	88,725	91,706	-27%	-29%
Current tax liabilities		**185**	188	129	-2%	43%
Deferred tax liabilities		**224**	227	286	-1%	-22%
Liabilities held for sale	11	**17,166**	-	-	n/a	n/a
Policy liabilities		**37,111**	36,145	35,159	3%	6%
External unit holder liabilities (life insurance funds)		**4,227**	3,333	3,265	27%	29%
Provisions		**1,179**	1,209	1,202	-2%	-2%
Payables and other liabilities		**8,054**	8,865	9,251	-9%	-13%
Debt issuances		**88,778**	91,080	81,947	-3%	8%
Subordinated debt	12	**20,297**	21,964	17,557	-8%	16%
Total liabilities		**838,603**	856,942	838,814	-2%	0%
Net assets		**57,908**	57,927	56,464	0%	3%
Shareholders' equity						
Ordinary share capital		**29,036**	28,765	28,625	1%	1%
Reserves		**115**	1,078	377	-89%	-69%
Retained earnings		**28,640**	27,975	27,361	2%	5%
Share capital and reserves attributable to shareholders of the Company	15	**57,791**	57,818	56,363	0%	3%
Non-controlling interests	15	**117**	109	101	7%	16%
Total shareholders' equity	15	**57,908**	57,927	56,464	0%	3%

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year		
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Profit after income tax	**2,911**	2,971	2,738
Adjustments to reconcile to net cash provided by/(used in) operating activities			
Provision for credit impairment	**719**	1,025	904
Depreciation and amortisation	**504**	465	1,010
(Profit)/loss on sale of premises and equipment	**(114)**	6	(10)
Net derivatives/foreign exchange adjustment	**(1,576)**	(1,691)	257
Impairment of investment in AmBank	**-**	-	260
Profit on Esanda Dealer Finance divestment	**-**	-	(66)
Reclassification of SRCB to held for sale	**230**	-	-
Reclassification of Asia Retail & Wealth to held for sale	**324**	-	-
Other non-cash movements	**(85)**	(106)	(232)
Net (increase)/decrease in operating assets:			
Trading securities	**4,075**	2,492	(2,160)
Collateral paid	**1,468**	279	(3,462)
Net loans and advances	**(6,414)**	(8,357)	(6,440)
Investments backing policy liabilities	**(1,450)**	(1,678)	(384)
Other assets	**50**	215	(656)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**16,089**	2,845	20,283
Settlement balances owed by ANZ	**(831)**	(3,106)	2,517
Collateral received	**(1,174)**	(283)	(744)
Life insurance contract policy liabilities	**1,436**	1,566	355
Other liabilities	**(1,002)**	2,763	(2,735)
Total adjustments	**12,249**	(3,565)	8,697
Net cash provided by/(used in) operating activities[1]	**15,160**	(594)	11,435
Cash flows from investing activities			
Available for sale assets			
Purchases	**(14,495)**	(22,696)	(21,486)
Proceeds from sale or maturity	**12,527**	10,288	13,457
Premises and equipment			
Purchases	**(117)**	(151)	(186)
Proceeds from sale	**271**	(20)	37
Esanda Dealer Finance divestment	**-**	-	6,682
Other assets	**98**	(640)	305
Net cash (used in) investing activities	**(1,716)**	(13,219)	(1,191)
Cash flows from financing activities			
Debt issuances			
Issue proceeds	**15,371**	18,593	10,611
Redemptions	**(15,045)**	(11,143)	(16,816)
Subordinated debt			
Issue proceeds	**-**	5,234	943
Redemptions	**(1,069)**	(900)	-
Dividends paid	**(2,087)**	(2,079)	(2,485)
Net cash (used in) / provided by financing activities	**(2,830)**	9,705	(7,747)
Net increase in cash and cash equivalents	**10,614**	(4,108)	2,497
Cash and cash equivalents at beginning of period	**66,220**	68,711	69,278
Effects of exchange rate changes on cash and cash equivalents	**(1,649)**	1,617	(3,064)
Cash and cash equivalents at end of period	**75,185**	66,220	68,711
Cash and cash equivalents is reflected in the related items in the Balance Sheet as follows:			
Cash	**56,419**	48,675	49,144
Settlement balances owed to ANZ	**18,766**	17,545	19,567

1. Net cash provided by/(used in) operating activities includes income taxes paid of $1,497 million (Sep 16: $1,285 million; Mar 16 $1,555 million).

The notes appearing on pages 80 to 101 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 2015	28,367	1,571	27,309	**57,247**	106	**57,353**
Profit or loss	-	-	2,738	**2,738**	4	**2,742**
Other comprehensive income for the period	-	(1,195)	5	**(1,190)**	(8)	**(1,198)**
Total comprehensive income for the period	-	(1,195)	2,743	**1,548**	(4)	**1,544**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,711)	**(2,711)**	(1)	**(2,712)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Dividend reinvestment plan	215	-	-	**215**	-	**215**
Other equity movements:						
Treasury shares Wealth adjustment	(13)	-	-	**(13)**	-	**(13)**
Other items	56	1	8	**65**	-	**65**
As at 31 March 2016	28,625	377	27,361	**56,363**	101	**56,464**
Profit or loss	-	-	2,971	**2,971**	7	**2,978**
Other comprehensive income for the period	-	691	(79)	**612**	1	**613**
Total comprehensive income for the period	-	691	2,892	**3,583**	8	**3,591**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,290)	**(2,290)**	-	**(2,290)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Dividend reinvestment plan	198	-	-	**198**	-	**198**
Other equity movements:						
Treasury shares Wealth adjustment	(140)	-	-	**(140)**	-	**(140)**
Other items	82	10	-	**92**	-	**92**
As at 30 September 2016	28,765	1,078	27,975	**57,818**	109	**57,927**
Profit or loss	-	-	2,911	**2,911**	8	**2,919**
Other comprehensive income for the period	-	(951)	20	**(931)**	1	**(930)**
Total comprehensive income for the period	-	(951)	2,931	**1,980**	9	**1,989**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,300)	**(2,300)**	(1)	**(2,301)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	14	**14**	-	**14**
Dividend reinvestment plan	199	-	-	**199**	-	**199**
Other equity movements:						
Treasury shares Wealth adjustment	71	-	-	**71**	-	**71**
Other items	1	(12)	20	**9**	-	**9**
As at 31 March 2017	**29,036**	**115**	**28,640**	57,791	**117**	57,908

The notes appearing on pages 80 to 101 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 2016 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2017 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 Statements;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 1 May 2017.

i) Statement of Compliance

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

ii) Accounting policies

Except as outlined below, 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 2016 ANZ Annual Financial Statements.

Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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 hedging, the fair value adjustment on the underlying hedged exposure;
- available for sale financial assets;
- financial instruments held for trading;
- assets and liabilities designated at fair value through profit and loss; and
- assets and liabilities held for sale (except those at carrying value as per note (ii)).

In accordance with AASB 1038 *Life Insurance Contracts*, life insurance liabilities are measured using the Margin on Services model.

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

iv) Use of estimates, assumptions and judgments

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 covered in Note 2 of the 2016 Annual Financial Statements. Such estimates and judgements are reviewed on an ongoing basis.

At 31 March 2017, 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 the carrying value was supported by their value in use (VIU).

The VIU calculation is sensitive to a number of key assumptions, including discount rate, long term growth rates, future profitability and capital levels. The key assumptions used in the value in use calculations are outlined below:

	As at 31 Mar 17	
	AmBank	**PT Panin**
Pre-tax discount rate	9.5%	13.4%
Terminal growth rate	5.0%	6.0%
Expected NPAT growth (compound annual growth rate – 5 years)	5.3%	9.6%
Core equity tier 1 ratio	10% to 12.6%	11.3%

v) 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.

vi) New accounting standards not yet effective

The following accounting standards relevant to the Group have been issued but are not yet effective and have not been applied in these Condensed Consolidated Financial Statements:

AASB 9 Financial Instruments ('AASB 9')

The Australian Accounting Standards Board (AASB) issued the final version of AASB 9 in December 2014. When operative, this standard will replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks.

AASB 9 is not mandatorily effective for the Group until 1 October 2018. The Group is in the process of assessing the impact of application of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements.

The Group early adopted, in isolation, the part of AASB 9 relating to gains and losses attributable to changes in own credit risk of financial liabilities designated as fair value through profit or loss effective from 1 October 2013.

AASB 15 Revenue from Contracts with Customers ('AASB 15')

The AASB issued the final version of AASB 15 in December 2014. The standard is not mandatorily effective for the Group until 1 October 2018. AASB 15 contains new requirements for the recognition of revenue and additional disclosures about revenue.

While it is expected that a significant proportion of the Group's revenue will be outside the scope of AASB 15, the Group is in the process of assessing the impact of application of AASB 15 and is not yet able to reasonably estimate the impact on its financial statements.

AASB 16 Leases ('AASB 16')

The AASB issued the final version of AASB 16 in February 2016. The standard is not mandatorily effective for the Group until 1 October 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is in the process of assessing the impact of AASB 16 and is not yet able to reasonably estimate the impact on its financial statements.

2. Income

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Interest income	**14,426**	14,861	15,090	-3%	-4%
Interest expense	**(7,010)**	(7,334)	(7,522)	-4%	-7%
Net interest income	**7,416**	7,527	7,568	-1%	-2%
i) Fee and commission income					
Lending fees[1]	**369**	388	391	-5%	-6%
Non-lending fees and commissions[2]	**1,518**	1,468	1,460	3%	4%
Total fee and commission income	**1,887**	1,856	1,851	2%	2%
Fee and commission expense[3]	**(661)**	(588)	(574)	12%	15%
Net fee and commission income[3]	**1,226**	1,268	1,277	-3%	-4%
ii) Net funds management and insurance income					
Funds management income	**472**	486	446	-3%	6%
Investment income	**1,608**	1,880	470	-14%	large
Insurance premium income	**812**	782	780	4%	4%
Commission (expense)	**(260)**	(265)	(192)	-2%	35%
Claims	**(380)**	(376)	(358)	1%	6%
Changes in policy liabilities[4]	**(1,474)**	(1,520)	(323)	-3%	large
Elimination of treasury share (gain)/loss	**(82)**	(80)	34	3%	large
Total net funds management and insurance income	**696**	907	857	-23%	-19%
iii) Share of associates' profit	**173**	240	301	-28%	-43%
iv) Other income					
Net foreign exchange earnings and other financial instruments income	**867**	502	365	73%	large
Impairment of AmBank	**-**	-	(260)	n/a	-100%
Gain on cessation of equity accounting of investment in Bank of Tianjin (BoT)	**-**	-	29	n/a	-100%
Gain on the Esanda Dealer Finance divestment	**-**	-	66	n/a	-100%
Derivative CVA methodology change	**-**	(237)	-	-100%	n/a
Reclassification of Asia Retail & Wealth to held for sale	**(324)**	-	-	n/a	n/a
Gain on sale of 100 Queen Street, Melbourne	**114**	-	-	n/a	n/a
Reclassification of SRCB to held for sale	**(230)**	-	-	n/a	n/a
Other[5]	**58**	65	71	-11%	-18%
Total other income[6]	**485**	330	271	47%	79%
Total other operating income[7]	**2,580**	2,745	2,706	-6%	-5%
Total income	**17,006**	17,606	17,796	-3%	-4%

1. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
2. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated accordingly (Sep 16 half: $8 million; Mar 16 half: $9 million).*
3. *Includes interchange fees paid.*
4. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the super contributions made by members) debited to the policyholder account once a year in July when the statement is issued to the members at the end of the 30 June financial year.*
5. *Other includes Brokerage income that was presented as a separate category for 2016 financial reporting.*
6. *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 and loss.*
7. *Total other operating income includes external dividend income of nil (Sep 16 half: $27.3 million; Mar 16 half: nil).*

3. Operating expenses

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Personnel					
Salaries and related costs	**2,329**	2,412	2,467	-3%	-6%
Superannuation costs	**163**	168	169	-3%	-4%
Other	**156**	160	165	-3%	-5%
Total personnel expenses	**2,648**	2,740	2,801	-3%	-5%
Premises					
Rent	**248**	240	245	3%	1%
Other	**209**	230	213	-9%	-2%
Total premises expenses	**457**	470	458	-3%	0%
Technology					
Depreciation and amortisation[1]	**376**	328	870	15%	-57%
Licences and outsourced services[2]	**303**	330	284	-8%	7%
Other	**152**	176	179	-14%	-15%
Total technology expenses	**831**	834	1,333	0%	-38%
Restructuring	**36**	140	138	-74%	-74%
Other					
Advertising and public relations	**123**	129	132	-5%	-7%
Professional fees	**189**	227	186	-17%	2%
Freight, stationery, postage and telephone	**132**	142	135	-7%	-2%
Other	**315**	269	305	17%	3%
Total other expenses	**759**	767	758	-1%	0%
Total operating expenses	**4,731**	4,951	5,488	-4%	-14%

1. *The March 2016 half includes a $556 million charge for accelerated amortisation associated with software capitalisation policy changes.*
2. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from operating income to other operating expenses to more accurately reflect the nature of these items. Comparatives have been restated accordingly (Sep 16 half: $8 million; Mar 16 half: $9 million).*

4. Income tax expense

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the Income Statement.

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Profit before income tax	**4,546**	4,296	3,882	6%	17%
Prima facie income tax expense at 30%	**1,364**	1,288	1,165	6%	17%
Tax effect of permanent differences:					
Overseas tax rate differential	**(5)**	(20)	(25)	-75%	-80%
Share of associates' profit	**(52)**	(72)	(90)	-28%	-42%
Wealth Australia - policyholders income and contributions tax	**113**	129	23	-12%	large
Write down of investment in AmBank	**-**	-	78	n/a	-100%
Reclassification of SRCB to held for sale	**156**	-	-	n/a	n/a
Gain on cessation of equity accounting for BoT	**-**	-	(9)	n/a	-100%
Tax provisions no longer required	**-**	(43)	(28)	-100%	-100%
Interest on Convertible Instruments	**35**	35	35	0%	0%
Other	**17**	14	1	21%	large
	1,628	1,331	1,150	22%	42%
Income tax under/(over) provided in previous years	**(1)**	(13)	(10)	-92%	-90%
Total income tax expense charged in the income statement	**1,627**	1,318	1,140	23%	43%
Australia	**1,190**	953	799	25%	49%
Overseas	**437**	365	341	20%	28%
	1,627	1,318	1,140	23%	43%
Effective Tax Rate - Group	**35.8%**	30.7%	29.4%		

5. Dividends

	Half Year			Movement	
Dividend per ordinary share (cents)	**Mar 17**	**Sep 16**	**Mar 16**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Interim (fully franked)	**80**	-	80	n/a	0%
Final (fully franked)	**-**	80	-	n/a	n/a
Total	**80**	80	80	0%	0%
Ordinary share dividend ($M)[1]					
Interim dividend	**-**	2,334	-	n/a	n/a
Final dividend	**2,342**	-	2,758	n/a	-15%
Bonus option plan adjustment	**(42)**	(44)	(47)	-5%	-11%
Total	**2,300**	2,290	2,711	0%	-15%
Ordinary share dividend payout ratio (%)[2]	**80.7%**	78.8%	85.2%		

1. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders for the March 2017 half of $1.3 million (Sep 16 half: nil; Mar 16 half: $1.4 million).*
2. *Dividend payout ratio is calculated using the proposed 2017 interim dividend of $2,349 million (not shown in the above table). The proposed 2017 interim dividend of $2,349 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September and March 2016 half year are calculated using actual dividends paid of $2,342 million and $2,334 million respectively.*

Ordinary Shares

The Directors propose that an interim dividend of 80 cents be paid on each eligible fully paid ANZ ordinary share on 3 July 2017. The proposed 2017 interim dividend will be fully franked for Australian tax purposes, and New Zealand imputation credits of NZ 9 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 2017 interim dividend. For the 2017 interim dividend, ANZ intends to neutralise shares issued under the DRP by acquiring an equivalent number of shares on market (as approved by APRA). The “Acquisition Price” to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on 12 May 2017, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZ ordinary shares. Election notices from shareholders wanting to commence, cease or vary their participation in the DRP or BOP for the 2017 interim dividend must be received by ANZ's Share Registrar by 5.00pm (Australian Eastern Standard Time) on 10 May 2017.

Subject to receiving effective contrary instructions from the shareholder, dividends payable to shareholders with a registered address in the United Kingdom (including the Channel Islands and the Isle of Man) or New Zealand will be converted to Pounds Sterling or New Zealand Dollars respectively at an exchange rate calculated on 12 May 2017.

6. Earnings per share

	Half Year			Movement	
	Mar 17	**Sep 16**	**Mar 16**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Earnings reconciliation					
Profit for the period ($M)	**2,919**	2,978	2,742	-2%	6%
Less: profit attributable to non-controlling interests ($M)	**8**	7	4	14%	100%
Earnings used in calculating basic earnings per share ($M)	**2,911**	2,971	2,738	-2%	6%
Weighted average number of ordinary shares (M)[1]	**2,906.6**	2,894.7	2,889.3	0%	1%
Basic earnings per share (cents)	**100.2**	102.6	94.8	-2%	6%
Earnings reconciliation					
Earnings used in calculating basic earnings per share ($M)	**2,911**	2,971	2,738	-2%	6%
Add: interest on convertible subordinated debt ($M)	**148**	150	147	-1%	1%
Earnings used in calculating diluted earnings per share ($M)	**3,059**	3,121	2,885	-2%	6%
Weighted average number of shares on issue[1]					
Shares used in calculating basic earnings per share (M)	**2,906.6**	2,894.7	2,889.3	0%	1%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**247.1**	274.3	321.2	-10%	-23%
Share based payments (options, rights and deferred shares) (M)	**10.0**	6.7	6.9	49%	45%
Adjusted weighted average number of shares - diluted (M)	**3,163.7**	3,175.7	3,217.4	0%	-2%
Diluted earnings per share (cents)	**96.7**	98.3	89.7	-2%	8%

1. *Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST and Wealth Australia as summarised in the table below:*

	Mar 17 (Million)	*Sep 16 (Million)*	*Mar 16 (Million)*
ANZEST Pty Ltd	*8.8*	*10.9*	*10.7*
Wealth Australia	*17.1*	*16.9*	*12.1*
Total treasury shares	*25.9*	*27.8*	*22.8*

7. Segment analysis

(i) Description of segments

During the March 2017 half, the Group made changes to the Group's operating model for technology, operations and shared services to accelerate delivery of its technology and digital roadmap, bring operations closer to its customers and continue operational efficiency gains. As a result of these organisational changes, divisional operations from Technology, Services & Operations ("TSO") and Group Centre have been realigned to divisions. The residual TSO and Group Centre now contains Technology, Group Hubs, Enterprise Services and Group Property, and Group Centre. The Group operates on a divisional structure with six divisions: Australia, New Zealand, Institutional, Asia Retail & Pacific, Wealth Australia and Technology, Services and Operations and Group Centre. For further information on the composition of divisions refer to the Definitions on page 119.

Other than the changes described above, there have been no other significant structural changes in the March 2017 half. However, certain prior period comparatives have been restated to align with current period presentation. The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

(ii) Operating segments

	Half Year			Movement	
Operating Income	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia	**4,735**	4,722	4,686	0%	1%
Institutional	**2,945**	2,464	2,716	20%	8%
New Zealand	**1,577**	1,571	1,521	0%	4%
Wealth Australia	**544**	610	645	-11%	-16%
Asia Retail & Pacific[1]	**192**	582	594	-67%	-68%
TSO and Group Centre[2]	**310**	320	163	-3%	90%
Subtotal	**10,303**	10,269	10,325	0%	0%
Other[3]	**(307)**	3	(51)	large	large
Group total	**9,996**	10,272	10,274	-3%	-3%

	Half Year			Movement	
Profit	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia	**1,798**	1,778	1,769	1%	2%
Institutional	**1,021**	408	633	large	61%
New Zealand	**677**	622	646	9%	5%
Wealth Australia	**123**	157	167	-22%	-26%
Asia Retail & Pacific[1]	**(217)**	99	60	large	large
TSO and Group Centre[2]	**9**	43	(493)	-79%	large
Subtotal	**3,411**	3,107	2,782	10%	23%
Other[3]	**(500)**	(136)	(44)	large	large
Group total	**2,911**	2,971	2,738	-2%	6%

1. *Includes $324 million of charges related to the reclassification of Asia Retail & Wealth businesses to held for sale in the March 2017 half.*
2. *Includes a $260 million impairment of the investment in AmBank, a $66 million gain on the Esanda Dealer Finance divestment, and the $29 million gain on cessation of equity accounting of BoT in the March 2016 half. The March 2017 half includes the $114 million gain on sale of 100 Queen Street, Melbourne.*
3. *In evaluating the performance of the operating divisions, certain items are removed from the operating division results where they are not considered integral to the ongoing performance of the segment and are evaluated separately.*

(iii) Other items

The table below sets out the profit after tax impact of other items.

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Treasury shares adjustment	Wealth	**(76)**	(73)	29	4%	large
Revaluation of policy liabilities	Wealth	**(36)**	40	14	large	large
Economic hedges	Institutional, TSO and Group Centre	**(178)**	26	(128)	large	39%
Revenue hedges	TSO and Group Centre	**105**	(131)	39	large	large
Structured credit intermediation trades	Institutional	**1**	2	2	-50%	-50%
Reclassification of SRCB to held for sale	TSO and Group Centre	**(316)**	-	-	n/a	n/a
Total profit after tax		**(500)**	(136)	(44)	large	large

8. Net loans and advances

	As at			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia					
Overdrafts	**5,786**	6,248	6,175	-7%	-6%
Credit cards outstanding	**8,846**	8,864	8,872	0%	0%
Commercial bills outstanding	**9,232**	9,868	10,439	-6%	-12%
Term loans - housing	**255,721**	246,351	242,426	4%	5%
Term loans - non-housing	**123,464**	123,006	118,456	0%	4%
Lease receivables	**1,084**	1,158	1,255	-6%	-14%
Hire purchase contracts	**641**	829	957	-23%	-33%
Other	**415**	81	255	large	63%
Total Australia	**405,189**	396,405	388,835	2%	4%
Asia Pacific, Europe & America					
Overdrafts	**743**	825	1,175	-10%	-37%
Credit cards outstanding	**1,351**	1,396	1,446	-3%	-7%
Commercial bills outstanding	**2,065**	2,724	2,692	-24%	-23%
Term loans - housing	**6,501**	6,866	7,226	-5%	-10%
Term loans - non-housing	**50,066**	54,567	56,429	-8%	-11%
Lease receivables	**163**	232	254	-30%	-36%
Other	**320**	448	341	-29%	-6%
Total Asia Pacific, Europe & America	**61,209**	67,058	69,563	-9%	-12%
New Zealand					
Overdrafts	**1,158**	1,080	1,017	7%	14%
Credit cards outstanding	**1,503**	1,586	1,517	-5%	-1%
Term loans - housing	**68,592**	69,927	63,649	-2%	8%
Term loans - non-housing	**40,247**	41,625	39,003	-3%	3%
Lease receivables	**198**	215	206	-8%	-4%
Hire purchase contracts	**1,115**	1,048	901	6%	24%
Total New Zealand	**112,813**	115,481	106,293	-2%	6%
Sub-total	**579,211**	578,944	564,691	0%	3%
Unearned income	**(458)**	(544)	(596)	-16%	-23%
Capitalised brokerage/mortgage origination fees[1]	**1,040**	1,064	1,013	-2%	3%
Customer liability for acceptances	**565**	571	760	-1%	-26%
Gross loans and advances (including assets classified as held for sale)	**580,358**	580,035	565,868	0%	3%
Provision for credit impairment (refer to Note 9)	**(4,054)**	(4,183)	(4,100)	-3%	-1%
Net loans and advances (including assets classified as held for sale)	**576,304**	575,852	561,768	0%	3%
Net loans and advances held for sale (refer to Note 11)	**(12,269)**	-	-	n/a	n/a
Net loans and advances	**564,035**	575,852	561,768	-2%	0%

1. *Capitalised brokerage/mortgage origination fees are amortised over the expected life of the loan.*

9. Provision for credit impairment

	Half Year			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Individual provision					
Balance at start of period	**1,307**	1,238	1,061	6%	23%
New and increased provisions	**1,121**	1,308	1,137	-14%	-1%
Write-backs	**(221)**	(151)	(160)	46%	38%
Adjustment for exchange rate fluctuations and transfers	**(12)**	17	(26)	large	-54%
Discount unwind	**(24)**	(39)	(26)	-38%	-8%
Bad debts written-off	**(902)**	(1,066)	(656)	-15%	38%
Esanda Dealer Finance divestment	**-**	-	(92)	n/a	-100%
Total individual provision[2]	**1,269**	1,307	1,238	-3%	3%
Collective provision					
Balance at start of period	**2,876**	2,862	2,956	0%	-3%
Charge/(release) to income statement	**(67)**	(9)	26	large	large
Adjustment for exchange rate fluctuations and transfers	**(24)**	28	(47)	large	-49%
Esanda Dealer Finance divestment	**-**	(5)	(73)	-100%	-100%
Total collective provision[1,2]	**2,785**	2,876	2,862	-3%	-3%
Total provision for credit impairment	**4,054**	4,183	4,100	-3%	-1%

1. *The collective provision includes amounts for off-balance sheet credit exposures of $574 million as at 31 March 2017 (Sep 2016: $631 million; Mar 2016: $663 million). The impact on the income statement for the half year ended 31 March 2017 was a $46 million release (Sep 2016 half: $35 million release; Mar 2016 half: $3 million charge).*
2. *Includes credit impairment provisions related to assets held for sale as at 31 March 2017 (Individual provision $6 million; Collective provision $155 million).*

	Half Year			Movement	
Provision movement analysis	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
New and increased individual provisions	**1,121**	1,308	1,137	-14%	-1%
Write-backs	**(221)**	(151)	(160)	46%	38%
	900	1,157	977	-22%	-8%
Recoveries of amounts previously written-off	**(114)**	(123)	(99)	-7%	15%
Individual credit impairment charge	**786**	1,034	878	-24%	-10%
Collective credit impairment charge/(release)	**(67)**	(9)	26	large	large
Credit impairment charge	**719**	1,025	904	-30%	-20%

10. Deposits and other borrowings

	As at			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia					
Certificates of deposit	**51,875**	52,295	56,513	-1%	-8%
Term deposits	**72,471**	69,740	68,427	4%	6%
On demand and short term deposits	**179,928**	169,773	169,268	6%	6%
Deposits not bearing interest	**9,268**	8,729	8,116	6%	14%
Deposits from banks	**34,580**	34,368	24,532	1%	41%
Commercial paper	**6,786**	13,842	15,106	-51%	-55%
Securities sold under repurchase agreements	**3,244**	151	653	large	large
Total Australia	**358,152**	348,898	342,615	3%	5%
Asia Pacific, Europe & America					
Certificates of deposit	**4,629**	7,001	6,888	-34%	-33%
Term deposits	**90,449**	84,583	90,112	7%	0%
On demand and short term deposits	**23,468**	24,968	25,010	-6%	-6%
Deposits not bearing interest	**4,650**	4,745	4,586	-2%	1%
Deposits from banks	**24,401**	22,837	19,340	7%	26%
Commercial paper	**-**	393	1,045	-100%	-100%
Securities sold under repurchase agreements	**364**	330	495	10%	-26%
Total Asia Pacific, Europe & America	**147,961**	144,857	147,476	2%	0%
New Zealand					
Certificates of deposit	**924**	2,133	1,675	-57%	-45%
Term deposits	**40,236**	37,824	33,871	6%	19%
On demand and short term deposits	**38,762**	40,360	39,276	-4%	-1%
Deposits not bearing interest	**7,832**	7,418	6,552	6%	20%
Deposits from banks	**662**	73	127	large	large
Commercial paper	**2,696**	5,114	4,913	-47%	-45%
Borrowing corporation debt	**1,192**	1,518	1,566	-21%	-24%
Total New Zealand	**92,304**	94,440	87,980	-2%	5%
Total deposits and other borrowings (including liabilities classified as held for sale)	**598,417**	588,195	578,071	2%	4%
Deposits and other borrowings held for sale (refer to Note 11)	**(17,010)**	-	-	n/a	n/a
Total deposits and other borrowings	**581,407**	588,195	578,071	-1%	1%

11. Disposal groups held for sale

The Group announced the following strategic divestments in line with the Group's strategy to simplify the businesses and improve capital efficiency. Accordingly, they are presented as disposal groups held for sale.

- **Asia Retail & Wealth Businesses**

  On 31 October 2016, the Group announced that it had agreed to sell Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to Singapore's DBS Bank. Subject to regulatory approval, the Group expects the sale to be completed in stages throughout 2017 and early 2018. This business is part of the Asia Retail and Pacific division.

- **UDC Finance**

  On 11 January 2017, the Group announced that it had agreed to sell UDC Finance to HNA Group. Completion is expected late in the second half of the 2017 calendar year. The sale is subject to closing steps and conditions including engaging with investors on the replacement of the Secured Investment program and regulatory approvals. This business is part of the New Zealand division.

- **Shanghai Rural Commercial Bank**

  On 3 January 2017, the Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB) to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited. This agreement will see COSCO and Sino-Poland Enterprise each acquire 10% of SRCB. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed by mid-2017. This business is part of the Technology, Services & Operations (TSO) and Group Centre division.

Impairment losses and other charges relating to the disposal group

During the March 2017 half, the Group recognised the following charges from the reclassification of assets and liabilities to held for sale:

- $324 million of charges relating to the sale of Group's Retail and Wealth businesses in Asia comprising of $225 million of software, goodwill and other assets impairment charges and $99 million of various other charges.
- $316 million of charges relating to the Group's investment in SRCB comprising of a $219 million impairment to the investment, $11 million of foreign exchange losses, and $86 million of tax expenses.

The net result of these disposals is included in 'Other income' (refer to Note 2 Income).

Assets and liabilities of disposal group held for sale

At 31 March 2017, the disposal groups held for sale comprised of the following assets and liabilities, which are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

	Asia Retail & Wealth Businesses $M	UDC Finance $M	Shanghai Rural Commercial Bank $M	Total $M
Net loans and advances	9,776	2,493	-	**12,269**
Investment in associates	**-**	-	1,735	**1,735**
Goodwill and other intangible assets	-	118	-	**118**
Other assets	**-**	23	-	**23**
Total assets held for sale	**9,776**	**2,634**	**1,735**	**14,145**
Customer deposits	15,818	1,192	-	**17,010**
Current tax liabilities	-	31	-	**31**
Payables and other liabilities	44	30	-	**74**
Provisions	50	1	-	**51**
Total liabilities held for sale	**15,912**	**1,254**	**-**	**17,166**

12. Subordinated debt

	Half Year			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Additional Tier 1 Capital[1]					
Convertible Preference Shares (ANZ CPS)					
ANZ CPS2[2]	**-**	1,068	1,969	-100%	-100%
ANZ CPS3[3]	**1,340**	1,340	1,338	0%	0%
ANZ Capital Notes (ANZ CN)					
ANZ CN1[4]	**1,116**	1,115	1,113	0%	0%
ANZ CN2[5]	**1,603**	1,602	1,600	0%	0%
ANZ CN3[6]	**962**	962	961	0%	0%
ANZ CN4[7]	**1,607**	1,604	-	0%	n/a
ANZ Capital Securities[8]	**1,218**	1,329	-	-8%	n/a
ANZ NZ Capital Notes[9]	**454**	473	446	-4%	2%
Tier 2 Capital[10]					
Perpetual subordinated notes	**1,156**	1,190	1,145	-3%	1%
Term subordinated notes	**10,841**	11,281	8,985	-4%	21%
Total subordinated debt	**20,297**	21,964	17,557	-8%	16%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ NZ Capital Notes are Basel 3 compliant instruments. APRA has granted transitional capital treatment for ANZ CPS3 until 1 September 2019.*
2. *On 17 December 2009, ANZ issued convertible preference shares (CPS2). The CPS2, which were not reinvested into CN4, were bought back and cancelled on 15 December 2016.*
3. *On 28 September 2011, ANZ issued convertible preference shares (CPS3) which will convert into ANZ ordinary shares on 1 September 2019 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% then the convertible preference shares will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on and from 1 September 2017 the convertible preference shares are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
4. *On 7 August 2013, ANZ issued capital notes (CN1) which will convert into ANZ ordinary shares on 1 September 2023 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 1 September 2021 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
5. *On 31 March 2014, ANZ issued capital notes (CN2) which will convert into ANZ ordinary shares on 24 March 2024 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 24 March 2022 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
6. *On 5 March 2015, ANZ acting through its New Zealand Branch issued capital notes (CN3) which will convert into ANZ ordinary shares on 24 March 2025 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 24 March 2023 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
7. *On 27 September 2016, ANZ issued capital notes (CN4) which will convert into ANZ ordinary shares on 20 March 2026 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 ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 20 March 2024 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
8. *On 15 June 2016, ANZ acting through its London branch issued 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 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 each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.*
9. *On 31 March 2015, ANZ Bank New Zealand Limited (ANZ Bank NZ) issued convertible notes (ANZ NZ Capital Notes) which will convert into ANZ ordinary shares on 25 May 2022 at a 1% discount (subject to certain conditions being satisfied). If ANZ or ANZ Bank NZ'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 Bank NZ receives a direction from RBNZ or a statutory manager is appointed to ANZ Bank NZ and makes a determination, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 25 May 2020 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ Bank NZ.*
10. *The convertible dated subordinated notes are Basel 3 compliant instruments. APRA has granted transitional capital treatment for all other outstanding subordinated notes until their first call date or, in the case of the perpetual subordinated notes the earlier of the end of the transitional period (December 2021) and the first call date when a step-up event occurs. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*

13. Credit risk

Financial assets 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 investments which are primarily subject to market risk. 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. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables present the maximum exposure to credit risk of on-balance sheet and off-balance sheet financial assets before taking account of any collateral held or other credit enhancements.

	As at			Movement	
Maximum exposure to credit risk	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Net loans and advances[1]	**576,304**	575,852	561,768	0%	3%
Other financial assets[2]	**265,526**	284,671	280,101	-7%	-5%
On-balance sheet sub total	**841,830**	860,523	841,869	-2%	0%
Undrawn facilities	**198,368**	207,410	219,086	-4%	-9%
Contingent facilities	**37,686**	37,779	38,750	0%	-3%
Off-balance sheet sub total	**236,054**	245,189	257,836	-4%	-8%
Total exposure to credit risk	**1,077,884**	1,105,712	1,099,705	-3%	-2%

1. *Net loans and advances includes individual and collective provisions for credit impairment held in respect of credit related commitments.*
2. *Certain other financial assets totalling $39.2 billion (Sep 16 half: $38.0 billion; Mar 16 half: $37.1 billion) have been excluded. These are comprised of bank notes and coins within cash, equity instruments within available for sale financial assets and investments relating to the insurance business where the credit risk is passed onto the policy holder.*

Distribution of financial assets by credit quality

	Net loans and advances[1]			Other financial assets			Credit related commitments[1,2]		
	As at			As at			As at		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Neither past due nor impaired	**559,905**	561,092	545,953	**265,516**	284,657	280,082	**235,395**	244,448	257,099
Past due but not impaired	**15,397**	13,649	14,926	**-**	-	-	**-**	-	-
Restructured	**367**	403	226	**-**	-	-	**-**	-	-
Net impaired	**1,225**	1,368	1,355	**10**	14	19	**69**	81	45
Total	**576,894**	576,512	562,460	**265,526**	284,671	280,101	**235,464**	244,529	257,144

1. *Individual and collective provisions for credit impairment held in respect of credit related commitments have been reallocated to credit related commitments in this table.*
2. *Comprises undrawn commitments and customer contingent liabilities net of collective and individual provisions.*

Credit quality of financial assets neither past due nor impaired

The credit quality of financial assets is managed by the Group using internal customer credit ratings (CCRs) based on their current probability of default. The Group's masterscales are mapped to external rating agency scales, to enable wider comparisons.

	Net loans and advances			Other financial assets			Credit related commitments[1]		
	As at			As at			As at		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Strong credit profile[2]	**434,466**	432,049	419,296	**260,717**	279,747	275,339	**193,358**	200,510	211,147
Satisfactory risk[3]	**107,576**	110,861	109,110	**4,595**	4,567	4,525	**39,403**	41,500	42,913
Sub-standard but not past due or impaired[4]	**17,863**	18,182	17,547	**204**	343	218	**2,634**	2,438	3,039
Total	**559,905**	561,092	545,953	**265,516**	284,657	280,082	**235,395**	244,448	257,099

1. *Comprises undrawn commitments and customer contingent liabilities net of collective provisions.*
2. *Customers that have demonstrated superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. This rating broadly corresponds to ratings "Aaa" to "Baa3" and "AAA" to "BBB-" of Moody's and Standard & Poor's respectively.*
3. *Customers that have consistently 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. This rating broadly corresponds to ratings "Ba2" to "B1" and "BB" to "B+" of Moody's and Standard & Poor's respectively.*
4. *Customers that have demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. This rating broadly corresponds to ratings "B2" to "Caa" and "B" to "CCC" of Moody's and Standard & Poor's respectively.*

13. Credit Risk, cont'd

Ageing analysis of financial assets that are past due but not impaired

Ageing analysis of past due loans is used by the Group to measure and manage emerging credit risks. Financial assets that are past due but not impaired include those which are assessed, approved and managed on a portfolio basis within a centralised environment (for example credit cards and personal loans) that can be held on a productive basis until they are 180 days past due, as well as those which are managed on an individual basis.

A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the value of supporting collateral is sufficient to cover amounts outstanding.

	As at			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
1-29 days	**9,123**	7,966	8,868	15%	3%
30-59 days	**2,355**	1,910	2,292	23%	3%
60-89 days	**1,148**	1,070	1,193	7%	-4%
>90 days	**2,771**	2,703	2,573	3%	8%
Total	**15,397**	13,649	14,926	13%	3%

Financial assets that are individually impaired

ANZ regularly reviews its portfolio and monitors adherence to contractual terms. When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified and reported as individually impaired and an individual provision is allocated against it.

As described in the summary of significant accounting policies in the 2016 Annual Financial Statements, impairment provisions are created for financial instruments that are reported on the balance sheet at amortised cost. For instruments reported at fair value, impairment provisions are treated as part of overall change in fair value and directly reduce the reported carrying amounts.

	Impaired instruments			Individual provision balances		
	As at			As at		
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 $M	Sep 16 $M	Mar 16 $M
Derivative financial instruments[1]	**10**	14	19	**-**	-	-
Net loans and advances	**2,478**	2,646	2,564	**1,253**	1,278	1,209
Credit related commitments[2]	**85**	110	74	**16**	29	29
Total	**2,573**	2,770	2,657	**1,269**	1,307	1,238

1. *Derivative financial instruments are net of credit valuation adjustments.*
2. *Comprises undrawn commitments and customer contingent liabilities.*

	As at			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Less than $10 million	**1,724**	1,784	1,597	-3%	8%
$10 million to $100 million	**1,106**	899	970	23%	14%
Greater than $100 million	**110**	490	316	-78%	-65%
Gross impaired assets[1]	**2,940**	3,173	2,883	-7%	2%
Less: Individual provision for credit impairment	**(1,269)**	(1,307)	(1,238)	-3%	3%
Net impaired assets	**1,671**	1,866	1,645	-10%	2%

1. *Gross impaired assets includes $367 million of restructured items (Sep 16: $403 million; Mar 16: $226 million).*

14. Fair Value Measurement

A significant number of financial instruments are carried on the balance sheet at fair value. The following disclosures set out the classification of financial assets and financial liabilities and assets held for sale measured at fair value less cost to sell and, in respect of the fair value either recognised or disclosed, the various levels within which fair value measurements are categorised, and the valuation methodologies and techniques used. The fair value disclosure does not cover those instruments that are not considered financial instruments from an accounting perspective, such as intangible assets.

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

(a) Valuation methodologies

ANZ has an established control framework that ensures fair value is either determined or validated by a function independent of the party that undertakes the transaction. The control framework ensures that all models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data.

Where quoted market prices are used, prices are independently verified from other sources. For fair values determined using a valuation model, the control framework may include, as applicable, independent development or validation of valuation models, any inputs to those models, any adjustments required outside the valuation model and, where possible, independent validation of model outputs. In this way, continued appropriateness of the valuations is ensured.

In instances where the Group holds offsetting risk positions, the Group uses the portfolio exemption in AASB 13 – Fair Value Measurement to measure the fair value of such groups of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure.

The Group categorises its fair value measurements on the basis of inputs used in measuring fair value using the fair value hierarchy below:

- Level 1 – Financial instruments that have been valued by reference to unadjusted quoted prices in active markets for identical financial instruments. This category includes financial instruments valued using quoted yields where available for specific debt securities.
- Level 2 – Financial instruments that have been valued through valuation techniques incorporating inputs other than quoted prices within Level 1 that are observable for a similar financial asset or liability, either directly or indirectly.
- Level 3 – Financial instruments that have been valued using valuation techniques which incorporate significant inputs that are not based on observable market data (unobservable inputs).

(b) Valuation techniques and inputs used

In the event that there is no quoted market price for the instrument, fair value is based on valuation techniques. The valuation models incorporate the impact of bid/ask spreads, counterparty credit spreads, funding costs and other factors that would influence the fair value determined by market participants.

The majority of valuation techniques employ only observable market data. However, for certain financial instruments the valuation technique may employ some data (valuation inputs or components) which is not readily observable in the current market. In these cases valuation inputs (or components of the overall value) are derived and extrapolated from other relevant market data and tested against historic transactions and observed market trends. To the extent that valuation is based on models with inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation.

The following valuation techniques have been applied to determine the fair values of financial instruments where there is no quoted price for the instrument:

- For instruments classified as Trading security assets and Securities short sold, Derivative financial assets and liabilities, Available for sale debt instruments, and Investments backing policy liabilities, fair value measurements are derived by using modelled valuation techniques (including discounted cash flow models) that incorporate market prices/yields for securities with similar credit risk, maturity and yield characteristics; and/or current market yields for similar instruments.
- For Net loans and advances, Deposits and other borrowings and Debt issuances, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.
- The fair value of external unit holder liabilities (life insurance funds) represents the external unit holder's share of the net assets of the consolidated investment funds, which are carried at fair value. The fair value of policy liabilities, being liabilities of the insurance business is directly linked to the performance and value of the assets backing the liabilities. These liabilities are carried at fair value using observable inputs.
- For the non-financial instrument component of assets held for sale, the fair value has been derived from the agreed foreign currency sales price combined with the applicable foreign exchange rate less the costs to sell the Assets.

Further details of valuation techniques and significant unobservable inputs used in measuring fair values are described in (ii)(a) below.

There have been no substantial changes in the valuation techniques applied to different classes of financial instruments during the current half year period.

(c) Fair value measurements

The following table provides an analysis of financial instruments carried at fair value at reporting date and assets held for sale measured at fair value less cost to sell categorised according to the lowest level input into a valuation model or a valuation component that is significant to the reported fair value. The significance of the input is assessed against the reported fair value. The fair value has been allocated in full to the category in the fair value hierarchy which most appropriately reflects the determination of the fair value.

	Fair value measurements			
As at March 2017	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Trading securities[1]	40,714	3,371	-	**44,085**
Derivative financial instruments	378	63,407	97	**63,882**
Available for sale assets[1]	58,353	6,111	221	**64,685**
Net loans and advances (measured at fair value)	-	314	18	**332**
Investments backing policy liabilities[1]	26,640	10,603	359	**37,602**
Assets held for sale[2]	-	1,735	-	**1,735**
Total	**126,085**	**85,541**	**695**	**212,321**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,771	-	**2,771**
Derivative financial instruments	600	64,352	98	**65,050**
Policy liabilities[3]	-	36,847	-	**36,847**
External unit holder liabilities (life insurance funds)	-	4,227	-	**4,227**
Payables and other liabilities[4]	2,001	126	-	**2,127**
Debt issuances (designated at fair value)	-	1,786	-	**1,786**
Total	**2,601**	**110,109**	**98**	**112,808**
As at September 2016				
Assets				
Trading securities	44,856	2,332	-	47,188
Derivative financial instruments	453	86,934	109	87,496
Available for sale assets	55,294	7,580	239	63,113
Net loans and advances (measured at fair value)	-	397	15	412
Investments backing policy liabilities	24,270	10,879	507	35,656
Total	**124,873**	**108,122**	**870**	**233,865**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	5,193	-	5,193
Derivative financial instruments	408	88,215	102	88,725
Policy liabilities[3]	-	35,955	-	35,955
External unit holder liabilities (life insurance funds)	-	3,333	-	3,333
Payables and other liabilities[4]	2,294	86	-	2,380
Debt issuances (designated at fair value)	-	2,192	-	2,192
Total	**2,702**	**134,974**	**102**	**137,778**
As at March 2016				
Assets				
Trading securities	46,988	3,080	5	50,073
Derivative financial instruments	519	88,143	85	88,747
Available for sale assets	43,262	6,819	296	50,377
Net loans and advances (designated at fair value)	-	574	14	588
Investments backing policy liabilities	17,550	16,473	518	34,541
Total	**108,319**	**115,089**	**918**	**224,326**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	4,986	-	4,986
Derivative financial instruments	635	90,988	83	91,706
Policy liabilities[3]	-	34,854	-	34,854
External unit holder liabilities (life insurance funds)	-	3,265	-	3,265
Payables and other liabilities[4]	2,761	201	-	2,962
Debt issuances (designated at fair value)	-	2,823	-	2,823
Total	**3,396**	**137,117**	**83**	**140,596**

1. *During the period there were transfers from Level 1 to Level 2 of $621 million (Sep 2016: $50 million; Mar 2016: $599 million) following a reassessment of available pricing information. Of the total transfers $326 million (Sep 2016: $36 million; Mar 2016: $486 million) relates to Available for sale assets, $194 million (Sep 2016: $0 million; Mar 2016: $0 million) relates to Trading Securities and $101 million (Sep 2016: $14 million; Mar 2016: $113 million) relates to Investments backing policy liabilities. During the period there were no transfers from Level 2 to Level 1 and prior period transfers from Level 2 to Level 1 were insignificant.*
2. *The amount classified as assets held for sale relate to non-financial instruments required to be measured at fair value less costs to sell in accordance with AASB 5 - Non-current Assets Held for Sale and Discontinued Operations.*
3. *Policy liabilities relate to life investment contract liabilities only as these are designated at fair value through profit or loss.*
4. *Represents securities short sold.*

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

(a) Composition of Level 3 fair value measurements

There have been no significant changes in the composition of the balance of Level 3 instruments carried at fair value during the current or prior periods. Financial instruments which incorporate significant unobservable inputs primarily include Structured credit products relating to the structured credit intermediation trades where these trades are valued using complex models with certain inputs relating to the reference assets and derivative counterparties not being observable in the market, including credit spreads and default probabilities; Other derivative financial instruments including reverse mortgage swaps where the mortality rate cannot be observed; Asset backed securities and Illiquid corporate bonds where the effect on the fair value of issuer credit cannot be directly or indirectly observed in the market; and Investments in illiquid or suspended managed funds that are not currently redeemable.

(b) Movements in Level 3 fair value measurements

The movement in the Level 3 balances were not significant during the current or prior periods.

(c) Sensitivity to Level 3 data inputs

Where valuation techniques are employed and assumptions are required due to significant data inputs not being directly observable in the market place (Level 3 inputs), changing these assumptions changes the Group's estimate of the instrument's fair value. The majority of transactions in this category are 'back-to-back' in nature where the Group either acts as a financial intermediary or hedges the market risks. As a result, changes in the Level 3 inputs generally have a minimal impact on the income statement and net assets of the Group.

(d) Deferred fair value gains and losses

Where the fair value of a financial instrument at initial recognition is determined using unobservable data that is significant to the valuation of the instrument, the difference between the transaction price and the amount determined based on the valuation technique (day one gain or loss) is not immediately recognised in the income statement. Subsequently, the day one gain or loss is recognised in the income statement over the life of the transaction on a straight line basis or over the period until all inputs become observable. The Day 1 gains and losses deferred are not significant and predominately relate to derivative financial instruments. This is consistent with the low level of derivative transactions entered into by the Group which incorporate significant unobservable inputs.

(iii) Financial assets and financial liabilities not measured at fair value

The table below reflects the carrying amounts and the Group's estimate of fair value of financial instruments not measured at fair value on the Group's balance sheet where the carrying amount is not considered a close approximation of fair value.

	Carrying amount in the balance sheet			Fair Value
As at March 2017	At amortised cost $M	At fair value $M	Total $M	$M
Financial assets				
Net loans and advances[1, 2]	**575,972**	**332**	**576,304**	**576,650**
Financial liabilities				
Deposits and other borrowings[2]	595,646	2,771	**598,417**	598,654
Debt issuances[1]	86,992	1,786	**88,778**	89,566
Subordinated debt[1]	20,297	-	**20,297**	20,612
	702,935	**4,557**	**707,492**	**708,832**
As at September 2016				
Financial assets				
Net loans and advances[1]	575,440	412	575,852	576,636
Financial liabilities				
Deposits and other borrowings	583,002	5,193	588,195	588,613
Debt issuances[1]	88,888	2,192	91,080	91,600
Subordinated debt[1]	21,964	-	21,964	22,110
	693,854	**7,385**	**701,239**	**702,323**
As at March 2016				
Financial assets				
Net loans and advances[1]	561,180	588	561,768	562,545
Financial liabilities				
Deposits and other borrowings	573,085	4,986	578,071	578,432
Debt issuances[1]	79,124	2,823	81,947	81,842
Subordinated debt[1]	17,557	-	17,557	17,545
	669,766	**7,809**	**677,575**	**677,819**

1. *Fair value hedging is applied to certain financial instruments within the amortised cost categories. The resulting fair value adjustments mean that the carrying value differs from the original amortised cost.*
2. *Net loans and advances and deposits and other borrowings include amounts reclassified to assets and liabilities held for sale (refer to Note 11).*

15. Shareholders' equity

Issued and quoted securities	**Half Year**		
Ordinary share capital	**Mar 17 No.**	**Sep 16 No.**	**Mar 16 No.**
Closing balance	**2,936,037,009**	2,927,476,660	2,917,560,098
Issued during the period[1]	**8,560,349**	9,916,562	14,845,737

1. *The Company issued 8.6 million shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2016 final dividend (9.7 million shares for the 2016 interim dividend; 9.7 million shares for the 2015 final dividend) and nil shares to satisfy obligations under the Group's Employee share acquisition plans during the March 2017 half (Sep 16 half: 0.2 million shares; March 16 half: 5.1 million shares).*

	Half Year			**Movement**	
Shareholders' equity	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Ordinary share capital	**29,036**	28,765	28,625	1%	1%
Reserves					
Foreign currency translation reserve	(140)	544	(9)	large	large
Share option reserve	67	79	69	-15%	-3%
Available for sale revaluation reserve	31	149	101	-79%	-69%
Cash flow hedge reserve	180	329	239	-45%	-25%
Transactions with non-controlling interests reserve	(23)	(23)	(23)	0%	0%
Total reserves	115	1,078	377	-89%	-69%
Retained earnings	28,640	27,975	27,361	2%	5%
Share capital and reserves attributable to shareholders of the Company	**57,791**	57,818	56,363	0%	3%
Non-controlling interests	**117**	109	101	7%	16%
Total shareholders' equity	**57,908**	57,927	56,464	0%	3%

16. Changes in composition of the Group

There were no acquisitions or disposals of material controlled entities for the half year ended 31 March 2017.

17. Investments in Associates

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Share of associates' profit	**173**	240	301	-28%	-43%

Contributions to profit[1]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 %**	**Sep 16 %**	**Mar 16 %**
P.T. Bank Pan Indonesia	**50**	47	17	**39**	39	39
AMMB Holdings Berhad	**48**	51	43	**24**	24	24
Shanghai Rural Commercial Bank[2]	**58**	122	137	**20**	20	20
Bank of Tianjin (up to 30 March 2016)[3]	**-**	-	86	**12**	12	12
Other associates	**17**	20	18	**n/a**	n/a	n/a
Share of associates' profit	**173**	240	301			

1. *Contributions to profit reflect the IFRS equivalent results adjusted to align with the Group's financial year end which may differ from the published results of these entities. Excludes gains or losses on disposal or valuation adjustments.*
2. *On 3 January 2017, the Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB) to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited. The agreement states COSCO and Sino-Poland Enterprise will each acquire 10% of SRCB. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed in the September 2017 half. As a consequence, the Group ceased equity accounting for the investment in SRCB and commenced accounting for it as an asset held for sale.*
3. *On 30 March 2016, the Bank of Tianjin (BoT) completed a capital raising and initial public offering (IPO) on the Hong Kong Stock Exchange. As a result, the Group's equity interest reduced from 14% to 12% and the Group ceased equity accounting the investment due to losing the ability to appoint directors to the Board of BoT at this date. From 31 March 2016, the investment is classified as an available for sale asset.*

18. 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 2016.

19. Contingent liabilities and contingent assets

There are outstanding court proceedings, claims and possible claims for and against the Group. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

Refer to Note 41 of the 2016 ANZ Annual Financial Statements for a description of contingent liabilities and contingent assets as at 30 September 2016. A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Bank fees litigation**

  A litigation funder commenced a class action against ANZ in 2010, followed by a second similar class action in March 2013. The applicants contended that certain exception fees (honour, dishonour and non-payment fees on transaction accounts and late payment and over-limit fees on credit cards) were unenforceable penalties and that various of the fees were also unenforceable under statutory provisions governing unconscionable conduct, unfair contract terms and unjust transactions. A further action, limited to late payment fees only, commenced in August 2014.

  The penalty and statutory claims in the March 2013 class action failed and the claims have been dismissed. The August 2014 action was discontinued in October 2016.

  The original claims in the 2010 class action have been dismissed. A new claim has been added to the 2010 class action, in relation to ANZ's entitlement to charge certain periodical payment fees. This new claim is at an early stage.

- **Benchmark/rate actions**

  In March 2016, ASIC commenced court proceedings against ANZ in respect of interbank trading and the bank bill swap rate (BBSW). ASIC is seeking declarations and civil penalties for alleged contraventions including alleged market manipulation, unconscionable conduct, misleading or deceptive conduct, and alleged breaches by ANZ of certain statutory obligations as a financial services licensee. ASIC has subsequently initiated similar proceedings against two other Australian banks. ASIC's case against ANZ concerns transactions in the Australian interbank BBSW market in the period from March 2010 to May 2012. ANZ is defending the proceedings. The potential civil penalty or other financial impact is uncertain.

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including ANZ – one action relating to 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, SIBOR, or SOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including ANZ, violated US anti-trust laws, anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. ANZ is defending the proceedings. The matters are at an early stage.

In February 2017, the South African Competition Commission commenced proceedings against local and international banks including ANZ 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. The matter is at an early stage.

- **Regulatory reviews and customer exposures**

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

- **Security recovery actions**

  Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets over recent years. ANZ will defend these claims.

20. Subsequent events since balance date

On 21 April 2017, the Group announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business in Vietnam included approximately $320 million in lending assets and $800 million in deposits as at 31 March 2017. The premium to book value for the sale is not material to the ANZ Group. The transaction is expected to be completed by the end of 2017.

Other than the matter above, there have been no significant events from 31 March 2017 to the date of signing of this report.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the Corporations Act 2001, including:
    - section 304, that they comply with the Australian Accounting Standards and any further requirements in the Corporations Regulations 2001; and
    - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2017 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.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

1 May 2017

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

Report on the half year Condensed Consolidated Financial Statements

Conclusion

We have reviewed the accompanying half year 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 half year 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 2017 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 half year Condensed Consolidated Financial Statements comprise:

- the condensed consolidated balance sheet as at 31 March 2017;
- the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the half-year ended on 31 March 2017;
- Notes 1 to 20 comprising a basis of preparation 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.

Responsibilities of the Directors for the half year Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the half year 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 half year Condensed Consolidated Financial Statements that is 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 half year Condensed Consolidated Financial Statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year Condensed Consolidated Financial Statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2017 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*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half year 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG
Melbourne
1 May 2017

Alison Kitchen
Partner

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 2017, 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
Melbourne
1 May 2017

Alison Kitchen
Partner