2019

Half Year U.S. Disclosure Document

for the fiscal half year ended March 31, 2019

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

The date of this 2019 Half Year U.S. Disclosure Document is May 24, 2019.

U.S. Disclosure Document
Fiscal half year ended March 31, 2019

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All references in this document to the "U.S. Disclosure Document" refer to the 2019 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended March 31, 2019 (the "March 2019 half" or "Mar 19" or "Mar 19 half"), including the Annex attached hereto, and we refer to prior fiscal half years in a similar fashion. References in this document to the "2018 Annual U.S. Disclosure Document" refer to the 2018 Annual U.S. Disclosure Document for the fiscal year ended September 30, 2018.

This U.S. Disclosure Document is dated May 24, 2019. All references in this document to "the date of this U.S. Disclosure Document" are to May 24, 2019.

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 only.

Information contained in or accessible through any website 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 websites 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, 2019, and the results of operations for the fiscal half year then ended. All financial information disclosed in this U.S. Disclosure Document relates to the Group.

Attached to this U.S. Disclosure Document as the Annex are the following documents that have been filed with the Australian Securities Exchange ("ASX") in accordance with its rules:

- The Group's Condensed Consolidated Financial Statements (comprising the financial statements, notes to financial statements and directors' declaration) (hereafter referred to as the "Condensed Consolidated Financial Statements"); and
- The independent auditor's review report on the Condensed Consolidated Financial Statements.

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 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 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 credit and capital markets;
- business and 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 consumers, the natural resources and real estate sectors and changes that may result from the proposed exit of the United Kingdom from the European Union and the protectionist trade policy by U.S.;
- demographic changes and changes in political, social, and economic conditions in any of the jurisdictions in which we or our customers operate;
- the stability of Australian and other regional and global financial systems, disruptions to financial markets and any losses we or our customers may experience as a result;
- 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;
- our ability to adjust to and compete in the various markets (domestic and offshore) in which we operate or are seeking to operate;
- the effects of competition in the geographic and business environments in which we or our customers operate;
- our ability to maintain or increase market share and control expenses;
- our timely development of new products and services, and the perceived overall value of these products and services by customers;
- the impact of current, pending and future legislation, regulation (including capital, leverage, liquidity and prudential requirements), regulatory disclosures and taxation laws and accounting standards in Australia and worldwide;
- the impact of legal, regulatory, administrative and other current or future proceedings, including the risk of fines or sanctions, arising out of our alleged or actual failure to comply with applicable laws, regulations and administrative or other requirements;
- commercial and residential mortgage lending and real estate market conditions in Australia, New Zealand and the APEA regions;
- losses associated with the Group’s counterparty exposures;
- the effectiveness of our risk management policies, including with respect to our internal processes, systems, organizational management and employees;
- the failure to meet the capital adequacy and liquidity requirements that the Group is subject to;
- changes to our credit ratings;
- operational factors, including internal and external fraud, employment practices and workplace safety, and business disruption (including systems failures);
- environmental factors, including natural disasters, such as earthquakes, floods, cyclones, volcanic eruptions, bush fires and tsunamis;
- the impact of future climate-related events, including risks relating to lending to customers that are impacted by climate risk;
- adverse impacts on our reputation;
- risks associated with the information systems we maintain;
- the reliability and security of our technology and our ability to protect our information from security risks, including potential cyber-attacks;
- market liquidity and investor confidence;
- inflation, interest rates, exchange rates, markets and monetary fluctuations and longer term changes;
- our ability to complete, integrate or separate and process acquisitions and dispositions;
- any changes to the ANZ Group’s accounting policies and their application;
- the impact of existing or potential litigation and regulatory actions applicable to the Group, its business or its customers;
- other risks and uncertainties detailed under “Competition”, “Supervision and regulation”, and “Risk factors” in “Section 2: Information on the Group”, “Legal proceedings” in “Section 6: Additional Information” 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, 2019, September 30, 2018, (the "September 2018 half" or "Sep 18" or "Sep 18 half"), and March 31, 2018 (the "March 2018 half" or "Mar 18" or "Mar 18 half"), and the summary of condensed consolidated balance sheets and selected ratios as of March 31, 2019, September 30, 2018, and March 31, 2018, 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"), issued by the Australian Accounting Standards Board ("AASB"), AASB 134 *Interim Financial Reporting* ("AASB 134") and the *Corporations Act 2001*(Cth) (the "Corporations Act"). International Financial Reporting Standards ("IFRS") are standards and interpretations adopted by the International Accounting Standards Board ("IASB"). The Group's Condensed Consolidated Financial Statements and the financial information included herein comply with the recognition and measurement requirements of IFRS and International Accounting Standard 34 *Interim Financial Reporting* issued by the 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 29, 2019 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$0.7104 = AUD$1.00. For further information on the currency of presentation in this U.S. Disclosure Document, refer to "Currency of presentation and exchange rates" in "Section 2: Information on the Group". References to "NZD" and "EUR" in this U.S. Disclosure Document are to New Zealand dollars and Euros respectively. References throughout this U.S. Disclosure Document to "$B" and "$M" are to billions and millions of Australian Dollars (or, if specified, such other currency), respectively.

ACCOUNTING STANDARDS ADOPTED

During the March 2019 half, the Group adopted two new accounting standards, AASB 9 *Financial Instruments* ("AASB 9") and AASB 15 *Revenue from Contracts with Customers* ("AASB 15"):

AASB 9 *Financial Instruments*

The Group implemented an expected credit loss ("ECL") methodology for impairment of financial assets, and revised the classification and measurement of certain financial assets from October 1, 2018. Consequently, on October 1, 2018, the Group increased its provision for credit impairment by $813 million and recognized a corresponding adjustment to opening retained earnings. Comparative information has not been restated.

The Group has applied AASB 9 effective from October 1, 2018 (with the exception of the 'own credit' requirements relating to financial liabilities designated as measured at fair value, which were early adopted by the Group effective from October 1, 2013). In addition the Group chose to early adopt AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (AASB 2017-6) effective from October 1, 2018.

AASB 9 and AASB 2017-6 stipulate new requirements for the impairment of financial assets, classification and measurement of financial assets and financial liabilities and general hedge accounting. Details of the key new requirements are outlined below, and a reconciliation of the transitional impact at October 1, 2018 is set out in Note 21 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document).

Impairment

AASB 9 introduces a new impairment model based on expected credit losses. This model is applied to:

- Financial assets measured at amortized cost;
- Debt instruments measured at fair value through other comprehensive income ("FVOCI");
- Lease receivables; and
- Loan commitments and financial guarantees not measured at fair value through profit or loss ("FVTPL").

Expected credit loss impairment model

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a significant increase in credit risk since origination, a provision equivalent to 12 months ECL is recognized reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognized reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, a provision equivalent to lifetime ECL is recognized.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Significant increase in credit risk

Stage 2 assets are those that have experienced a significant increase in credit risk ("SICR") since origination. In determining what constitutes a SICR, the Bank considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating ("CCR") applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined by comparing each facility's scenario weighted lifetime probability of default at the reporting date to the scenario weighted lifetime probability of default at origination. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Bank uses 30 days past due arrears as a backstop criteria for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behavior prior to being allocated back to Stage 1.

Measurement of expected credit loss

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default ("PD") - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default ("EAD") - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default ("LGD") - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward looking information through the use of macro-economic variables.

Forward looking information

In applying forward looking information for estimating ECL, the Bank considers four probability-weighted forecast economic scenarios as follows:

(i) Base case scenario

The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process ("ICAAP") which is the process the Bank applies in strategic and capital planning over a three year time horizon;

(ii) Upside and (iii) Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

(iv) Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting each scenario is determined by management by considering risks and uncertainties surrounding the base case scenario, as well as specific portfolio considerations where required. The Group's Credit and Market Risk Committee ("CMRC") is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

Where applicable, adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

Expected Life

When estimating ECL for exposures in Stage 2 and 3, the Bank considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Bank uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Bank's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using behavioral term, taking into account expected prepayment behavior and substantial modifications.

Definition of default, credit impaired and write-offs

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Bank's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the Income Statement.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognized and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognized and a new financial asset is recognized at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

Classification and measurement

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortized cost, FVTPL and FVOCI. Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortized cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest only and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest only and which are held in a business model whose objective is to collect their cash flows or to sell; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair Value Option for Financial Assets

A financial asset may be irrevocably designated at fair value through profit or loss on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - equity instruments

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Financial liabilities

The classification and measurement requirements for financial liabilities under AASB 9 are largely consistent with AASB 139 *Financial Instruments: Recognition and Measurement* ("AASB 139") with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss. This part of the standard was early adopted by the Group on October 1, 2013.

Financial liabilities are measured at amortized cost, or fair value through profit or loss (when they are held for trading). Additionally, financial liabilities can be designated at FVTPL where:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives unless:

  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or

  b) the embedded derivative is closely related to the host financial liability.

General hedge accounting

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging financial and non-financial risks. The Group has exercised an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the IASB's ongoing Dynamic Risk Management (macro hedging) project is completed.

AASB 15 *Revenue from Contracts with Customers*

The Group adopted AASB 15 from October 1, 2018 where the main impact of adoption is that certain items previously netted are now presented gross in operating income and operating expenses. Comparative information has been restated for the March 2018 half and presented on a consistent basis for the September 2018 half. The impact increased total operating income for the September 2018 half by $91 million (Mar 18 half: $62 million) and increased total operating expenses by the same amount.

AASB 15 requires identification of distinct performance obligations within a contract, and allocation of the transaction price of the contract to those performance obligations. Revenue is then recognized as each performance obligation is satisfied. The standard also provides guidance on whether an entity is acting as a principal or an agent which impacts the presentation of revenue on a gross or net basis. In accordance with the transitional provisions of AASB 15, the Group has adopted the full retrospective transition approach. Under this approach, the cumulative effect of initially applying the standard has been recognized as an adjustment to opening retained earnings as of October 1, 2017.

For further details on key requirements and impacts of the changes described above refer to Notes 1 and 21 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document).

DISCONTINUED OPERATIONS

As a result of the sale transactions outlined below under "Sale of Wealth Australia Businesses", the financial results of the Wealth Australia businesses being divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective. These businesses qualify as discontinued operations, a subset of assets and liabilities held for sale, as they represent a major line of business.

The information presented in the summary of condensed consolidated income statements and selected ratios for the fiscal half years ended March 31, 2019, September 30, 2018 and March 31, 2018 show discontinued operations separately from continuing operations in the 'Profit/(Loss) after income tax from discontinued operations' line item. Additionally, the discontinued operations presentation impacts the current and prior period financial information for the Wealth Australia and Technology, Services & Operations ("TSO") and Group Centre divisions.

Sale of Wealth Australia Businesses

- Sale to IOOF Holdings Limited ("IOOF")

  On October 17, 2017, the Group announced it had agreed to sell its OnePath pensions and investments ("OnePath P&I") and aligned dealer group ("ADG") businesses to IOOF. The sale of the ADG businesses completed on October 1, 2018. The completion of the remaining OnePath P&I business, which is dependent on the receipt of all necessary approvals, is expected to occur before the end of the March 2020 half. For further discussion on this matter, refer to the document headed "U.S. Investor Website Update (Update on Sale of Wealth Business)" dated December 21, 2018 on ANZBGL's U.S. Investor Website at: https://shareholder.anz.com/reviews/usdebtinvestors-files.

- Sale to Zurich Financial Services Australia Limited ("Zurich")

  On December 12, 2017, ANZ announced that it had agreed to sell its life insurance business to Zurich and regulatory approval was obtained on October 10, 2018. The transaction is subject to closing conditions and ANZ expects it to complete in the first half of the 2019 calendar year.

Included in the 'Profit/(Loss) after income tax from discontinued operations' is:

- A $632 million loss (pre and post-tax) recognized on the reclassification of Wealth Australia businesses to held for sale in the March 2018 half; and
- As shown in the table below, customer remediation for refunds to customers and related remediation costs for receiving inappropriate advice or services not provided including within the Group's former ADG businesses.

	Half Year		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Customer remediation (pre-tax)	**75**	181	-
Customer remediation (post-tax)	**53**	127	-

CONTINUING OPERATIONS

RESULTS BY DIVISION

The presentation of divisional results has been impacted by a number of methodology and structural changes during the March 2019 half. Prior period comparatives have been restated or presented to reflect the following:

- The methodology for allocating earnings on capital at a business unit level has changed. While neutral at a Group level, this change has impacted net interest income at the divisional level;
- The residual Asia Retail and Wealth businesses have been transferred from the former Asia Retail & Pacific division to the TSO and Group Centre division. The remaining segment has been renamed Pacific division; and
- ANZ's lenders mortgage insurance, share investing and general insurance distribution businesses which were previously part of the continuing operations of Wealth Australia division now form part of the Australia division (ANZ's financial planning business continues to be part of the continuing operations of the Wealth Australia division).

Other than those described above, there have been no other significant changes in the March 2019 half impacting divisional performance.

In "Section 3: Operating and Financial Review and Prospects – Results by division – continuing operations", the March 2018 half financial information has been restated and the September 2018 half has been restated or presented on a consistent basis to reflect the impact from the adoption of AASB 15, as well as methodology and structural changes as described above.

SUMMARY OF CONDENSED CONSOLIDATED INCOME STATEMENTS AND SELECTED RATIOS - INCLUDING DISCONTINUED OPERATIONS

Condensed Consolidated Income Statement	Half Year			
	Mar 19 USD M[1]	Mar 19 $M	Sep 18 $M	Mar 18 $M
Interest income	**11,345**	**15,970**	15,478	14,849
Interest expense	**(6,160)**	**(8,671)**	(8,314)	(7,499)
Net interest income	**5,185**	**7,299**	7,164	7,350
Other operating income[2]	**1,417**	**1,994**	2,583	2,887
Operating income	**6,602**	**9,293**	9,747	10,237
Operating expenses[2]	**(3,101)**	**(4,365)**	(4,928)	(4,473)
Profit before credit impairment and income tax	**3,501**	**4,928**	4,819	5,764
Credit impairment charge[3]	**(278)**	**(392)**	(280)	(408)
Profit before income tax	**3,223**	**4,536**	4,539	5,356
Income tax expense	**(912)**	**(1,284)**	(1,358)	(1,426)
Profit after income tax from continuing operations	**2,311**	**3,252**	3,181	3,930
Profit/(Loss) after income tax from discontinued operations[4]	**(50)**	**(70)**	(95)	(600)
Profit for the period	**2,261**	**3,182**	3,086	3,330
Profit attributable to non-controlling interests	**(6)**	**(9)**	(9)	(7)
Profit attributable to shareholders of the Company	**2,255**	**3,173**	3,077	3,323

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 29, 2019 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated or presented accordingly which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*
3. *The credit impairment charge represents the aggregation of the individually and collectively assessed credit impairment charges.*
4. *Discontinued operations comprise the OnePath P&I and ADG businesses sale to IOOF and the sale of ANZ's life insurance business to Zurich. See "Basis of Preparation – Discontinued Operations".*

Selected Ratios	Half Year			
	Mar 19 USD M[1]	Mar 19 $M	Sep 18 $M	Mar 18 $M
Other operating income as a % of operating income - including discontinued operations[2]	**23.2%**	**23.2%**	28.8%	26.6%
Net interest margin - including discontinued operations	**1.79%**	**1.79%**	1.82%	1.93%
Operating expense to operating income ratio - including discontinued operations[2]	**48.6%**	**48.6%**	52.0%	47.1%
Dividends on ordinary shares	**1,601**	**2,254**	2,277	2,308
Earnings per fully paid ordinary share (cents) including discontinued operations				
Basic	**79.4**	**111.7**	107.3	114.2
Diluted	**75.6**	**106.4**	103.2	108.6
Earnings per fully paid ordinary share (cents) from continuing operations				
Basic	**81.1**	**114.1**	110.6	134.8
Diluted	**77.2**	**108.7**	106.2	127.4
Ordinary share dividend payout ratio including discontinued operations (%)[3]	**71.4%**	**71.4%**	74.6%	69.7%
Dividend per ordinary share (cents) including discontinued operations	**57**	**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 29, 2019 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*
3. *The ordinary dividend payout ratio calculation is based on the following dividend payments:*

Mar 19	*Sep 18*	*Mar 18*
*$2,267 million**	*$2,295 million*	*$2,317 million*

**Based on the proposed interim dividend announced on May 1, 2019 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 - INCLUDING DISCONTINUED OPERATIONS[1]

	As of			
	Mar 19 USD M[2]	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Shareholders' equity excluding non-controlling interests[3,6]	**42,497**	**59,821**	59,265	59,396
Subordinated debt[4]	**11,557**	**16,268**	15,908	17,260
Unsubordinated debt	**80,576**	**113,424**	105,271	97,576
Deposits and other borrowings	**452,193**	**636,533**	619,729	617,130
Gross loans and advances	**436,023**	**613,770**	608,380	595,542
Less: Individually assessed provision for credit impairment[5]	**(633)**	**(891)**	(920)	(1,016)
Less: Collectively assessed provision for credit impairment[6,7]	**(1,944)**	**(2,736)**	(2,023)	(2,057)
Less: Loans and advances held for sale	**(631)**	**(888)**	(999)	(3,001)
Net loans and advances (excluding held for sale)	**432,815**	**609,255**	604,438	589,468
Total assets[3]	**696,365**	**980,244**	943,156	935,670
Net assets[3]	**42,603**	**59,971**	59,405	59,522
Risk weighted assets[8]	**281,525**	**396,291**	390,820	395,777
Capital adequacy ratios:[8]				
Common Equity Tier 1	**11.5%**	**11.5%**	11.4%	11.0%
Tier 1	**13.4%**	**13.4%**	13.4%	12.9%
Tier 2	**1.9%**	**1.9%**	1.9%	2.0%
Total capital ratio	**15.3%**	**15.3%**	15.2%	14.9%
Number of ordinary shares on issue (millions)	**2,833.2**	**2,833.2**	2,873.6	2,898.8

	Half Year			
	Mar 19 USD M[2]	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Selected ratios				
Profit attributable to the shareholders of the Company as a percentage of:				
Average total assets[9]	**0.65%**	**0.65%**	0.64%	0.71%
Average ordinary shareholders' equity excluding non-controlling interests[9]	**10.8%**	**10.8%**	10.4%	11.3%
Average ordinary shareholders' equity excluding non-controlling interests as a percentage of average total assets[9]	**6.1%**	**6.1%**	6.2%	6.3%

1. *Balance sheet amounts and metrics include assets and liabilities reclassified as held for sale from continuing and discontinued operations unless otherwise stated.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 29, 2019 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *The Group adopted AASB 15 from October 1, 2018 and adopted the full retrospective transition approach. Under this approach, the cumulative effect of initially applying the standard has been recognized as an adjustment to opening retained earnings as of October 1, 2017. Comparative information has been restated for the March 2018 half and presented on a consistent basis for the September 2018 half.*
4. *For the composition of subordinated debt refer to Note 12 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document).*
5. *Includes individually assessed provisions against off balance-sheet credit exposures of $26 million as of March 31, 2019 (Sep 18: $26 million; Mar 18: $26 million).*
6. *On adoption of AASB 9 on October 1, 2018, the Group increased the collectively assessed provision by $813 million. Comparative information has not been restated. Refer to Notes 1 and 21 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document) for further details.*
7. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at September 30, 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortized cost to Other provisions to enhance comparability with current period presentation.*
8. *Risk weighted assets and capital adequacy ratios are calculated using the Australian Prudential Regulation Authority ("APRA") Basel 3 methodology (refer to page 15).*
9. *Averages are calculated using predominantly daily averages.*

SUMMARY OF CREDIT RISK DATA - INCLUDING DISCONTINUED OPERATIONS[1]

	Half Year			
	Mar 19 USD M[2]	Mar 19 $M	Sep 18 $M	Mar 18 $M
Gross impaired assets				
Impaired loans	**1,205**	**1,697**	1,676	1,863
Restructured items[3]	**188**	**264**	269	76
Non-performing commitments and contingencies	**43**	**61**	68	95
Total gross impaired assets	**1,436**	**2,022**	2,013	2,034
Allowance for expected credit losses				
Individually assessed provision - impaired loans	**614**	**865**	894	990
Individually assessed provision - non-performing commitments and contingencies	**18**	**26**	26	26
Collectively assessed provision[4,5]	**2,400**	**3,378**	2,523	2,579
Total allowance for expected credit losses	**3,032**	**4,269**	3,443	3,595
Total gross loans and advances[6]	**436,022**	**613,770**	608,380	595,542
Credit risk weighted assets[7]	**245,460**	**345,523**	337,580	342,822
Collectively assessed provision as a percentage of credit risk weighted assets[7]	**0.79%**	**0.79%**	0.60%	0.60%
Gross impaired assets as a percentage of gross loans and advances	**0.33%**	**0.33%**	0.33%	0.34%
Individually assessed provision for credit impairment as a percentage of gross impaired assets	**44.1%**	**44.1%**	45.7%	50.0%
Individually assessed provision for impaired loans as a percentage of impaired loans	**51.0%**	**51.0%**	53.3%	53.1%
Total allowance for expected credit losses as a percentage of:				
Gross loans and advances[6]	**0.7%**	**0.7%**	0.6%	0.6%
Credit risk weighted assets[7]	**1.2%**	**1.2%**	1.0%	1.0%

1. *Balance sheet and credit risk data includes assets and liabilities reclassified as held for sale from continuing and discontinued operations.*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 29, 2019 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. *Includes allowance for expected credit losses for Net loans and advances – at amortized cost, Investment securities – debt securities at amortized cost and Off-balance sheet commitment – undrawn and contingent facilities.*
5. *On adoption of AASB 9 on October 1, 2018, the Group increased the collectively assessed provision by $813 million. Comparative information has not been restated. Refer to Notes 1 and 21 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document) for further details.*
6. *Consists of loans and advances and capitalized brokerage/mortgage origination fees less unearned income.*
7. *Credit risk weighted assets are calculated using APRA Basel 3 methodology (refer to page 15).*

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. ANZBGL's Australian Business Number is ABN 11 005 357 522.

The Group 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, 2019, ANZBGL had total assets of $980.2 billion and shareholders' equity excluding non-controlling interests of $59.8 billion. In terms of total assets among banking groups, the Group ranked second in Australia[1] as of March 31, 2019 and first in New Zealand[2] as of December 31, 2018.

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 29, 2019, ANZBGL had a market capitalization of $73.7 billion, which ranked among the top five largest companies listed on the ASX[3].

1. *Source: Commonwealth Bank of Australia results announcement for the fiscal half year ended December 31, 2018; National Australia Bank results announcement for the fiscal half year ended March 31, 2019; Westpac Banking Corporation results announcement for the fiscal half year ended March 31, 2019.*
2. *Source: Reserve Bank of New Zealand Bank Financial Strength Dashboard (https://bankdashboard.rbnz.govt.nz/summary) for the quarter ending December 31, 2018.*
3. *Source: IRESS.*

BUSINESS MODEL

The Group'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 operates a Markets business which earns revenue from sales, trading and risk management activities. The Group also provides payments and clearing solutions. The Group currently earns revenue from its wealth activities through the provision of insurance, superannuation and funds management services, which are largely classified as discontinued operations.

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. It includes net funds management income previously reported under net funds management and insurance income;
- Net income from insurance business – represents income earned from the provision of insurance and superannuation solutions;
- Share of associates' profits – represents the Group's share of the profit of an entity over which the Group has significant influence but not control; and
- Other income – includes revenue generated from sales, trading and risk management activities in the Markets business, net foreign exchange earnings and gains and losses from economic and revenue and expense hedges.

STRATEGY

Our strategy is focused on becoming simpler, better balanced and more service-oriented to help people and businesses respond to a changing world.

We believe that the execution of our strategy will deliver consistently strong results for our shareholders, achieving a balance between growth and return, short and long-term results and financial and social impact.

Strategic Priorities
Create a simpler, better balanced 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 areas where we can win. 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. 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 customers and our people 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

The Group operates on a divisional structure with six continuing divisions: Australia, Institutional, New Zealand, Wealth Australia, Pacific, and TSO and Group Centre. For key changes impacting the financial information disclosed in this U.S. Disclosure Document, refer to "Section 1: Key Information – Basis of Preparation" for further details.

There have been a number of divestments impacting the divisions of the Group. These are detailed in "Section 3: Operating and Financial Review and Prospects – Operating and Financial Review – Large/notable Items – Continuing Operations".

The divisions reported below are consistent with operating segments as defined in AASB 8 *Operating Segments* and with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

As of March 31, 2019, the principal activities of the six divisions were:

Australia

The Australia division comprises the Retail and Business & Private Banking ("B&PB") business units.

- Retail provides products and services to consumer customers in Australia via the branch network, mortgage specialists, contact centers and a variety of self-service channels (internet banking, phone banking, ATMs, website, ANZ share investing and digital banking) and third party brokers.
- B&PB provides a full range of banking products and financial services, including asset financing, across the following customer segments: medium to large commercial customers and agribusiness customers across regional Australia, small business owners and high net worth individuals and family groups.

Institutional

The Institutional division services global institutional and corporate 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, commodity financing as well as cash management solutions, deposits, payments and clearing.
- Loans & Specialized Finance provides loan products, loan syndication, specialized loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory.
- Markets provides risk management services on foreign exchange, interest rates, credit, commodities and debt capital markets in addition to managing the Group's interest rate exposure and liquidity position across Franchise Sales, Franchise Trading and Balance Sheet subdivisions.

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 through dedicated managers focusing on privately owned medium to large enterprises and the agricultural business segment.

Wealth Australia

The Wealth Australia division is comprised of financial planning services provided by salaried financial planners.

Pacific

The Pacific division 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.

TSO 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 residual Asia Retail and Wealth, Group Treasury, Shareholder Functions and minority investments in Asia.

RECENT DEVELOPMENTS

There have been no significant developments since March 31, 2019 to the date of this U.S. Disclosure Document.

COMPETITION

Australia

The Australian banking system is concentrated and highly competitive. As of March 31, 2019, 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 77%[1] 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 1959 (Cth)* (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. 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. In more recent years, non-bank originators have become more active in the mortgage market, which has been reflected in the growth rates of non-bank originators and the unregulated market relative to major banks and the regulated market, however from a significantly lower market share base.

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. The Australian Government Guarantee refers to temporary arrangements announced by the Australian Government to enable the provision of a guarantee for the deposits and wholesale funding of Australian deposit-taking institutions. 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 corporate and commercial banking businesses competition remains intense across the major banks, regional banks and other commercial banking financiers. Business investment remains subdued contributing to less demand for credit, which together with a heightened focus on protecting and deepening customer relationships has continued to place increased pressure on lending margins.

In the institutional market, we believe 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, 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 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.

Note

1. *Source: APRA monthly banking statistics March 2019 (released April 30, 2019).*

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. In December 2017, China Construction Bank obtained a banking registration in New Zealand, followed by Bank of China in March 2018. In recent months Chinese banks' focus has grown to include home lending, with a focus on migrant banking.

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. In the last year the home lending market has seen increased competition from new entrants, particularly Chinese banks aiming to grow their market share.

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, 2018.

Asia

Banking in Asia is highly competitive. There are a large number of global banks (for example Citibank, HSBC and Standard Chartered) and regional banks (for example DBS Bank, 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 division, are global investment banks and large Chinese and Japanese banks.

The Group currently operates in multiple countries, 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 Transaction 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, which we believe will attract continued investments in the region by attracting global and regional banks.

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.

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 authorized deposit-taking institutions (“ADIs”), which include banks (including ANZBGL), credit unions, building societies, insurance companies and superannuation funds. Prior to this, the Australian banking industry was regulated by the Reserve Bank of Australia (“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 ("IRRBB"), exposures to related entities, outsourcing, funds management, governance, business continuity management, audit and related matters, 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 a Banking Act statutory manager). APRA also has power to direct the ADI not to make payments in respect of its indebtedness. In addition, APRA has powers under the Financial Sector (Transfer and Restructure) Act 1999 to require the compulsory transfer of some or all of an ADI's assets and liabilities or its shares to another body specified by APRA (which need not in all cases be an ADI). Broadly, APRA may require such a transfer in circumstances including where the Minister requires the transfer, or APRA is satisfied that there has been a contravention of the Banking Act or regulations or instruments made under it or the ADI has informed APRA that it is likely to become unable to meet its obligations or is about to suspend payment, and certain other criteria are met, including that APRA is satisfied that the transfer is appropriate having regard to the interests of the financial sector as a whole. A counterparty to a contract with an ADI cannot rely solely on the fact that a Banking Act 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

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 methodology for credit risk weighted assets and Advanced Measurement Approach 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 System 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. 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 mandated by banking regulators including APRA. It was introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZBGL has a Committed Liquidity Facility ("CLF") with the RBA. The CLF has been established as a solution to a High Quality Liquid Asset 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. From January 1, 2019, ANZBGL's CLF is $48.0 billion (2018 calendar year end: $46.9 billion).

Additionally, ANZBGL has implemented APRA's Net Stable Funding Ratio ("NSFR") requirement from January 1, 2018 following the release of the NSFR final standards in December 2016. The Group's level 2 NSFR was 115% as of March 31, 2019.

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 as the prudential requirements of overseas regulators on ANZBGL's offshore operations.

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 "Capital management – including discontinued operations" and "Liquidity and capital resources – including discontinued operations – Liquidity risk" set out in Section 3: Operating and Financial Review and Prospects.

Banking Executive Accountability Regime

The Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 established the "Banking Executive Accountability Regime" ("BEAR"). ANZBGL's obligations under the BEAR commenced on July 1, 2018.

The BEAR aims to strengthen the responsibility and accountability framework for the most senior and influential directors and executives in ADI groups. Under the BEAR:

- ANZBGL is required to register individuals with APRA before appointing them to certain senior executive or director positions and maintain and provide APRA with a map of the roles and responsibilities of such persons across the ADI group, and to provide APRA with accountability statements for each of these senior executives or directors, detailing that individual's roles and responsibilities;
- where ANZBGL and its registered senior executives and directors do not meet accountability obligations, APRA is empowered to disqualify those individuals as senior executives or directors without a court order (but subject to a right of administrative review in accordance with Part VI of the Banking Act);
- ANZBGL is obliged to set remuneration policies for directors and senior executives consistent with BEAR's requirements, including for the deferral of certain components of that remuneration; and
- ANZBGL may be liable for substantial penalties for failing to comply with its BEAR obligations.

Crisis Management

The Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018 (the "Crisis Management Act") enhances APRA's powers to facilitate the orderly resolution of the entities it regulates (and their subsidiaries) in times of distress. Additional powers which could impact the Group include greater oversight, management and directions powers in relation to ANZBGL and other Group entities which were previously not regulated by APRA, increased statutory management powers over regulated entities within the Group and changes which are designed to give statutory recognition to the conversion or write-off of regulatory capital instruments (the "Statutory Conversion and Write-Off Provisions").

The Statutory Conversion and Write-Off Provisions apply in relation to regulatory capital instruments issued by certain financial sector entities (including ADIs, of which ANZBGL is one) that contain provisions for conversion or write-off for the purposes of APRA's prudential standards. Where the Statutory Conversion and Write-Off Provisions apply to an instrument, that instrument may be converted in accordance with its terms. This is so despite any law (other than specified laws, currently those relating to the ability of a person to acquire interests in an Australian corporation or financial sector entity), the constitution of the issuer, any contract to which the issuer is a party, and any listing rules, operating rules or clearing and settlement rules applicable to the instrument. In addition, the Banking Act includes a moratorium on the taking of certain actions on grounds relating to the operation of the Statutory Conversion and Write-Off Provisions.

Other Australian Regulators

In addition to APRA and its 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 Centre ("AUSTRAC") and various securities exchanges.

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. It regulates Australian companies, financial markets, financial services organizations and professionals who deal in and advise on investments, superannuation, insurance, deposit-taking and credit. As the consumer credit regulator, ASIC licenses and regulates people and businesses engaging in consumer credit activities (including banks, credit unions, finance companies, and mortgage and finance brokers). ASIC ensures that licensees meet the standards, including those related to responsibilities to consumers that are set out in the Australian National Consumer Credit Protection Act 2009. As the markets regulator, ASIC assesses how effectively authorized financial markets are complying with their legal obligations to operate fair, orderly and transparent markets. Since August 1, 2010, ASIC has had responsibility for the supervision of trading on Australia's domestic licensed equity, derivatives and futures markets. As the financial services regulator, ASIC licenses and monitors financial services businesses to ensure that they operate efficiently, honestly and fairly. These businesses typically deal in superannuation, managed funds, shares and company securities, derivatives and insurance. ANZBGL provides products and participates in markets regulated by ASIC.

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 also required to comply with certain anti-money laundering and counterterrorism financing legislation and regulations under Australian law, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ("AML Act"). The AML Act is administered by AUSTRAC.

Australian Regulatory Developments

Royal Commission

A Royal Commission is a formal public inquiry that can only be instigated by the executive branch of the Australian Government and is directed by terms of reference. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "Royal Commission") was directed to inquire into, and report on, whether any conduct of financial service entities (including ANZBGL) might have amounted to misconduct or conduct falling below community standards and expectations. The Royal Commission was also tasked with considering the causes of that conduct, in particular the role of culture, governance, remuneration and risk management practices, the effectiveness of regulators and making policy recommendations in response.

The final report of the Royal Commission was released publicly on February 4, 2019. In the final report, the Commissioner of the Royal Commission identified conduct by financial service entities, including ANZBGL, that may have amounted to misconduct or that has fallen short of community standards and expectations.

The final report of the Royal Commission contains 76 recommendations across the topics of banking, financial advice, superannuation, insurance, culture, governance and remuneration, regulators and other matters. Recommendations relevant to certain topics could also have implications for other topics.

While the Australian Government has commenced implementation of several recommendations (including through consultations, changed regulatory posture and limited amendments to the law), it is largely unclear how these recommendations will be implemented into law or carried into practice. As of the date of this U.S. Disclosure Document, ANZBGL believes that the following recommendations could have an adverse impact on the Group's Position (as defined in "*Risk Factors - Introduction*" below):

Banking

- Changes to intermediated home lending, including that mortgage brokers should be subject to a duty to act in the best interests of an intending borrower, that changes should be made to mortgage broker remuneration (including that the borrower, and not the lender, should pay the mortgage broker a fee for acting in connection with home lending) and a phased prohibition on trailing and other commissions being paid by lenders to mortgage brokers, and that mortgage brokers should be subject to additional professional regulation;
- The Australian Banking Association ("ABA") should amend the Code of Banking Practice ("Code") to provide that banks will work with customers who live in remote areas or who are not adept in using English to identify a suitable way for those customers to access and undertake banking services, and without the prior express agreement with the customer, banks will not allow informal overdrafts or charge dishonor fees on basic accounts;
- Lending to small and medium enterprises, including that the ABA should amend the definition of 'small business' in the Code so that it applies to any business or group employing fewer than 100 full-time equivalent employees, where the loan applied for is less than AUD5 million and that banks should take certain steps and be required to adopt certain practices when dealing with agricultural loans, including in distressed situations;
- Enforceability of industry codes, including that the contravention of certain provisions of industry codes should constitute a breach of the law; and
- BEAR, including that APRA should set a responsibility within ADIs for all steps in the design, delivery and maintenance of all products offered to customers and any remediation of customers in respect of those products.

Financial advice

- Ongoing financial advice fee arrangements, including that the law should be amended to provide that ongoing fee arrangements must be renewed annually by the client, must record in writing the services the client is entitled to receive and the total fees to be charged, and may not permit or require the payment of fees from an account held by the client without the client's express written authority at the time of the latest annual renewal;
- The law should be amended to require the disclosure of the lack of independence of a financial advisor;
- Review of the measures implemented to improve the quality of advice;
- Conflicted remuneration, including that the grandfathering provisions that allow payment of certain conflicted remuneration, should be repealed as soon as is reasonably practicable; and
- Professional discipline of financial advisers, including that holders of Australian financial services licences ("AFSL") should be required, as a condition of their licence, to give effect to reference checking and information-sharing protocols for financial advisers, report 'serious compliance concerns' about individual financial advisers to ASIC on a quarterly basis and take certain steps when they detect that a financial advisor has engaged in misconduct in respect of financial advice given to a retail client, and that the law should be amended to establish a new disciplinary system for financial advisors.

Superannuation

- Superannuation trustee's obligations, including that the deduction of any advice fee (other than for intra-fund advice) from a MySuper account should be prohibited and trustees should be prohibited from assuming obligations other than those arising from its duties as a trustee;
- Nominating default superannuation funds, including that a person should only have one default superannuation account;
- Regulation of superannuation, including that trustee's or director's covenants should be enforceable by action for civil penalty; and
- The 'selling' of superannuation and insurance, including that the hawking (or unsolicited selling) of superannuation products and insurance products to retail clients should be prohibited.

Insurance

- Add-on insurance, including that the Australian Government should develop an industry-wide deferred sales model for the sale of any add-on insurance products;
- Pre-contractual disclosure and representations, including that an insured's duty of disclosure to an insurer should be replaced with a duty to take reasonable care not to make a misrepresentation to an insurer;

- Avoidance of life insurance contracts, including that an insurer should only be able to avoid a life insurance policy for non-disclosure or misrepresentation if it would not have entered into the contract on any terms;
- Statutory provisions protecting consumers from unfair contract terms in insurance contracts;
- Claims handling and settlement should be made subject to the laws regulating financial services;
- Enforceability of industry codes, including that the contravention of certain provisions of those codes should constitute a breach of the law;
- External dispute resolution, including that the law should be amended to require that holders of AFSLs take reasonable steps to co-operate with the Australian Financial Complaints Authority (“AFCA”); and
- Group life policies, including a government review of the practicability and likely pricing effect of legislating universal key definitions, terms and exclusions for default MySuper group life policies, and amendments to Prudential Standard SPS 250 (Insurance in Superannuation) including to require independent certification of any group life insurance arrangements between superannuation trustees and related parties.

Cultural, governance and remuneration

- Remuneration, including that APRA take certain steps in conducting prudential supervision of remuneration systems, and revising its prudential standards and guidance about remuneration; that financial service entities should review at least annually the design and implementation of their remuneration systems for front line staff to ensure that the design and implementation of those systems focus on not only what staff do, but also how they do it; and that banks should implement fully the recommendations of the Retail Banking Remuneration Review released on April 19, 2017 (otherwise known as the Sedgwick Review) (a review commissioned by the ABA); and
- Culture and governance, including that all financial services entities should, as often as reasonably possible, take proper steps to assess their culture and governance and take any required remedial action and that APRA take certain steps in conducting its prudential supervision of and revising its prudential standards and guidance about, culture and governance.

Regulators

- ASIC’s enforcement practices, including that ASIC should adopt an approach that takes, as its starting point, the question of whether a court should determine the consequences of a contravention;
- Superannuation conduct regulation, including that the roles of APRA and ASIC should be adjusted, with APRA as the prudential regulator and ASIC as the conduct regulator;
- BEAR co-regulation, including that ASIC and APRA should jointly administer BEAR;
- Cooperation with regulators, including that the law should be amended to make clear that an ADI must deal with ASIC and APRA in an open, constructive and co-operative way;
- Extension of BEAR, including that the BEAR provisions should be extended to all APRA-regulated financial services institutions, APRA-regulated insurers and registrable superannuation entity licensees;
- Co-ordination, information sharing and co-operation between ASIC and APRA;
- Governance of regulators, including that the kind of management and accountability principles established by BEAR should apply to each of APRA and ASIC and that each of APRA and ASIC be subject to capability reviews; and
- Oversight of regulators, including that a new oversight authority for APRA and ASIC should be established.

Other matters

- External dispute resolution, including that a compensation scheme of last resort should be carried into effect;
- ASIC Enforcement Review Taskforce recommendations, for self-reporting of contraventions by financial services and credit licensees should be carried into effect; and
- Simplification of the law, including that exceptions and qualifications to generally applicable norms of conduct in legislation governing financial services entities should be eliminated as far as possible and legislation governing financial services entities should identify expressly what fundamental norms of behavior are being pursued.

Additionally, the other recommendations of the Royal Commission not highlighted above could also impact the Group’s Position.

The Australian Government has said that it is committed to taking action on all 76 recommendations. On March 12, 2019, the Australian Government announced that it had decided not to prohibit trailing commissions being paid by lenders to mortgage brokers on new loans, but rather to review their operation in three years' time. Much of the detail and timing of the Australian Government’s response to the Royal Commission’s recommendations are uncertain. The Royal Commission recommendations have led or may lead to regulators commencing investigations into various financial services entities, including the Group, which could subsequently result in administrative or enforcement action being taken. The recommendations have also led to the Group’s regulators altering their existing policies and practices.

ANZ announced on February 20, 2019 that it would take immediate steps to implement the first phase of its response to the recommendations. These steps included:

- Providing farmers with early access to farm debt mediation as well as favoring ‘work-outs’ over either enforcement or appointing external managers;
- Not charging farmers default interest in areas affected by drought or other natural disasters;
- Creating a dedicated phone service and easier account identification options for indigenous customers;
- Proactively contacting customers paying little off persistent credit card debt to encourage them to move to lower cost options;
- Removing overdrawn and dishonor fees from its Pensioner Advantage accounts;
- Engaging as a ‘model-litigant’ in situations where ANZ is involved in a court process with individual retail or small business customers; and

- Committing to the Australian Financial Complaint's Authority's "look back" under its new limits.

The Royal Commission has also referred instances of potential misconduct to APRA or ASIC for consideration where they are not already being investigated. Where these matters relate to the Group, it may result in proceedings being brought against Group entities, which could result in the imposition of civil or criminal penalties on the Group.

The Royal Commission is likely to result in additional costs, may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities, and may have an adverse impact on the Group's Position. The outcomes and total costs associated with these possible exposures on the Group remain uncertain.

Additionally, following the release of the final report of the Royal Commission, credit rating agencies may review the credit ratings assigned to the Group and may revise credit ratings or credit rating outlooks. For more information on risks relating to our credit ratings, see "*Section 2: Information on the Group - Risk Factors - The Group's credit ratings could change and adversely affect the Group's ability to raise capital and wholesale funding and constrain the volume of new lending which may adversely affect the Group's Position*".

The Royal Commission may also lead to increased political or regulatory scrutiny of the financial industry in New Zealand.

Self-assessment into frameworks and practices

On May 1, 2018, APRA indicated that all regulated financial institutions would benefit from conducting a self-assessment into their frameworks and practices in relation to governance, culture and accountability and that, for large financial institutions such as the Group, APRA will be seeking written assessments that have been reviewed and endorsed by their boards. APRA made these indications in light of the issues that were identified in the final report relating to the prudential inquiry into another major ADI, which was established to examine the frameworks and practices in relation to the governance, culture and accountability within that ADI group. ANZ submitted its written self-assessment to APRA on November 30, 2018.

Financial System Inquiry

The Australian Government completed a comprehensive inquiry into Australia's financial system in 2014 which included a number of key recommendations that may have an impact on regulatory capital levels. APRA initiatives in support of the Financial System Inquiry ("FSI") are:

- In July 2017, APRA released an information paper outlining its assessment on the additional capital required for the Australian banking sector to be considered 'unquestionably strong' as originally outlined in the FSI final report in December 2014. APRA indicated that "in the case of the four major Australian banks, this equated to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5%. APRA also stated that the major banks should meet this benchmark by January 1, 2020 at the latest.
- In February 2018, APRA released a discussion paper that commenced APRA's consultation on:
  - *Revisions to the capital framework that will produce "unquestionably strong" capital ratios.* The discussion paper summarizes APRA's proposal regarding the risk-based capital approach for credit, market and operational risk following finalization of these requirements by the BCBS in December 2017. While the final forms of these proposals will only be determined later in 2020, the Group expects the implementation of any revisions to the current requirements will result in further changes to the risk weighting framework for certain asset classes and other risk types (such as market and operational risks). APRA has announced that it does not expect that the changes to the risk weights will necessitate further increases in capital for ADIs, although this could vary by ADI depending on the final requirements.
  - *Adjustments to the overall design of the capital framework to improve transparency, international comparability and flexibility of the ADI capital framework.* APRA released a discussion paper in August 2018. The focus of the proposals is on the presentation of the capital ratios to facilitate comparability whilst recognizing the relative capital strength of ADIs and measures to enhance supervisory flexibility in times of financial stress. APRA's consultation for the above is currently taking place with final prudential standards planned to be made available by 2020.
  - *Leverage Ratio requirements.* APRA's "Leverage Ratio" compares Tier 1 Capital to the "exposure measure" (expressed as a percentage) as defined by APRA Prudential Standard APS 110. It is designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system. APRA released draft prudential standards in November 2018 proposing to set the Leverage Ratio minimum for Internal Ratings-Based ("IRB") ADIs at 3.5%, in addition to other changes to the calculation of the exposure measure. These changes are not expected to have a material impact on the Group.

APRA's consultation for the above is currently taking place with target implementation by 2022 without any phase-in arrangements.

On total loss absorbing capacity, in November 2018, APRA released a discussion paper titled "Increasing the loss-absorbing capacity of ADIs to support orderly resolution". The paper is in response to recommendation three of the final report of the FSI. The paper proposes an increase in total capital requirements of between 4% and 5% of RWA for Domestic Systemically Important Banks ("D-SIBs"), such as ANZBGL. Based on the Group's RWA of $396 billion as at March 31, 2019, this represents an incremental increase in the total capital requirement of approximately $16 billion to $20 billion, with an equivalent decrease in other senior funding. APRA anticipates that D-SIBs would satisfy the requirement predominantly with additional Tier 2 capital. D-SIBs will need to satisfy the new requirement by 2023. ANZBGL intends to consult with APRA and provide a response to these proposals. In addition to the proposals outlined in the paper, APRA noted that it is in process of developing a formalized framework for resolution planning and will consult further on this in 2019.

Given the number of items that are currently open for consultation with APRA, the final outcome of the FSI including any further changes to APRA's prudential standards or other impacts on the Group remains uncertain.

Level 3 Conglomerates ("Level 3") framework

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 final 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 came into effect on July 1, 2017. These requirements have had no material impact on the Group's capital position nor ANZBGL's funding of its subsidiaries. See "*Restrictions on ANZBGL's ability to provide financial support*" below for further discussion on the impact of the Level 3 framework on ANZBGL's ability to support its related entities, including ANZ Bank New Zealand Limited ("ANZ New Zealand").

Restrictions on ANZBGL's ability to provide financial support

Effect of APRA's Prudential Standards

APRA's current or future requirements may have an adverse effect on ANZBGL's business, results of operations, liquidity, capital resources or financial condition. APRA Prudential Standard APS 222 "Associations with Related Entities" sets minimum requirements for ADIs in Australia, including ANZBGL, in relation to the monitoring, management and control of risks which arise from associations with related entities and also includes maximum limits on intra-group financial exposures.

Under APS 222, ANZBGL's ability to provide financial support to related entities (including ANZ New Zealand and its subsidiaries (together, the "ANZ New Zealand Group")) is subject to certain restrictions:

(a) ANZBGL should not undertake any third party dealings with the prime purpose of supporting the business of related entities;

(b) ANZBGL must not hold unlimited exposures (i.e., should be limited as to specified time or amount) to related entities (e.g., not provide a general guarantee covering any of the obligations of related entities);

(c) ANZBGL must not enter into cross-default clauses whereby a default by a related entity on an obligation (whether financial or otherwise) is deemed to trigger a default of ANZBGL on its obligations; and

(d) the level of exposure of ANZBGL's Level 1 total capital base:

   (i) to related ADIs or equivalents, such as the ANZ New Zealand Group, should not exceed 50% on an individual exposure basis or 150% in aggregate to all related ADIs or equivalents;

   (ii) to other related entities:

      i. in the case of a regulated related entity, should not exceed 25% on an individual exposure basis; or

      ii. in the case of any other (unregulated) related entity, should not exceed 15% on an individual exposure basis; and

      iii. should not exceed in aggregate 35% to all non-ADIs or equivalent related entities.

In July 2018, APRA released a consultation paper and draft prudential standards on proposed revisions to APS 222, which also incorporated changes to its large exposures framework finalized and published in December 2017. APRA's proposals include revisions to:

- the definition of related entities;
- the measurement of exposures to related entities by more closely aligning the measurement requirements to that contained in the revised large exposures framework;
- the prudential limits on exposures to related entities. APRA is proposing to align the capital base used in limit calculations to Level 1 Tier 1 Capital (capital base used in the revised large exposures framework) and to reduce the individual and aggregate maximum limits of financial exposures to related ADIs or equivalents; and
- the Extended Licensed Entity ("ELE") framework by amending the criteria for a subsidiary to be consolidated in an ADI's ELE and hence included with the Level 1 capital calculation.

APRA is currently consulting on the proposed changes, including taking into account submissions already received from ANZBGL and the industry. The impact on the Group and individual related entities (including the ANZ New Zealand Group) arising from the above consultation will not be known until APRA finalizes its review. APRA has said that it intends to have the revised APS 222 framework implemented by January 1, 2020.

In addition, APRA has confirmed that, by January 1, 2021, no more than 5% of ANZBGL's Level 1 Tier 1 Capital base can comprise non-equity exposures to its New Zealand operations (including its subsidiaries incorporated in New Zealand, such as ANZ New Zealand, and ANZBGL's New Zealand branch) during ordinary times. This limit does not include holdings of capital instruments or eligible secured contingent funding support provided to ANZ New Zealand Group during times of financial stress.

ANZ New Zealand sells, from time to time, residential mortgages into the New Zealand branch of ANZBGL to provide funding for its New Zealand business. As at March 31, 2019, the New Zealand branch held approximately NZ$1.7 billion of residential mortgages. To satisfy APRA's requirements described above, ANZ New Zealand is repurchasing these mortgages at approximately NZ$1.6 billion per annum over the five year transition period ending December 31, 2020,

APRA has also confirmed that contingent funding support by ANZBGL to the ANZ New Zealand Group during times of financial stress must be provided on terms that are acceptable to APRA. At present, only covered bonds meet APRA's criteria for contingent funding. APRA also requires that ANZBGL's total exposures to its New Zealand operations must not exceed 50% of ANZBGL's Level 1 Tier 1 Capital base.

Effect of the Level 3 framework

In addition, certain requirements of APRA's Level 3 framework relating to, among other things, group governance and risk exposures became effective on July 1, 2017 (see "*Level 3 Conglomerates ("Level 3") framework*" above). One of those requirements is that the Group must limit its financial and operational exposures to subsidiaries (including ANZ New Zealand).

In determining the acceptable level of exposure to a subsidiary, the Board of ANZBGL should have regard to:

a) the exposures that would be approved for third parties of broadly equivalent credit status;

b) the impact on ANZBGL's capital and liquidity position; and

c) ANZBGL's ability to continue operating in the event of a failure by the subsidiary.

These requirements are not expected to place additional restrictions on ANZBGL's ability to provide financial or operational support to its subsidiaries, including ANZ New Zealand.

Residential Mortgage Lending Practices

In recent years APRA has closely monitored residential mortgage lending practices and taken a number of steps aimed at strengthening residential mortgage lending standards across the banking industry. For example:

- in December 2014, APRA outlined additional steps it may take to reinforce sound residential mortgage lending practices of ADIs, indicating that it will pay particular attention to certain areas of concern, including higher risk mortgage lending, growth in lending to property investors (particularly if the growth is materially above an annual benchmark of 10%) and loan affordability tests for new borrowers; and
- in March 2017, APRA outlined that ADIs will be expected, among other things, to:
    - limit the flow of new interest-only lending to 30% of total new residential mortgage lending ("30% Interest-Only Benchmark"). Within this limit, ADIs were expected to place strict internal limits on the volume of interest-only lending at loan-to-valuation ratios ("LVRs") above 80% and ensure there was strong scrutiny and justification of any instances of interest-only lending at LVRs above 90%; and
    - manage lending to investors so as to comfortably remain below the previously advised benchmark of 10% annual growth in lending to property investors ("10% Investor Loan Growth Benchmark").

The Group applied a number of levers to meet the above expectations and manage portfolio risk, including adjustment of lending criteria and implementation of differentiated pricing between owner occupier and investor lending. Within these categories, differentiated pricing applies between customers making interest-only repayments and principal and interest repayments.

In April 2018 and December 2018, APRA outlined that the 10% Investor Loan Growth Benchmark and 30% Interest-Only Benchmark, respectively, will no longer apply to ADIs in certain circumstances. The benchmarks no longer apply to the Group.

APRA has indicated that it will continue to monitor closely conditions in the housing market more generally and despite the removal of the benchmarks, a return to more rapid rates of investor loan growth or re-acceleration in interest-only lending at an industry-wide level would raise systemic concerns and that such an environment could lead APRA to consider the need to apply industry-wide measures.

Changes in classifications for residential mortgage loans

The current classification of ANZBGL's residential mortgage loans, as reported to regulators and the market, is generally determined during the loan origination process (i.e., loan application, processing and funding), based on information provided by the customer or subsequently when a customer requests changes to the loan.

Classification of residential mortgage loans may change due to:

- incorrect classification at origination: to the extent that customers inaccurately advise ANZBGL of their circumstances at origination, there is a risk that loans may be incorrectly classified, and such loans may be reclassified;
- changes in customer circumstances: ongoing appropriateness of a given classification relies on the customer's obligation to advise ANZBGL of any changes in the customer's circumstances and on ANZBGL's ability to independently validate the information provided by its customers. To the extent that customers advise of any changes in their circumstances or when ANZBGL makes such a determination based on its verification processes, a loan may be reclassified;
- regulatory or other changes: the criteria for loan classifications, and their interpretation, may change for one or more reporting purposes, which may affect the classification of certain loans; and
- changes in ANZBGL's systems and processes.

Incorrect classification or re-classification of loans may affect a customer's ability to meet required repayments, such as when an owner-occupied property loan is re-classified to an investment property loan, which may attract a higher interest rate. The inability of customers to meet repayment obligations on re-classified loans may increase the risk of default on such loans, which may adversely affect the Group's Position.

Other

For further information on regulatory developments, including the risks they pose to the Group, refer to the section entitled "*Risk factors – Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position* ".

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, entities and vessels 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 supervisory role of the RBNZ

The Reserve Bank of New Zealand Act 1989 (the “Reserve Bank Act”) requires the Reserve Bank of New Zealand (“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.

The RBNZ places considerable emphasis on a requirement that banks regularly disclose 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:

a) requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposures, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
b) monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published half-yearly disclosure statements and monthly reporting submitted privately to the RBNZ. 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;
c) consulting with the senior management of registered banks;
d) 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;
e) assessing whether a bank is carrying on business prudently;
f) issuing guidelines on overseeing banks' compliance with anti-money laundering and countering financing of terrorism requirements;
g) monitoring banks' outsourcing arrangements to determine whether a registered bank's management of risks associated with outsourcing are appropriately managed;
h) issuing guidelines on banks' internal capital adequacy process and liquidity policy;
i) issuing guidelines on corporate governance; and
j) 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.

New Zealand registered banks are required to issue half-yearly disclosure statements that contain comprehensive details, together with full financial statements at the full-year, and unaudited interim financial statements at the half-year. 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.

In May 2018, the RBNZ began publishing a quarterly “dashboard” of key information on banks incorporated in New Zealand on the RBNZ's website. The dashboard aims to improve the ability of the public and market participants to understand and act on information about such banks’ financial strength and risk profile. The information is sourced from private reporting that banks provide to the RBNZ. Information relating to ANZ New Zealand published in the dashboard is not incorporated by reference herein and does not form part of this U.S. Disclosure Document and, in some cases, information relating to ANZ New Zealand published in the dashboard has not been prepared on a consistent basis with the information presented in the ANZ New Zealand financial statements.

New Zealand registered banks are required to comply with the Basel 3 capital adequacy requirements, as modified to reflect New Zealand conditions. The RBNZ also requires most banks incorporated in New Zealand, including 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 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. There are also counterparty credit risk requirements and additional disclosure requirements to incorporate Basel 3.

New Zealand incorporated banks (including ANZ New Zealand) are required to comply with the RBNZ's Liquidity Policy ("BS13"). BS13 requires registered banks to meet a minimum core-funding ratio of 75%, ensuring that at least a minimum proportion of bank funding is met through customer deposits, term wholesale funding and Tier 1 capital. 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 previously stated that it will be reviewing its liquidity policy in light of BCBS'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 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, among other things:

a) commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;

b) issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;

c) take any steps to put that bank into liquidation; or

d) 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

RBNZ review of capital requirements

In May 2017, the RBNZ published an issues paper that outlined its comprehensive review of the capital adequacy framework applying to New Zealand locally incorporated registered banks. 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 review focuses on the three key components of the current framework:

a) the definition of eligible capital instruments;

b) the measurement of risk; and

c) the minimum capital ratios and buffers.

In July 2017, the RBNZ released a consultation paper on what types of financial instruments should qualify as eligible regulatory capital. In December 2017, the RBNZ published its response to submissions on this paper, including its in-principle decisions to:

a) remove contingent debt and contingent preference shares from the definition of eligible regulatory capital;

b) accept non-redeemable, non-contingent, perpetual preference shares as Additional Tier 1 capital; and

c) accept redeemable, non-contingent preference shares and long term subordinated debt as Tier 2 capital.

The RBNZ advised that further in-principle decisions on the definition of eligible regulatory capital will be announced in due course. A work program aimed at giving effect to these decisions will be released for public consultation.

The RBNZ also released a consultation paper on the calculation of risk weighted assets ("RWA") for credit risk, operational risk and market risk. On July 6, 2018, the RBNZ published its response to submissions on this paper including its in-principle decisions. These are:

a) continuing to allow permitted qualifying banks (including ANZ New Zealand) to use internal models to estimate credit-risk related RWA (although there will be more restrictions on modelling);

b) the Internal Ratings Based Approach ("IRB approach") will not be permitted for credit exposure with an external rating (such as sovereigns and banks);

c) there will be a RWA floor imposed on IRB models;

d) all banks will be required to calculate RWA arising from operational risk in the same way using the Basel Standardized Measurement Approach ("Standardized approach"); and

e) IRB banks will be required to report RWA (and resulting credit ratios) using both internal models and the Standardized approach.

In September 2018, the RBNZ conducted a Quantitative Impact Study ("QIS") to assess the impact of its in-principle decisions on the framework for calculating RWA. The QIS covered the four New Zealand banks (including ANZ New Zealand) that use internal models to calculate RWA.

On December 14, 2018, the RBNZ released a further consultation paper seeking public views on a proposal to materially increase the minimum level of regulatory capital required to be held by banks locally incorporated in New Zealand. In summary, the RBNZ proposes to:

a) limit the extent to which capital requirements differ between the IRB approach and the Standardized approach, by re-calibrating the IRB approach and applying a floor linked to the Standardized approach outcomes;

b) raise RWA for the four IRB approach-accredited banks (including ANZ New Zealand) to approximately 90% of what would be calculated under the Standardized approach;

c) set a Tier 1 capital requirement (consisting of a minimum requirement of 6% and prudential capital buffer of 9-10%) equal to 16% of RWA for banks deemed systemically important (including ANZ New Zealand), and 15% for all other banks;

d) assign 1.5 percentage points of the proposed prudential capital buffer requirements to a countercyclical component, which could be temporarily reduced to 0% during periods of exceptional stress;

e) assign 1 percentage point of the proposed prudential capital buffer requirement to a domestic systematically important bank buffer, to be applied to banks deemed to be systemically important;

f) retain the current Tier 2 capital treatment, but raise the question of whether Tier 2 should remain in the capital framework; and

g) implement a staged transition of the different components of the revised framework over a number of years.

The consultation period closed on May 17, 2019. The RBNZ's final decision on this and other key components of the capital review is expected in the third quarter of the 2019 calendar year.

On April 8, 2019, the RBNZ released a consultation paper on a framework for identifying D-SIBs as part of the review of the capital adequacy requirements. As set out in the RBNZ's new capital adequacy proposals, D-SIBs would be subject to a higher capital surcharge compared to other banks. The proposed framework is aligned with international best practice and is likely to see ANZ New Zealand being identified as a D-SIB. The consultation closes on May 31, 2019.

As at the date of this U.S. Disclosure Document, it is uncertain what impact the RBNZ's proposed reforms may have on ANZ New Zealand.

RBNZ prudential credit controls

The RBNZ imposes restrictions on high loan-to-value ratio ("LVR") residential mortgage lending. The RBNZ revised its conditions of registration effective from January 1, 2019, requiring New Zealand banks to restrict new non property-investment residential mortgage lending over 80% LVR to no more than 20% 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 70% 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. As a result, New Zealand banks (including ANZ New Zealand) must hold more capital for loans to residential property investors.

RBNZ's revised outsourcing policy

The RBNZ's updated outsourcing policy ("BS11") requires large New Zealand banks, such as ANZ New Zealand, to have the legal and practical ability to control and execute outsourced functions. BS11 applies to all new outsourcing arrangements entered into from October 1, 2017. Existing outsourcing arrangements have until October 1, 2022 to transition to full compliance with BS11.

Conditions of Registration

The BS11 requirements form part of ANZ New Zealand's conditions of registration. If ANZ New Zealand does not comply with its conditions of registration in relation to outsourcing, the RBNZ could take enforcement action, such as imposing fines or putting further restrictions on ANZ New Zealand's use of outsourcing.

ANZ New Zealand is implementing a formal program to carry out its Path-to-Compliance Plan for BS11.

In order to be compliant with BS11, ANZ New Zealand must be able to meet the policy outcomes on a stand-alone basis without reliance on any other Group entity. The policy outcomes are defined as ANZ New Zealand being able to:

a) continue to meet daily clearing, settlement, and other time-critical obligations;

b) monitor and manage financial positions, including credit, liquidity and market risk positions;

c) make available the systems and financial data necessary for the statutory manager and RBNZ to have options available for managing the failed bank; and

d) provide basic banking services to existing customers, including liquidity (both access to deposits and to credit lines as defined in basic banking services) and account activity reporting.

Compliance obligations

BS11 imposes a number of ongoing compliance requirements on ANZ New Zealand. In particular:

a) ANZ New Zealand must have a compendium of outsourcing arrangements by October 1, 2019;

b) All contracts to which BS11 applies must include prescribed contractual terms allowing RBNZ access to details of the contract and service, and not allowing the vendor to terminate if ANZ New Zealand is under statutory management;

c) RBNZ must provide its non-objection for all new outsourcing arrangements (including with other Group entities), unless an exemption applies;

d) ANZ New Zealand must have a separation plan that describes how ANZ New Zealand will operate services or functions that are outsourced to a related party in the event of the appointment of a statutory manager to ANZ New Zealand, or separation from ANZBGL. A final separation plan, fully compliant with BS11, must be in place by October 1, 2022 and will be subject to annual testing; and

e) ANZ New Zealand must obtain an independent, external review of progress against its Path-to-Compliance Plan and compliance of new arrangements on an annual basis during the five-year transition period and at least every three years thereafter.

Review of foreign margin requirements for over-the-counter ("OTC") derivatives

Since late 2016, the RBNZ and the New Zealand Ministry of Business, Innovation and Employment ("MBIE") have, in co-ordination with the New Zealand Treasury, been engaging with industry and overseas regulators to assess the likely domestic impact of new offshore derivative margin requirements. Although New Zealand has no legislative margin requirements for OTC derivatives, the OTC activities of several registered banks (including ANZ New Zealand) are impacted by margin rules being implemented in foreign jurisdictions. In July 2017, MBIE and the RBNZ released a consultation paper which described potential impediments in New Zealand legislation to compliance with foreign margin requirements (in particular, statutory moratoria on creditors' claims under insolvency or restructuring regimes, and the ranking of creditors in certain circumstances) and suggested several high level options for reform, including a preferred option to enact targeted legislative amendments to address those impediments. The New Zealand Bankers' Association co-ordinated an industry response to the consultation paper which was submitted in August 2017.

In February 2019, the Financial Markets (Derivatives Margin and Benchmarking) Reform Amendment Bill ("FMRA Bill") was introduced to the New Zealand Parliament. The FMRA Bill proposes to amend various pieces of legislation to address aspects of New Zealand law that impede the ability of certain New Zealand entities (including registered banks) to comply with foreign margin requirements. The amendments will mean that derivative counterparties, which enter into derivatives with these New Zealand entities, will be able to enforce their security interest over margin without undue delay, and ahead of other creditors, in the event of the other party to the derivative defaulting. More specifically, the amendments will:

a) allow these derivative counterparties to enforce against the margin notwithstanding the general moratoria on claims that ordinarily apply in statutory management and voluntary administration; and

b) ensure that when these derivatives counterparties enforce their security interest over margin, their claim ranks ahead of other potential claims under the Companies Act 1993 and the Personal Property Securities Act 1999.

The New Zealand legislative impediments described above have resulted in a reduction of the number of counterparties with which ANZ New Zealand is able to enter into uncleared OTC derivative transactions.

New Zealand Bank Bill Benchmark Rate ("BKBM") reforms

New Zealand's current regulatory regime for BKBM has been judged as not sufficient to meet the equivalence requirements for the purposes of Regulation (EU) 2016/1011. Without regulatory reform, the use of BKBM will be restricted in the EU from January 1, 2020. The FMRA Bill contains proposed amendments to the Financial Markets Conduct Act 2013 ("FMCA") to establish a new licensing regime for administrators of financial benchmarks. These amendments aim to ensure that BKBM meets the EU equivalence requirements and remains an approved benchmark.

Replacement of the Financial Advisers Act 2008

New Zealand's financial advice regime is being modified. The Financial Advisers Act 2008, which is the primary legislation governing the provision of financial advice in New Zealand, will be repealed by the Financial Services Legislation Amendment Act 2019 (the "FSLAA"). The FSLAA will insert the provisions of the new financial advice regime into the FMCA and amend the Financial Service Providers (Registration and Dispute Resolution) Act 2008 ("FSP Act"). The key changes to the regime include:

a) requiring financial advice providers to be licensed;

b) removing the requirement that only a natural person can give financial advice (enabling robo-advice);

c) expanding the minimum standards of competence, knowledge, and skill to all categories of people giving financial advice to retail clients;

d) requiring all people who give regulated financial advice to comply with standards of ethical behavior, conduct, and client care;

e) adding a requirement that anyone who gives financial advice must give priority to the interests of the client, ensure the client understands the nature and scope of advice and disclose prescribed information;

f) limiting who can give regulated financial advice;

g) simplifying the regime and its terminology, for example by simplifying financial adviser types and services they can provide; and

h) amending the requirements to be registered on the New Zealand Financial Service Providers Register to prevent its misuse.

Financial advice providers will be required to hold a transitional license when the new regime comes into force and a full license will be required within a two year transitional period. The new regime will come into force no later than May 1, 2021.

Review of the Reserve Bank Act

In November 2017, the New Zealand Government began its review of the Reserve Bank Act. The goal of the review is to modernize New Zealand's monetary and financial stability policy frameworks and the RBNZ's governance and accountability settings. The review is being undertaken in two phases:

a) Phase one: The key policy decisions from phase one include supporting maximum sustainable employment alongside inflation targeting as an objective of monetary policy; and to require that monetary policy decisions be made by a Monetary Policy Committee of 5-7 members. The majority of members of the Monetary Policy Committee will be RBNZ staff, and a minority will be outside experts not employed by the RBNZ. Members of the Monetary Policy Committee will be appointed by the Minister of Finance following a nomination by the RBNZ Board. However, the RBNZ will retain its operational independence which enables it to make monetary policy decisions to achieve its monetary policy objectives independent of direction from the New Zealand Government. The Reserve Bank of New Zealand (Monetary Policy) Amendment Act 2018, which implements these policy decisions, came into force on April 1, 2019.

b) Phase two: This phase primarily involves a comprehensive review of the financial policy provisions of the Reserve Bank Act. These provisions provide the legislative basis for the RBNZ's prudential regulation and supervision functions. Phase two includes three rounds of public consultation. The RBNZ released the first consultation paper on November 1, 2018, which covered the following topics: the RBNZ's overarching objectives; the 'perimeter' for prudential regulation; the case for and against depositor protection; the case for and against separating prudential supervision from the RBNZ; and the RBNZ's institutional governance and decision-making framework. Consultation closed on the first consultation paper on January 25, 2019. The second consultation paper, which will be released in mid-2019, will cover the following topics: the legal basis for bank regulation; the approach to supervision and enforcement of bank regulation macro-prudential policy; crisis management; the RBNZ's resourcing and funding; and seek feedback on the preferred options from the first consultation. A third consultation paper will be released late in 2019, which will seek feedback on the preferred options from the second consultation. It is expected that final policy decisions on phase two will be made by the New Zealand Government in 2020.

RBNZ review of mortgage bond collateral standards

The RBNZ is consulting on the terms under which the RBNZ would be prepared to accept mortgage bonds (such as residential mortgage-backed securities or covered bonds) as collateral for the RBNZ's lending operations in the future, and is proposing a new Residential Mortgage Obligations ("RMO") standard. The RBNZ proposes to gradually phase in RMO to replace internal residential mortgage backed securities over a five-year transition period.

In November 2018, the RBNZ published an exposure draft of the RMO standard for a second and final round of public consultation, which closed on March 8, 2019. The RBNZ intends to publish a final policy defining the RMO framework once the final decisions are made.

Financial Markets Authority ("FMA") and RBNZ conduct and culture review

Following the establishment of the Australian Royal Commission, the FMA and the RBNZ conducted a joint review of conduct and culture in the New Zealand banking sector. In May 2018, the FMA and the RBNZ asked New Zealand banks to provide them with specific information to give assurance that the type of misconduct highlighted in the Australian Royal Commission was not taking place in New Zealand. Each New Zealand bank was asked to provide a summary of work it had undertaken, both completed and ongoing, to identify and address conduct and culture issues in its business. The FMA and the RBNZ also conducted onsite interviews.

In November 2018, the FMA and the RBNZ released the findings of their industry review. The industry report found that conduct and culture issues did not appear to be widespread in New Zealand banks. There were a small number of issues related to poor conduct by bank staff across the industry. Issues relating to system or process weaknesses were more commonplace. The industry report noted that the FMA and the RBNZ were concerned about the identification and remediation of conduct issues and risks in the banks' businesses, and potential weaknesses in the governance and management of conduct risks.

Each bank that took part in the review, including ANZ New Zealand, received a tailored report detailing the FMA's and the RBNZ's observations and recommendations. Each bank was required to provide a response to their specific reports and their plans to address the FMA's and the RBNZ's feedback by March 31, 2019. ANZ New Zealand received its specific report on November 28, 2018 and submitted its response on March 29, 2019.

FMA review of sales incentives structures in the New Zealand banking industry

In November 2018, the FMA released its findings from its review of incentive structures in the New Zealand banking industry. The purpose of this review was for the FMA to understand and assess the design of banks' incentives schemes for salespeople, and how related conflicts of interest are managed.

The industry review found that the incentives of salespeople across the New Zealand banking industry are highly sales focused and that there is a high risk of inappropriate sales practices occurring. The industry review also found that significant changes are being made to incentive schemes across the New Zealand banking industry. The FMA states in its findings that it expects banks to ensure they achieve consistently good outcomes for their customers and that this includes designing and managing incentive schemes in a way that leads to good customer outcomes. The FMA asked banks to explain how they would meet the FMA's expectations by March 2019. ANZ New Zealand submitted its response to the FMA on March 29, 2019.

Proposed conduct regulations for financial institutions

In April 2019, MBIE released an options paper seeking feedback on a proposed regime to ensure that conduct and culture in the New Zealand financial sector is delivering good outcomes for customers. The proposed regime would impose a set of overarching duties on financial institutions, introduce measures to address conflicted remuneration and ensure financial products are suitable for customers, and give the FMA additional powers to monitor and enforce compliance. The proposed regime would apply to banks (including ANZ New Zealand) and insurers in the first instance, and could also be extended to apply to other types of financial institutions (e.g. non-bank deposit takers). The consultation period closes on June 7, 2019.

Amendments to the Credit Contracts and Consumer Finance Act 2003 ("CCCFA")

Following MBIE's review of the New Zealand consumer credit law in 2018, the New Zealand Government announced in October 2018 that it intended to make amendments to the CCCFA to better protect vulnerable consumers from irresponsible lending.

On April 9, 2019, the Credit Contracts Legislation Amendment Bill ("CCLA Bill") was introduced to the New Zealand Parliament. The CCLA Bill proposes to make a number of significant changes to the CCCFA, including:

a) introducing a new duty on directors and senior managers of creditors under consumer credit contracts to exercise due diligence to ensure that the creditor complies with its duties and obligations under the CCCFA;

b) strengthening enforcement provisions, including by providing civil pecuniary penalties and statutory damages for breaches of lender responsibility principles;

c) requiring lenders to keep records of their inquiries in relation to their compliance with the responsible lending principles and how they calculate credit and default fees;

d) introducing the concept of a "high-cost consumer credit contract", which would include a contract with an annual interest rate of 50% or more. The maximum cost of borrowing recoverable under a high-cost consumer credit contract would be limited to an amount equal to the first advance under the contract;

e) amending the initial disclosure requirements for high-cost consumer credit contracts and layby sale agreements;

f) amending the provisions relating to how disclosure is made, including in relation to electronic disclosure;

g) requiring creditors who advertise in a particular language to make disclosure in that language, in certain circumstances; and

h) requiring debt collectors to disclose key information to the debtor at the commencement of debt collection action.

Non-compliance with ANZ New Zealand's conditions of registration

In April 2019, ANZ New Zealand informed the RBNZ that, in the course of a self-review, ANZ New Zealand discovered that it had not been using an approved model for the calculation of the operational risk capital ("ORC") requirement since December 2014.

ORC was calculated for ANZ New Zealand by ANZBGL. A failure of systems and controls, as well as no verification being undertaken by ANZ New Zealand, meant that ANZBGL decommissioned the RBNZ approved model without ANZ New Zealand ensuring it had the necessary regulatory approvals in place to move to a new model. Calculation of the ORC requirement since December 2014 was based on a previous RBNZ approved ORC model output last run in September 2014, with an adjustment to reflect the growth of the ANZ New Zealand Group's business. ANZ New Zealand accepts that this was not in compliance with its conditions of registration.

The adoption of this calculation and decommissioning of the authorized ORC model occurred following development of a new ORC model in 2015 to be used by the Group that better reflected the risks in the business. This new ORC model was approved by APRA in September 2015 and subsequently submitted to RBNZ for approval in June 2016. In 2016, RBNZ suspended approval of capital models and, the new ORC model has not been approved.

The RBNZ decided that ANZ New Zealand's ORC requirement will be calculated in accordance with the RBNZ Banking Supervision Handbook document Capital Adequacy Framework (Standardised Approach) (BS2A). As a result, as at March 31, 2019, ANZ New Zealand's ORC requirement has increased by NZ$277 million, and its capital ratios have decreased by 0.4% for common equity tier 1 capital and 0.6% for total capital. Restatement of prior period comparatives is not required.

ANZ New Zealand is working to provide the RBNZ with further information to show there are no other similar capital model compliance issues. A governance framework including appropriate systems and controls has been put in place to ensure ANZBGL cannot decommission an RBNZ approved model without required approvals.

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 U.S. 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 Office of the Comptroller of the Currency in the United States (the "OCC"), ANZBGL's New York branch ("New York Branch") can engage in activities permissible for national banks, with the exception that the New York Branch may not accept retail deposits. The New York Branch does not accept retail deposits (only institutional and corporate 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 New York Branch, are subject to reserve requirements on deposits pursuant to regulations of the FRB. The 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, a number of rules and regulations implementing Dodd-Frank are under review by U.S. regulators. This review may result in a modified compliance framework. The following summary discusses the key regulatory requirements that are expected to remain relevant to ANZBGL.

The "Volcker Rule" adopted under Dodd-Frank, among other things, 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.

Other Dodd-Frank regulations impose minimum margin requirements on uncleared swaps, require the central execution and 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. ANZBGL is a provisionally registered swap dealer under the Commodity Futures Trading Commission ("CFTC") regulations, and therefore the Group is subject to these CFTC requirements as well as certain additional business conduct and record keeping and reporting 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, 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 outside the U.S. with non-U.S. counterparties. The CFTC has provided guidance, and has proposed rules, regarding transactions entered into by non-U.S. swap dealers with non-U.S. counterparties that are arranged, negotiated or executed in the U.S. The CFTC may issue further guidance, or adopt rules, governing such transactions.

U.S. prudential regulators and the CFTC have implemented rules imposing initial and variation margin requirements on transactions in uncleared swaps and security-based swaps. As ANZBGL is supervised by the FRB and operates the New York Branch that is regulated by the OCC, it needs to comply with the uncleared swap margin rules promulgated by the FRB, Farm Credit Administration, FDIC, Federal Housing Financial Agency and the OCC. These rules impose requirements to collect and post initial and variation margin in respect of in-scope trading with in-scope counterparties. The rules of the prudential regulators and the CFTC also allow non-U.S. swap dealers, such as ANZBGL, to comply with the applicable laws of non-U.S. jurisdictions in lieu of compliance with their margin rules, or otherwise not to comply with U.S. margin rules, with respect to certain categories of transactions and counterparties.

Dodd-Frank also requires ANZBGL to submit U.S. resolution plans to the FRB and the FDIC. ANZBGL submitted its most recent U.S. resolution plan in December 2018. ANZBGL also is subject to "enhanced prudential regulations" under Reg. YY, Subpart N, which was adopted pursuant to Dodd-Frank Section 165, and which requires quarterly and annual certification of compliance with the financial and risk oversight requirements thereof. In April 2019, the FRB and the FDIC issued proposed rules that would apply tailored requirements on resolution planning and a modification of the enhanced prudential standards applicable to foreign banking organizations, depending on the size of their U.S. operations and their risk profile.

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, 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% withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States, no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to the date that is two years after the date on which final U.S. regulations defining the term "foreign passthru payment" are enacted. There is currently no proposed or final definition of “foreign passthru payment” and it is therefore impossible to know whether certain payments could possibly be treated as foreign passthru payments.

The discussion above reflects recently proposed U.S. regulations that eliminate withholding on certain gross proceeds payments and delay the effective date for withholding on payments from sources outside the United States. The U.S. Treasury have indicated that taxpayers may rely on the proposed regulations. The discussion assumes that the regulations will be finalized in their current form and will be effective retroactively.

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. Moreover, even if the Group does provide the required information, withholding may still be applicable to certain U.S. source payments.

In the event that any country in which ANZBGL operates does not finalize and enforce an Intergovernmental Agreement with the United States, and that country has local law impediments preventing compliance with FATCA, the Group may also be subject to broader compliance issues, significant withholding exposure and other operational impacts.

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, the New York Branch and ANZBGL’s 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 have imposed heightened standards and U.S. law enforcement authorities have been taking a more active role, resulting in intensified enforcement of such matters. 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

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 RBNZ, the OCC, the FRB, the UK Prudential Regulatory Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, the China Banking and Insurance Regulatory Commission and other financial regulatory bodies in those countries and in other relevant countries. These regulators, among other things, may impose minimum capitalization requirements on those operations in their respective jurisdictions.

The Group is also required to comply with certain anti-money laundering and counterterrorism financing legislation and regulations under the local laws of all the countries in which it operates.

RISK FACTORS

1. Introduction

The Group's activities are subject to risks that can adversely impact its business, operations, results of operations, reputation, prospects, liquidity, capital resources, financial performance and financial condition (together, the "Group's Position"). 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 specified or unspecified risks actually occur, the Group's Position may 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 together 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 Position

The Group's financial performance is primarily influenced by the political and economic conditions and the level of business activity in the major countries and regions in which the Group operates, trades or raises funding including, without limitation, Australia, New Zealand, the Asia Pacific, United Kingdom, Europe and the U.S. (the "Relevant Jurisdictions").

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

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

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

Changes in global political conditions have the potential to lead to extended periods of increased political and economic uncertainty and volatility in the global financial markets. For example, the "Brexit" (as defined below) referendum in the United Kingdom in June 2016 (including the related ongoing negotiations with the European Union and within the UK Parliament), the commencement of Donald Trump's presidency in January 2017, and global trade developments relating to, among other things, the imposition or threatened imposition of trade tariffs and levies by major countries have resulted in increased political and economic uncertainty and volatility in the global financial markets and may continue to do so. This is in part due to the unknown consequences for global trade, the broader global economy and financial markets.

The Group's business in the United Kingdom and elsewhere may be negatively impacted by the uncertainty regarding the exit of the United Kingdom from the European Union (commonly referred to as "Brexit"), including from a deterioration of consumer and business activity in the United Kingdom and other countries and general uncertainty in the overall business environment in which the Group operates. The exit itself could negatively impact the United Kingdom and other economies, which may adversely affect the Group's Position. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations in the United Kingdom and the European Union, and the Group may incur additional costs or need to make operational changes that reduce revenue as the Group adapts to potentially divergent regulatory frameworks. Any of these effects of Brexit, among others, may adversely affect the Group's Position. The Group has made changes to the structure of its business operations in Europe in anticipation of Brexit, although the financial, trade and legal implications of Brexit are still uncertain and may be more severe than expected given that the final terms upon which the United Kingdom will exit the EU are still not known and the lack of comparable precedent.

Furthermore, since the commencement of Donald Trump's presidency, President Donald Trump has outlined a political and economic agenda for the U.S. that, in certain ways, significantly differs from previous U.S. trade, tax, fiscal, regulatory and other policies. In particular, President Donald Trump has pursued a protectionist trade policy which includes a series of expansive tariffs, up to and potentially including the entirety of goods traded between the U.S. and China, which may result in adverse effects on the economy of China, one of the major trading partners of Australia and New Zealand and a significant driver of commodity demand and prices in the markets in which the Group and its customers operate. Anything that adversely affects China's economic growth may adversely affect Australian and New Zealand economic activity and, as a result, the Group's Position.

Australian political conditions have progressively shifted over recent years. Shorter tenures for Prime Ministers appear to have become more entrenched, and the focus on the societal impacts of the financial sector, and other business sectors as well, has sharpened. The banking tax and Royal Commission have been initiated in this environment. The Royal Commission process itself appears to have exacerbated this shift, suggesting a sustained period of focus on the financial sector in Australia.

Political and economic uncertainty has in the past led to declines in market liquidity and activity levels, volatile market conditions, a contraction of available credit, lower or negative interest rates, weaker economic growth and reduced business confidence, each of which may adversely affect the Group's Position. These conditions may also adversely affect the Group's ability to raise medium or long-term funding in the international capital markets.

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

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. Deterioration in global markets, including equity, property, currency and other asset markets, may impact the Group's customers and the security the Group holds against loans and other credit exposures, which may impact the Group's ability to recover loans and other credit exposures.

The Group's financial performance may also be adversely affected if the Group was 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 or regions in which the Group operates.

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

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

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 domestically and globally, may negatively affect general business and economic conditions in the countries or regions in which the Group operates and in turn adversely affect the Group's Position (see risk factor 16: "Impact of future climate events, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position").

All or any of the negative political, business, environmental or economic conditions described above may 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 may adversely affect the Group's Position.

3. Competition in the markets in which the Group operates may adversely affect the Group's Position

The markets in which the Group operates are highly competitive and could become even more so. Factors that contribute to competition risk include mergers, acquisitions, divestments, joint ventures and alliances, changes in customers' needs, preferences and behaviors, entry of new participants, development of new distribution and service methods and technologies, increased diversification of products by competitors and changes in regulation such as 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. 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. Existing companies from outside of the traditional financial services sector may seek to directly compete with the Group by offering products and services traditionally provided by banks, including by obtaining banking licenses and/or by partnering with existing providers;

- banks organized in jurisdictions outside Australia and New Zealand are subject to different levels of regulation and some of these banks may have lower cost structures, lower capital requirements or a lower cost of capital that may make them more competitive in the markets where the Group operates;

- consumers and businesses may choose to transact using, or to invest in, new forms of currency (such as cryptocurrencies) in relation to which the Group may choose not to provide financial services; and

- open banking (as described below) may lead to increased competition (see risk factor 4: "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position").

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.

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

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

4. Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position

The Group's businesses and operations are highly regulated. The Group is subject to a substantial number of laws, regulations and policies in the Relevant Jurisdictions in which it carries on business and obtains funding and is supervised by a number of different authorities. In Australia, these authorities include APRA, RBA, ASIC, ASX, ACCC, AUSTRAC, the Australian Taxation Office ("ATO") and the Office of the Australian Information Commissioner ("OAIC"). In New Zealand, these authorities include RBNZ, FMA and the New Zealand Commerce Commission ("NZCC"). Prudential authorities such as APRA and the RBNZ have extensive administrative, practical and investigative powers over the Group's businesses.

The regulation and supervision of financial services groups such as the Group is increasingly extensive and complex across the Relevant Jurisdictions and such regulations continue to evolve. Regulatory developments are wide ranging and include consumer credit and consumer protection, the design and distribution of financial products, conduct, governance, funding, liquidity, derivatives, capital adequacy, provisioning, competition, mortgage pricing, remuneration, privacy, data protection, data access, prudential matters, anti-bribery and corruption, anti-money laundering and counter-terrorism financing, economic and trade sanctions and executive accountability. The resources allocated to the regulation and supervision of financial services groups, such as the Group, and the enforcement of laws against them have increased in recent years.

Changes to laws, regulations, policies and enforcement activities in Australia and the Relevant Jurisdictions may adversely affect the Group's Position. Such changes may impact the corporate structures, businesses, strategies, capital, liquidity, funding and profitability and the cost structures of the Group and the cost and access to credit for customers of the Group, and the wider economies of Australia and New Zealand.

Examples of recent changes to laws, regulations, practices and policies, or developments that may lead to future changes include the following:

Prudential Developments

Implementation of APRA's revisions to the capital and liquidity framework for ADIs, resulting from the BCBS Basel 3 capital and liquidity reforms and the recommendations of the FSI, will continue over the coming years.

Consistent with the FSI's recommendation that the capital ratios of ADIs should be "unquestionably strong", effective from July 2016, APRA increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including the Group).

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

In February 2018, APRA released a discussion paper that commenced their consultation on the revisions to the capital framework that will produce "unquestionably strong" capital ratios. The discussion paper summarizes APRA's proposal regarding risk-based capital approach for credit, market and operational risk following finalization of these requirements by the BCBS in December 2017. While the final form of this proposal will only be determined later in 2020, the Group expects the implementation of any revisions to the current requirements will result in further changes to the risk weighting framework for certain asset classes and other risk types (such as market and operational risks). APRA has announced that it does not expect that the changes to the risk weights will necessitate further increases in capital for ADIs, although this could vary by ADI depending on the final requirements.

Further to the above, APRA released a discussion paper in August 2018 on adjustments to the overall design of the capital framework to improve transparency, international comparability and flexibility of the ADI capital framework. The focus of the proposals is on the presentation of the capital ratios to facilitate comparability whilst recognizing the relative capital strength of ADIs and measures to enhance supervisory flexibility in times of financial stress. APRA's consultation for the above is currently taking place with final prudential standards planned to be made available by 2020.

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

- total loss absorbing capacity: In November 2018, APRA released a discussion paper titled "Increasing the loss-absorbing capacity of ADIs to support orderly resolution". The paper is in response to recommendation three of the final report of the FSI. The paper proposes an increase in total capital requirements of between 4% and 5% of RWA for D-SIBs, such as ANZBGL. Based on the Group's RWA of $396 billion as at March 31, 2019, this represents an incremental increase in the total capital requirement of approximately $16 billion to $20 billion, with an equivalent decrease in other senior funding. APRA anticipates that D-SIBs would satisfy the requirement predominantly with additional Tier 2 capital. D-SIBs will need to satisfy the new requirement by 2023. ANZBGL intends to consult with APRA and provide a response. In addition to the proposals outlined in the paper, APRA noted that it is in the process of developing a formalized framework for resolution planning and will consult further on this in 2019; and
- minimum Leverage Ratio: In November 2018, APRA released draft prudential standards proposing to set the Leverage Ratio minimum for IRB ADIs at 3.5%, in addition to other changes to the calculation of the exposure measure.

Given the number of items that are currently open for consultation with APRA, the final outcome of the FSI including any further changes to APRA's prudential standards or other impacts on the Group remains uncertain. Further changes to APRA's prudential standards and the final outcome of the FSI could increase the level of regulatory capital that the Group is required to maintain, restrict the Group's flexibility, require it to incur substantial costs and impact the profitability of one or more business lines, which may adversely affect the Group's Position.

Implementation of the BCBS Basel 3 capital and liquidity reforms will continue over the coming years. The BCBS has recently finalized its reform on the Basel 3 framework focusing on reducing excessive variability in the calculation of risk weighted assets which is now set for implementation from 2022. These reforms form the basis for APRA's proposals on revisions to capital framework as described above.

Banking Executive Accountability Regime ("BEAR")

BEAR became effective on July 1, 2018. It is a strengthened responsibility and accountability framework for the most senior and influential directors and executives in ADI groups. Potential risks to the Group from the BEAR legislation include the risk of penalties and the risk to its ability to attract and retain high-quality directors and senior executives.

Design and Distribution Obligations and Product Intervention Powers

The Australian Government has passed new legislation intended to enhance the regulation of the design and distribution of financial and credit products in Australia and to provide ASIC with product intervention powers.

Anti-Money Laundering and Counter Terrorism Financing Compliance

Scrutiny of banks has increased following the commencement by the AUSTRAC of civil penalty proceedings in 2017 against another major Australian bank relating to alleged past and ongoing contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Commonwealth) (see risk factor 5: "Significant fines and sanctions in the event of breaches of law or regulation relating to anti-money laundering, counter-terrorism financing and sanctions may adversely affect the Group's Position").

Bank Levies

The Australian Government imposed a levy on liabilities for certain large banks, including the Group, with effect from July 1, 2017 ("Major Bank Levy"). There is a risk that the Australian Government could increase the Major Bank Levy or introduce new levies on banks. Australian State and Territory governments may introduce similar levies which may adversely affect the Group's Position.

Responsible Consumer Lending

Regulatory policy development and monitoring of responsible consumer lending has increased significantly in recent years, and continues to drive the review of, and changes to, business practices. If any additional changes in law, regulation or policy are implemented, as a result of the development and monitoring of responsible consumer lending, such changes may impact the manner in which the Group provides consumer lending services in the future which may adversely affect the Group's operations in this area and consequently, the Group's Position.

Parliamentary Inquiries

There are several on-going Australian Government inquiries relevant to Australia's banks. The inquiries could lead to legislative or regulatory changes or measures that may adversely affect the Group's Position.

Australian Consumer Law

The Australian Parliament passed amendments to the Australian Consumer Law on August 23, 2018. Amongst other things, the amendments increased penalties for breaches of consumer law from September 1, 2018. The increased penalties relate to unconscionable conduct, false or misleading representations about goods or services, unfair practices, the safety of consumer goods and product-related services and information standards.

Increased ASIC and APRA Funding

The Australian Government announced in March 2019 that ASIC would be provided with more than $400 million and APRA with more than $150 million in additional funding to support enforcement, regulation and supervision.

Corporate and Financial Sector Penalties

The Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act 2019 significantly increases the sanctions applicable to the contravention of a range of corporate and financial sector obligations.

ASX Governance Principles and Recommendations

In February 2019, the ASX published a fourth edition of Corporate Governance Principles and Recommendations. The proposed amendments are extensive, and are expected to result in a significant change to corporate governance of listed entities such as the Group.

Open Banking

Open banking is part of a proposed new consumer data right in Australia. The Government has introduced the Treasury Laws Amendment (Consumer Data Right) Bill 2019 into Parliament. If passed, this could give consumers (both individuals and businesses) an entitlement to access, and have transferred to accredited third parties, ministerially designated data sets that relate to them (the actual entitlement is subject to the ACCC promulgating rules enlivening the entitlement). The ACCC has proposed that the major Australian banks (including the Group) would need to make available generic product data about credit and debit cards, deposit accounts and transaction accounts. Banks would then need to share consumer data about these products no later than February 2020. In February 2020, product and consumer data for mortgage accounts will need to be made available. Consumer and product data concerning certain other products (for example, personal and business loans and certain other accounts) will need to be made available from July 1, 2020. The implementation of open banking as proposed is contingent upon the passage of the Bill through the Australian Parliament. Open banking may lead to increased competition, which may adversely affect the Group's Position.

"2 Strikes" Rule

Under Australia's "2 strikes" rule applicable to public companies listed on ASX, two successive votes of 25% or more against the adoption of ANZBGL's remuneration report would require ANZBGL to put an ordinary resolution to shareholders to determine whether to hold a "spill meeting" where all non-executive directors who approved the most recent remuneration report would need to stand for re-election by shareholders (by ordinary resolution). It should be noted that under the ASX rules and ANZBGL's constitution, non-executive directors must normally stand for re-election every 3 years and under the Corporations Act and ANZBGL's constitution shareholders with sufficient standing can seek to remove or appoint non-executive directors (by ordinary resolution) at any time (via general meeting) or at an Annual General Meeting.

While the adoption of the remuneration report was approved by shareholders at the 2018 AGM, there were sufficient votes against the adoption of it for ANZBGL to receive its "first strike" under the "2 strikes" rule.

New Zealand Developments

The New Zealand Government and its agencies, including the RBNZ, the FMA and the NZCC have supervisory oversight of the Group's New Zealand businesses. There have been a series of regulatory releases from these and other authorities that have proposed significant regulatory changes for financial institutions. These changes include, among other things:

- the RBNZ review of capital requirements;
- the RBNZ revised outsourcing policy and ANZ New Zealand's revised conditions of registration;
- the enactment of the Financial Services Legislation Amendment Act 2019 and replacement of the Financial Advisers Act 2008;
- proposed conduct regulations for financial institutions;
- the New Zealand Government review of the Reserve Bank Act; and
- proposed amendments to the Credit Contracts and Consumer Finance Act 2003.

Other Offshore Developments

In addition to the various legal, regulatory, and prudential developments described above, there have been a series of other regulatory developments in the Relevant Jurisdictions other than Australia and New Zealand. These include, by way of example:

- proposals for changes to financial regulations in the U.S. (including potential legislative changes to the Dodd-Frank Act and potential revision to its Volcker Rule);
- changes to senior executive accountability in Singapore and Hong Kong;

- changes to English and European law following Brexit;
- introduction of greater data protection regulations in Europe, including the General Data Protection Regulations which came into effect in May 2018;
- the Markets in Financial Instruments Directive 2 in the European Economic Area; and
- implementation of phases 4 and 5 of the initial margin requirements for uncleared OTC derivatives in a number of the Relevant Jurisdictions. These rules are commonly referred to as the Uncleared Margin Rules ("UMR"), and margin collected and posted under UMR is referred to as "regulatory margin." As agreed in the revised implementation timeline with the Basel Committee on Bank Supervision and International Organization of Securities Commissions, UMR began to be phased-in in September 2016 for the largest market participants. Broader implementation of variation margin ("VM") requirements occurred in March 2017, while initial margin ("IM") requirements continue to phase-in annually through 2020. For example, in the U.S., U.S. prudential regulators and the CFTC have implemented UMR and, for certain swap dealers, including ANZBGL, through guidance issued by the regulators the VM compliance date was extended to September 1, 2017. The final phases of UMR will occur on September 1, 2019 and 2020, when a large number of additional counterparties will be brought into scope for IM requirements. The significant number of counterparties coming into scope in the final phases will create a significant demand on market resources across participants and service providers in a relatively short time period. This transition requires significant operational and technology builds that must be undertaken to meet the new demand. In addition, there are a large number of contractual agreements to be negotiated between and among counterparties and collateral custody agents.

Examples of recent heightened scrutiny from authorities in Australia include the following:

Royal Commission

The Royal Commission was established in December 2017. The Australian Government released the final report of the Royal Commission in February 2019. The Royal Commission has made 76 recommendations concerning law reform, self-regulatory standards and the operations of ASIC and APRA. The Government and the opposition Australian Labor Party have released their intended responses to the recommendations. Depending on how the recommendations are implemented by Government, and followed by regulatory agencies, they could result in additional costs and may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The recommendations may also lead to adjustments in the competitive environment of the Group. The outcomes and total costs associated with these possible exposures and changes remain uncertain. See section headed "*Supervision and Regulation - Australia - Australian Regulatory Developments - Royal Commission*" for further discussion.

Productivity Commission

The Productivity Commission, an independent research and advisory body to the Australian Government, has undertaken an inquiry into competition in Australia's financial system. The final report of the Productivity Commission was released in August 2018. The Australian Government's response to the final report may lead to regulatory change, which may adversely affect the Group's Position.

Mortgage Price Inquiry

In May 2017, the Federal Treasurer directed the ACCC to conduct an inquiry into prices charged or proposed to be charged by ADIs affected by the Major Bank Levy in relation to residential mortgage products. A final report was published on in December 2018. Findings in the report may lead to competition related policy changes or increased regulatory scrutiny.

Foreign Exchange Inquiry

In October 2018, the ACCC commenced an inquiry into foreign currency conversion services. The ACCC will examine price competition amongst suppliers of foreign currency conversion services and consider whether there are impediments to effective competition. The ACCC is expected to provide its final report to the Federal Treasurer by July 2019.

Any failure by the Group to comply with laws, regulations and policies in any Relevant Jurisdiction may adversely affect the Group's Position. This may include regulatory investigations, legal or regulatory sanctions, financial or reputational loss, litigation, fines, penalties, restrictions on the Group's ability to do business, revocation, suspension or variation of conditions of relevant regulatory licenses or other enforcement or administrative action or agreements (such as enforceable undertakings).

Such failures also may result in the Group being exposed to the risk of litigation brought by third parties (including through class action proceedings). The outcome of any litigation (including class action proceedings) may result in the payment of compensation to third parties and/or further remediation activities. For information in relation to the Group's litigation and contingent liabilities, see risk factor 28: "Litigation and contingent liabilities may adversely affect the Group's Position" and Note 19 of the Condensed Consolidated Financial Statements.

For more information in relation to the supervision and regulation of the Group, see section headed *"Supervision and Regulation"* of this U.S. Disclosure Document.

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

Anti-money laundering, counter-terrorism financing and sanctions compliance have been the subject of significant regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates has heightened these operational and compliance risks. Furthermore, the upward trend in compliance breaches by global banks and the related fines and settlement sums mean that these risks continue to be an area of focus for the Group. Following the AUSTRAC civil penalty proceedings in 2017 against a major Australian bank relating to alleged past and ongoing contraventions of the AML Act, there has been and continues to be increased regulatory scrutiny of other Australian banks, including the Group, and significant changes to the anti-money laundering regulatory framework. While the full scope of any changes, if any, is not known, the Group may incur additional costs associated with regulatory compliance that may adversely affect the Group's Position. The risk of non-compliance with anti-money laundering, counter-terrorism financing and sanction laws remains high given the scale and complexity of the Group. For example, emerging technologies, such as cryptocurrencies, may limit the Group's ability to track the movement of funds. A failure to operate a robust program to combat money laundering, bribery and terrorism financing or to ensure compliance with economic sanctions may have serious financial, legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. These consequences, individually or collectively may adversely affect the Group's Position. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and subject the Group to increased compliance costs.

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

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

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

Values for completed tenanted properties and residential house prices, particularly in metro east coast Australian and New Zealand markets, have steadily risen until 2018. The fall in Australian house prices in 2018 was the largest since the global financial crisis. Nationally, house prices are approximately 7% below their late 2017 peak, although they are still almost 30% higher since the start of 2013[9].

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

The Group's portfolio of commercial property loans may be particularly susceptible to asset price deflation, tenancy risk and delivery risk, which may result in higher credit losses, refinance risk and deteriorating security values. A significant decrease in commercial property valuations or a significant slowdown in the commercial real estate markets in the Relevant Jurisdictions could result in a decrease in new lending opportunities or lower recovery rates which may in turn materially and adversely impact the Group's Position.

7. Credit risk may adversely affect the Group's Position

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties, including incurring credit-related losses that can occur as a result of a counterparty being unable or unwilling to honor its contractual obligations. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances, which may result in credit losses. Should material credit losses occur to the Group's credit exposures, this may adversely affect the Group's Position.

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 or with exposure to:

- the Australian natural resources sector which is particularly exposed to any prolonged slowdown in the Chinese economy could be materially and adversely impacted by a decline in natural resource prices;
- former government owned and now privatized assets such as electricity distribution networks, ports, road and rail networks could be materially and adversely impacted if these assets were being valued at historically high levels due to the value of the capital and profitability of these investments being vulnerable to changes in government regulatory policy, interest rate and currency exchange rate movements. Long-term interest rate and currency hedges are provided by banks, including the Group, to manage these risks. These long-term hedge exposures have volatile mark to market characteristics which are unsupported by collateralized security agreements for out of the money positions. Counterparty insolvency has the potential to expose the Group to large uncovered derivative liabilities; and
- the dairy industry in Australia and New Zealand, which is particularly exposed to excess milk production from other developed countries being sold into traditional markets, could be materially and adversely impacted by a decline in commodity prices.

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

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economies in which the Group operates, a sustained high level of unemployment in the markets in which the Group operates, more expensive imports into Australia and New Zealand due to the reduced strength of the Australian and New Zealand dollars relative to other currencies, a deterioration of the financial condition of the Group's counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

9 Source: RBA Financial Stability Review, April 2019

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 Group's lending portfolio, based on current information. This process, which is critical to the Group's Position, 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 may adversely affect the Group's Position.

8. Challenges in managing the Group's capital base could give rise to greater volatility in capital ratios, which may adversely affect the Group's Position

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 U.S., the United Kingdom and the countries in the Asia Pacific region. The Group is required by its prudential regulators to maintain adequate regulatory capital.

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

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

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

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

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. They may also be important to customers or counterparties when evaluating the Group's products and services. Credit ratings and rating outlooks may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies used by ratings agencies to determine credit ratings and rating outlooks may be revised in response to legal or regulatory changes, market developments or for any other reason.

The Group's credit ratings or rating outlooks could be affected by a change in the credit rating of the Commonwealth of Australia, the occurrence of one or more of the other risks identified in this document, a change in the ratings methodologies or by other events. As a result, downgrades in the Group's credit ratings could occur that do not reflect changes in the general economic conditions or the Group's financial condition.

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 ratings or rating outlooks 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 Position.

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

10. Operational risk events may adversely affect the Group's Position

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

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

- internal fraud: fraud involving employees, contractors or any internal party to the Group who acts by deception or with dishonesty to obtain property belonging to another or obtain financial advantage for themselves or cause any financial disadvantage to the Group or others. This includes financial planners and/or authorized representatives (and their employees) of dealer groups owned or controlled by ANZBGL;
- 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;

- loss of key staff or inadequate management of human resources including the Chief Executive Officer ("CEO") and the management team of the CEO;
- clients, products and business practices: risk of market manipulation or anti-competitive behavior, failure to comply with disclosure obligations, product defects, incorrect advice, money laundering and misuse or unauthorized disclosure of customer information;
- business disruption (including systems failures): risk that the Group's banking operating systems are disrupted or fail;
- damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages the Group's buildings or property; and
- execution, delivery and process management: is associated with losses resulting from, among other things, process errors made by the Group's employees caused by inadequate or poorly designed internal processes, or the poor execution of standard processes, vendor, supplier or outsource provider errors, failures in the management of data and data integrity or failed mandatory reporting errors.

Loss from operational risk events may adversely affect the Group's Position. 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.

11. Reputational risk events as well as operational failures and regulatory compliance failures may give rise to reputational risk which may adversely affect the Group's Position

Reputational risk may arise as a result of an external event or the Group's own actions, which include operational and regulatory compliance failures, 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 Position.

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

Additionally, certain operational and regulatory compliance failures may give rise to reputational risk. Such operational and regulatory compliance failures include, but are not limited to:

- failures related to fulfilment of identification obligations;
- failures related to new product development;
- failures related to ongoing product monitoring activities;
- failures related to suitability requirements when products are sold outside of the target market;
- market manipulation or anti-competitive behavior;
- failure to comply with disclosure obligations;
- inappropriate crisis management/response to a crisis event;
- inappropriate handling of customer complaints;
- inappropriate third party arrangements;
- privacy breaches; and
- unexpected risks (e.g. credit, market, operational or compliance).

Damage to the Group's reputation may 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 may adversely affect the Group's Position.

12. Conduct-related risk events or behaviors may adversely affect the Group's Position

The Group defines conduct-related risk as the risk of loss or damage arising from the failure of the Group, its employees or agents to appropriately consider the interests of consumers, the integrity of the financial markets, and the expectations of the community in conducting the Group's business activities.

Conduct-related risks can result from:

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

The Group is regulated under various legislative regimes in the countries in which it operates that provide for customer protection in relation to advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff 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.

There has been an increasing regulatory and community focus on conduct-related risk globally. For example, in Australia the Royal Commission was established to inquire into misconduct by financial services entities. For further discussion, see risk factor 4: "Regulatory changes or a failure to comply with laws, regulations or policies may adversely affect the Group's Position" and risk factor 28: "Litigation and contingent liabilities may adversely affect the Group's Position".

Conduct-related risk events may expose the Group to regulatory actions, restrictions or conditions on banking licenses and/or reputational consequences which may adversely affect the Group's Position.

13. Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect the Group's Position

The Group and its service offerings (including digital banking) are highly dependent on information technology systems. Therefore, there is a risk that these information technology systems, or the services the Group uses or is dependent upon, might be disrupted, due to hardware or software or third party service provider failure, as well as cyber-attacks, such as a distributed denial of service. Most of the Group's daily operations are computer-based and information technology systems are essential to providing effective services to customers. The Group is also conscious that threats to information technology systems 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 caused by cyber threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well- resourced. Service disruption risks include the complete or partial failure of platform software or hardware components, including internal data center or cloud based infrastructure, due to among other things, third party misperformance, capacity constraints to accommodate growth, asset obsolescence, architectural complexity or failed system changes.

To manage these risks, the Group has system resilience, disaster recovery, asset lifecycle, cyber protection and change management measures 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 systems could result in business interruption, customer dissatisfaction and turnover, legal or regulatory breaches and fines and ultimately damage to reputation and/or a weakening of the Group's competitive position, which may adversely affect the Group's Position.

In addition, the Group has an ongoing obligation to refresh, update and implement new information technology systems, to ensure currency and information security resiliency and to enhance business capabilities and digital banking services for the Group's customers. For example, the Group is working towards implementing the new "open banking" regime and simplified architectures for its core banking applications. The Group may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in complying with regulatory requirements, unstable or insecure systems or a decrease in the Group's ability to service its customers. The ANZ New Zealand Group relies on ANZBGL to provide a number of information technology systems, and any failure of ANZBGL's systems may directly affect the ANZ New Zealand Group.

14. Risks associated with information security including cyber-attacks, may adversely affect the Group's Position

Information security means protecting information and information technology 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, India, the United States, Europe, Singapore and China. This information is processed and stored on both internal and third party hosted environments, hence security controls need to be operated effectively by the Group and its vendors to ensure information is safeguarded.

The Group operates in multiple 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 and Controls.

The Group is conscious that cyber threats, such as advanced persistent threats, distributed denial of service, malware and ransomware, are continuously evolving, becoming more sophisticated and increasing in volume and that it may be unable to anticipate and implement control measures effectively and on a timely basis to adequately address or mitigate such risks. Accordingly, information about the Group and/or its customers may be inadvertently or illegally accessed, stolen and inappropriately distributed which could result in breaches of privacy laws, regulatory sanctions and fines, legal action and claims for compensation, or erosion of the Group's competitive market position and loss of reputation.

15. Risks associated with lending to customers that could be directly or indirectly impacted by climate risk may adversely affect the Group's Position

There are material climate-related risks that result from the Group lending to business banking and retail customers. These risks can include credit-related losses incurred as a result of a business or retail customer being unable or unwilling to repay debt, or impacting the value and liquidity of their collateral.

Lending to customers can be directly or indirectly impacted by climate risk. Direct risks are from climate related events, and indirect risks are from changes to laws, regulations, or other policies such as carbon pricing and climate risk adaptation or mitigation policies, which may impact the customer's supply chain or their own customer's ability to purchase. Credit related losses as a result of the customer being unable or unwilling to repay debt may adversely affect the Group's Position.

16. Impact of future climate events, geological events, plant, animal and human diseases, and other extrinsic events may adversely affect the Group's Position

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

Depending on their severity, events such as these may temporarily interrupt or restrict the provision of some local services, such as ANZBGL or ANZ New Zealand branches or business centers 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 Position.

17. Liquidity and funding risk events may adversely affect the Group's Position

Liquidity and funding 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 and funding 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 may adversely affect the Group's Position.

Deterioration in market conditions and/or investor confidence in the Group may materially impact the Group's ability to replace maturing liabilities and access funding (in a timely and cost effective manner), which may adversely impact the Group's Position.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding requirements and to maintain or grow its business generally. Developments in major markets can adversely affect liquidity in global capital markets. For example, 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 and funding 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 at that time (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 may adversely affect the Group's Position.

18. Changes in monetary policies may adversely affect the Group's Position

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. 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 Position.

19. Acquisitions and/or divestments may adversely affect the Group's Position

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

Divestments that the Group has previously announced but not yet completed include:

- OnePath Pensions and Investments in Australia;
- OnePath life insurance business in Australia;
- ANZBGL's 55% interest in Cambodian joint venture ANZ Royal Bank; and
- ANZBGL's retail, commercial, small-medium sized enterprise banking businesses in Papua New Guinea.

The transactions remain subject to regulatory approvals and/or other completion conditions.

There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for the Group's securities. Additionally, there are risks relating to the completion of any particular transaction occurring, including counterparty and settlement risk, or the non-satisfaction of any completion conditions (for example, relevant regulatory or third party approvals). The Group's operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. This may 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 may adversely affect the Group's operations or results. Further, there is a risk that completion of an agreed transaction may not occur, including due to failure of the counterparty to satisfy its completion conditions or because other completion conditions such as obtaining relevant regulatory or other approvals are not satisfied.

20. Sovereign risk events may destabilize global financial markets and may adversely affect the Group's Position

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 U.S., the 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 and adversely affect the Group's Position.

21. Market risk events may adversely affect the Group's Position

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 market risks include transactional and structural foreign exchange risk arising from capital investments in offshore operations and non-traded equity risk.

22. Changes in exchange rates may adversely affect the Group's Position

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 U.S. 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 may have an adverse impact upon the Group's earnings.

23. Unexpected changes to the Group's license to operate in any jurisdiction may adversely affect the Group's Position

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 Position.

24. Insurance risk events may adversely affect the Group's Position

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. The Group is exposed to insurance risk events, predominantly in the Group's life insurance business in Australia which is a Discontinued Operation, the sale of which is expected prior to the end of financial year 2019. In the Group's life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. If the Group incurs losses due to insurance risk events, such losses may adversely affect the Group's Position.

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

There have been important and substantial changes to, and increasing regulatory focus on, compliance by all global financial institutions, including the Group, with global tax reporting regimes, including FATCA, Common Reporting Standard ("CRS") and similar anti-tax avoidance regimes. Current regulatory focus also includes enforcement and the due implementation of detailed global tax reporting rules and frameworks to close down the circumvention of global tax reporting regimes and enforcement in the case of non-compliance.

As a global financial institution, the Group operates in a high volume and globally interlinked operating environment. The highly complex and rigid nature of the obligations under the various global tax reporting regimes in this context present heightened operational and compliance risks for the Group. This may be coupled with the current increased regulatory scrutiny of global financial institutions (including the Group) and the increasing trend in compliance breaches by global financial institutions and related fines for non-compliance in general. Accordingly, compliance with global tax reporting regimes will continue to be a key area of focus for the Group.

The scale and complexity of the Group, like other global financial institutions, means that the risk of inadvertent non-compliance with the FATCA, CRS and other tax reporting regimes is high. A failure to successfully operate the implemented processes could lead to legal, financial and reputational consequences for the Group and its employees. Consequences include fines, criminal and civil penalties, civil claims, reputational harm, competitive disadvantage, loss of business and constraints on doing business. These consequences, individually or collectively, may adversely affect the Group's Position.

FATCA requires financial institutions globally to undertake ongoing and extensive customer based obligations, including collecting and providing information on account holders who are identified as U.S. citizens or tax residents to the IRS, either directly or via local tax authorities.

If the ongoing detailed obligations under FATCA are not adequately met, the Group and/or customers could be subject to a 30% withholding tax on certain amounts payable to them. Under a related but separate set of obligations under FATCA, the U.S. could also require the Group to provide certain information to upstream U.S. payers and the Group could face adverse consequences where it does not do so in line with the applicable rules and regulations.

The Group is also reliant upon IGAs between the U.S. and the applicable jurisdictions in which the Group's related entities and subsidiaries are organized continuing to be in effect (in order to overcome any local law impediments). Otherwise the Group may also be subject to broader compliance issues, significant withholding exposure, competitive disadvantage and other operational impacts.

The CRS provides for the Automatic Exchange of (financial account) Information in tax matters. Over 100 jurisdictions have committed to implement the CRS which now impacts the vast majority of the Group's business globally. Early implementation phases have been completed in many countries in which the Group has operations, for example, Australia, New Zealand, Cayman Islands, Hong Kong, Japan, Singapore and the United Kingdom, however the obligations continue to be refined and expanded.

Implementation is also required, but presents unique challenges in, developing countries where the Group has operations, such as in the Pacific region. The local regulators in these countries are generally assisted by a 'partner' country which may introduce standards which can be challenging to implement.

CRS requirements, though similar to FATCA in spirit, have considerable country by country variations and may have more significant and negative customer experience ramifications. For example, CRS requires a higher standard of compliance in many respects, such as collection of self-certification at the point of account opening, with significant penalties for non-collection or failed reporting in respect of prescribed customer information.

As one example of tightening regulatory focus, the OECD and certain countries the Group operates within are now moving to mandate blocking (and eventual closure) of accounts where any aspect of the detailed requirements for collection have not been met (e.g. failure to provide the requisite tax identification number(s)). Along with being a significant negative experience for the relevant customers, this may adversely affect the Group's Position (and if not similarly implemented by financial institution counterparts, may represent a significant competitive disadvantage).

Ongoing OECD peer review and other regulatory review activities are also already resulting in further extension and expansion of existing obligations together with increased focus on compliance with the CRS pushing each country of adoption to ensure that its penalty regime is sufficiently adequate to deter financial institution, intermediary and customer non-compliance.

In line with other global financial institutions, the Group has made, and is expected to continue to make, significant investments in order to seek to ensure ongoing compliance with the extensive and evolving requirements of FATCA, the CRS, avoidance and loophole model rules and the various other in-country tax reporting initiatives in each country within its global network.

26. Changes in the valuation of some of the Group's assets and liabilities may adversely affect the Group's earnings and/or equity

The Group applies accounting standards which require that various financial instruments, including derivative instruments, assets and liabilities classified as fair value through other comprehensive income, and certain other assets and liabilities (as per Note 14 of the Condensed Consolidated Financial Statements) are measured at fair value with changes in fair value recognized in earnings or equity.

Generally, in order to establish the fair value of these instruments, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on present value estimates or other 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 may have a material adverse effect on the Group's earnings and/or equity.

In addition, the Group may be exposed to a reduction in the value of non-lending related assets as a result of impairments which are recognized in earnings. The Group is required to assess the recoverability of goodwill balances at least annually and other non-lending related 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, may materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balances.

In respect of other non-lending related 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 and results of operations

The accounting policies 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 so that they not only comply with the applicable accounting standards or interpretations but that they also reflect the most appropriate manner in which to record and report on the Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position and results of operations. In addition, the application of new or revised accounting standards or interpretations may adversely affect the Group's financial position and results of operations. The impact of new accounting standards effective for the first time in the Group's 2019 financial year is outlined in Note 1 of the Condensed Consolidated Financial Statements.

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

28. Litigation and contingent liabilities may adversely affect the Group's Position

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 Position.

The Group had contingent liabilities as at March 31, 2019 in respect of the matters outlined in Note 19 of the Condensed Consolidated Financial Statements.

Note 19 includes, among other things, descriptions of:

- bank fees litigation;
- benchmark/rate actions;
- capital raising actions;
- franchisee litigation;
- regulatory and customer exposures;
- the Royal Commission; and
- security recovery actions.

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal 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 interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability and distribution, interest and fees and the entitlement to charge them, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and capital market transactions, reporting and disclosure obligations and product disclosure documentation. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. 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.

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$0.7104 = 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 29, 2019. On May 17, 2019 the Noon Buying Rate was US$0.6874 = 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, 2018	0.8105	0.7507	0.7769	0.7690
September 30, 2018	0.8105	0.7107	0.7583	0.7238
March 31, 2019	0.7360	0.7000	0.7155	0.7104

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 19	**Sep 18**	**Mar 18**	**Mar 19**	**Sep 18**	**Mar 18**
Chinese Renminbi	**4.7700**	4.9679	4.8276	**4.8805**	4.8977	5.0410
Euro	**0.6313**	0.6205	0.6221	**0.6274**	0.6315	0.6460
Pound Sterling	**0.5425**	0.5520	0.5445	**0.5520**	0.5584	0.5718
Indian Rupee	**48.991**	52.363	49.860	**50.906**	50.956	50.145
Indonesian Rupiah	**10,099**	10,743	10,556	**10,329**	10,620	10,534
Japanese Yen	**78.550**	81.863	81.664	**79.629**	81.952	85.957
Malaysian Ringgit	**2.8963**	2.9858	2.9677	**2.9526**	2.9865	3.1401
New Taiwan Dollar	**21.863**	22.013	22.362	**22.028**	22.460	23.087
New Zealand Dollar	**1.0436**	1.0918	1.0650	**1.0578**	1.0841	1.0924
Papua New Guinean Kina	**2.3924**	2.4052	2.4945	**2.4051**	2.4430	2.5060
United States Dollar	**0.7094**	0.7216	0.7671	**0.7145**	0.7428	0.7772

For the March 2019 half, 35% (Sep 18 half: 32%; Mar 18 half: 35%) of ANZ's operating income including discontinued operations was derived from the New Zealand and APEA geographic regions.

Operating income from the New Zealand and APEA 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]

		Movement	
Half year ended	**Mar 19**	**Sep 18**	**Mar 18**
Chinese Renminbi	0%	-3%	-3%
Euro	-1%	-2%	-4%
Pound Sterling	-1%	-2%	-3%
Indian Rupee	0%	2%	2%
Indonesian Rupiah	-3%	1%	3%
Japanese Yen	-3%	-5%	1%
Malaysian Ringgit	-1%	-5%	-5%
New Taiwan Dollar	-2%	-3%	0%
New Zealand Dollar	-2%	-1%	2%
Papua New Guinean Kina	-2%	-3%	3%
United States Dollar	-4%	-4%	2%

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 traded and non-traded foreign currency risk policies.

Where it is considered appropriate, the Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, U.S. Dollar and U.S. Dollar correlated).

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.

As a result of the sale transactions outlined in “Section 1: Key Information – Basis of Preparation – Discontinued Operations”, the financial results of the Wealth Australia businesses being divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

The presentation of divisional results has been impacted by a number of methodology and structural changes during the March 2019 half, as described in “Section 1: Key Information – Basis of Preparation”.

Large/notable items – continuing operations

The Group recognized a number of large/notable items which impacted the Group’s statutory profit after tax. These items are described below.

Divestment impacts (continuing operations)

The Group announced the following divestments in line with the Group’s strategy to create a simpler, better capitalized, better balanced and more agile bank. As these announced divestments do not qualify as discontinued operations under accounting standards they form part of continuing operations. The financial impacts from these announced divestments are summarized below including the business results for those divestments that have completed:

	Gain/(Loss) on sale from divestments			Completed divestment business results		
	Half Year			Half Year		
Statutory Profit Impact	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 $M	Sep 18 $M	Mar 18 $M
Asia Retail and Wealth businesses	-	-	99	-	-	30
SRCB	-	-	233	-	-	-
UDC	-	(7)	18	-	-	-
MCC	-	121	119	-	10	-
Paymark	37	-	-	4	4	1
Cambodia JV	-	(42)	-	-	-	-
OPL NZ	82	(3)	-	14	43	47
PNG Retail, Commercial and SME	-	(19)	-	-	-	-
Profit/(Loss) before income tax	119	50	469	18	57	78
Income tax benefit/(expense) and non-controlling interests	(13)	3	2	(4)	(12)	(19)
Profit/(loss) from continuing operations	**106**	53	471	**14**	45	59

- **Asia Retail and Wealth businesses**

  The Group completed the sale of Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to Singapore’s DBS Bank in 2017, The Group completed the sale of its Retail business in Vietnam to Shinhan Bank Vietnam during the March 2018 half and recognized a $99 million gain before tax, net of costs associated with the sale. These businesses were part of the former Asia Retail & Pacific division.

- **Shanghai Rural Commercial Bank (“SRCB”)**

  On January 3, 2017, the Group announced it had agreed to sell its 20% stake in SRCB. The sale was completed in the March 2018 half and the Group recognized a $233 million gain before tax. This asset was part of the TSO and Group Centre division.

- **UDC Finance (“UDC”)**

  On January 11, 2017, the Group announced that it had entered into a conditional agreement to sell UDC to HNA. On December 21, 2017, the Group announced that it had been informed that New Zealand’s Overseas Investment Office had declined HNA’s application to acquire UDC, and the agreement with HNA was terminated in January 2018 and an $18 million (before and after tax) cost recovery was recognized in respect of the terminated transaction process. The Group incurred transaction costs of $7 million (before and after tax) in the September 2018 half. The assets and liabilities of UDC ceased being classified as held for sale in the September 2018 half. The business is part of the New Zealand division.

- **Metrobank Card Corporation (“MCC”)**

  On October 18, 2017, the Group announced it had entered into a sale agreement with its joint venture partner Metropolitan Bank & Trust Company (“Metrobank”) in relation to its 40% stake in the Philippines-based MCC. The Group sold its 40% stake in two equal tranches in January and September 2018. The Group recognized a $119 million and $121 million gain before tax during the March and September 2018 halves respectively, and a dividend of $10 million (before and after tax) during the September 2018 half. This asset was part of the TSO and Group Centre division.

- **Paymark Limited (“Paymark”)**

  On January 17, 2018, the Group entered into an agreement to sell its 25% shareholding in Paymark to Ingenico Group. The transaction was completed on January 11, 2019. The Group recognized a gain on sale of $37 million (before and after tax) during the March 2019 half. This asset was part of the New Zealand division.

- **ANZ Royal Bank (Cambodia) Ltd ("Cambodia JV")**

  On May 17, 2018, the Group announced it had reached an agreement to sell its 55% stake in Cambodia JV to J Trust Co., Ltd., a Japanese diversified financial holding company listed on the Tokyo Stock Exchange. The transaction is subject to closing conditions and regulatory approval. ANZ expects it to close in the 2019 fiscal year. During the September 2018 half, the Group recognized a $42 million loss (before and after tax) on the reclassification of assets to held for sale. This business is part of the Institutional division.

- **OnePath Life (NZ) Limited ("OPL NZ")**

  On May 30, 2018, the Group announced that it had agreed to sell OPL NZ to Cigna Corporation. During the September 2018 half, the Group incurred transaction costs of $3 million. The transaction completed on November 30, 2018 and the Group recognized a $82 million gain before tax on sale in the March 2019 half, comprising a $56 million gain on sale, and a $26 million release from foreign currency translation reserve. The business was part of the New Zealand division.

- **Papua New Guinea Retail, Commercial and Small-Medium Sized Enterprise businesses ("PNG Retail, Commercial and SME")**

  On June 25, 2018, the Group announced it had entered into an agreement to sell PNG Retail, Commercial and SME to Kina Bank. The transaction is subject to closing conditions and ANZ expects it to close by late 2019 calendar year. During the September 2018 half, the Group recognized a $19 million loss before tax on the reclassification of assets to held for sale. This business is part of the Institutional division.

Other large/notable items (continuing operations)

- **Customer remediation**

  Customer remediation includes compensation to customers for issues arising from product reviews in the Australia Division and for inappropriate advice or services not provided within the Group's former ADG businesses. Customer remediation charges of $100 million before tax have been recognized in the March 2019 half (Sep 18 half: $352 million; Mar 18 half: $67 million) for expected refunds to customers and related remediation costs. $64 million relates to customer remediation impacting operating income (Sep 18 half: $196 million; Mar 18 half: $32 million), and $36 million relates to customer remediation and remediation project costs impacting operating expenses (Sep 18 half: $156 million; Mar 18 half: $35 million). These impacts were primarily identified from product reviews in the Australia division to date. These reviews remain ongoing.

- **Accelerated software amortization**

  During the September 2018 half, the Group accelerated the amortization of certain software assets, predominantly relating to the Institutional division following a review of the International business in light of divestments. An accelerated amortization expense of $251 million was recognized in the September 2018 half.

- **Royal Commission legal costs**

  External legal costs associated with responding to the Royal Commission were $13 million for the March 2019 half (Sep 18 half: $39 million; Mar 18 half: $16 million). For further discussion regarding the Royal Commission, refer to the paragraph headed "Royal Commission" in "Section 2: Information on the Group - Supervision and Regulation – Australia – Australian Regulatory Developments" of this U.S. Disclosure Document.

- **Restructuring**

  The Group recognized restructuring expenses of $51 million in the March 2019 half (Sep 18 half: $149 million; Mar 18 half: $78 million) largely relating to changes to the Group's enablement functions announced during the period. The prior periods largely relates to the previously announced move of the Australia and Technology divisions to agile ways of working in the September 2018 half and the March 2018 half.

GROUP INCOME STATEMENT

	Half Year		
	Mar 19 $M	Sep 18 $M	Mar 18 $M
Net interest income	**7,299**	7,164	7,350
Other operating income[1]	**1,994**	2,583	2,887
Operating income	**9,293**	9,747	10,237
Operating expenses[1]	**(4,365)**	(4,928)	(4,473)
Profit before credit impairment and income tax	**4,928**	4,819	5,764
Credit impairment charge	**(392)**	(280)	(408)
Profit before income tax	**4,536**	4,539	5,356
Income tax expense	**(1,284)**	(1,358)	(1,426)
Non-controlling interests	**(9)**	(9)	(7)
Profit after income tax from continuing operations	**3,243**	3,172	3,923
Profit/(Loss) after income tax from discontinued operations[2]	**(70)**	(95)	(600)
Profit after income tax	**3,173**	3,077	3,323

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross between operating income and operating expenses. Comparative information has been restated or presented accordingly which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*
2. *Included in the March 2018 half in 'Profit/(Loss) after income tax from discontinued operations' is a $632 million loss relating to the reclassification of Wealth Australia businesses to held for sale.*

Comparison of March 2019 with March 2018

Profit after income tax from continuing operations decreased $680 million (-17%) compared with the March 2018 half mainly due to:

- Net interest income decreased $51 million (-1%) largely due to a 13 basis point decrease in the net interest margin, partially offset by 6% growth in average interest earning assets. The lower net interest margin reflects growth in lower margin Markets Balance Sheet trading, higher funding costs, changes in asset mix, asset price competition, and the sale of the Asia Retail and Wealth businesses. This was partially offset by higher deposit margins and home loans re-pricing. The increase in average interest earning assets reflects growth in ANZ's home loans and Institutional banking portfolios, partially offset by the sale of Asia Retail and Wealth businesses. Refer to "Analysis of Major Income and Expense Items" on pages 48 and 49 for further details on key movements.
- Other operating income decreased $893 million (-31%) primarily due to a $463 million decrease in economic and revenue and expense hedge movements, a $427 million net impact from divestments, a $64 million decrease in net fee and commission income, a $9 million decrease in net income from insurance business, a $64 million reduction in other, and a $29 million increase in customer remediation refunds. This was partially offset by higher Markets other operating income of $120 million and a $43 million increase in share of associates' profit. Refer to "Analysis of Major Income and Expense Items" on pages 50 and 51 for further details on key movements.
- Operating expenses decreased $108 million (-2%) primarily due to lower full-time equivalent ("FTE") employees, a reduction in expenses following the sale of OPL NZ and Asia Retail and Wealth businesses of $45 million, lower restructuring expenses of $27 million, and software amortization charges. This was partially offset by inflation. Refer to "Analysis of Major Income and Expense Items" on pages 52 for further details on key movements.
- Credit impairment charges decreased $16 million (-4%) largely due to lower individually assessed credit impairment charges, partially offset by higher collectively assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 53 and 54 for further details on key movements.

Comparison of March 2019 with September 2018

Profit after income tax from continuing operations increased $71 million (+2%) compared with the September 2018 half mainly due to:

- Net interest income increased $135 million (+2%) largely due to 3% growth in average interest earning assets, partially offset by a 2 basis point decrease in the net interest margin. The lower net interest margin reflects growth in lower margin Markets Balance Sheet trading, changes in asset mix, and asset price competition. This was partially offset by higher deposit margins, home loans re-pricing and lower customer remediation charges of $64 million. The increase in average interest earning assets reflects growth in ANZ's home loans in New Zealand and growth in Institutional banking portfolios. This was partially offset by a reduction in lending in the Australia division. Refer to "Analysis of Major Income and Expense Items" on pages 48 and 49 for further details on key movements.
- Other operating income decreased $589 million (-23%) due to a $588 million decrease from economic and revenue and expense hedges movements, a $105 million reduction in net fee and commission income, a $71 million reduction in other primarily due to lower dividend income and a $18 million reduction in net income from insurance business. This was offset by a $79 million increase in Markets other operating income, a $68 million decrease in customer remediation, a $36 million increase in share of associates' profit, and a $11 million increase from the impact of divestments. Refer to "Analysis of Major Income and Expense Items" on pages 50 and 51 for further details on key movements.
- Operating expenses decreased $563 million (-11%) primarily due to an accelerated software amortization charge in the prior period of $251 million, lower customer remediation expenses of $120 million, lower restructuring expenses of $98 million, lower Royal Commission legal costs of $26 million, and lower FTE. This was partially offset by inflation. Refer to "Analysis of Major Income and Expense Items" on pages 52 for further details on key movements.
- Credit impairment charges increased $112 million (+40%) largely due to higher individually assessed and collectively assessed credit impairment charges. Refer to "Analysis of Major Income and Expense Items" on pages 53 and 54 for further details on key movements.

ANALYSIS OF MAJOR INCOME AND EXPENSE ITEMS

Net interest income – continuing operations

The following tables summarize 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.

	Half Year		
Group	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Net interest income	**7,299**	7,164	7,350
Average interest earning assets[1,2]	**811,528**	784,501	765,186
Average deposits and other borrowings[1,2]	**635,822**	621,699	612,291
Net interest margin (%)[1]	**1.80**	1.82	1.93

	Half Year		
Net interest margin by major division	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Australia			
Net interest margin (%)[3]	**2.61**	2.60	2.78
Average interest earning assets[2]	**314,215**	315,614	312,473
Average deposits and other borrowings[2]	**202,765**	202,530	203,239
Institutional			
Net interest margin (%)[3]	**0.85**	0.86	0.89
Average interest earning assets[1,2]	**372,270**	349,090	333,919
Average deposits and other borrowings[1,2]	**281,770**	269,578	257,874
New Zealand			
Net interest margin (%)[3]	**2.39**	2.41	2.43
Average interest earning assets[1,2]	**116,201**	111,092	108,008
Average deposits and other borrowings[1,2]	**86,244**	81,214	79,669

1. *Average balance sheet amounts include assets and liabilities reclassified as held for sale from continuing operations.*
2. *Averages are calculated using predominantly daily averages.*
3. *In the March 2019 half, the methodology for allocating earnings on capital at a business unit level has changed. While neutral at a Group level, this change has impacted net interest income at the divisional level and comparative information has been restated or presented accordingly.*

Comparison of March 2019 with March 2018

The decrease in net interest income of $51 million (-1%) was driven by:

Net interest margin (-13 bps)

- Asset mix and funding mix (-4 bps): unfavorable asset mix from the impacts of customer switching from interest only to principal and interest home loans in the Australia division, customer switching from variable to fixed home loans in the New Zealand division and the impacts of unfavorable asset mix due to a lower proportion of lending in the Australia division.
- Funding costs (-3 bps): unfavorable reference rates and broadly flat spreads on wholesale funding.
- Deposits (+2 bps): improved deposit margins in the Australia and Institutional divisions.
- Assets (-1 bps): adverse impact of home loan competition in the Australia division, partially offset by favorable impact of home loans re-pricing.
- Treasury (0 bps): broadly flat earnings on capital.
- Markets Balance Sheet activities (-6 bps): growth in lower margin Markets Balance Sheet trading activities.
- Asia Retail and Wealth (-1 bps): adverse margin impact following the sale of Asia Retail and Wealth businesses.

Average interest earning assets (+$46.3 billion or +6%)

- Average net loans and advances (+$24.5 billion or +4%): increase driven by growth in Institutional lending, home loan growth in Australia and New Zealand divisions, and foreign currency translation movements.
- Average trading and investment securities/available-for-sale assets (+$2.4 billion or +2%): increase driven mostly by the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$19.4 billion or +21%): increase driven by higher central bank cash balances and reverse repurchase agreements, and the impact of foreign currency translation movements.

Average deposits and other borrowings (+$23.5 billion or +4%)

- Average deposits and other borrowings (+$23.5 billion or +4%): increase driven by growth in the Institutional and New Zealand divisions, and the impact of foreign currency translation movements. This has been partly offset by the loss of deposits following the sale of Asia Retail and Wealth businesses.

Comparison of March 2019 with September 2018

The increase in net interest income from continuing operations of $135 million (+2%) was driven by:

Net interest margin (-2 bps)

- Asset mix and funding mix (-2 bps): unfavorable asset mix from the impacts of customer switching from interest only to principal and interest home loans, lower unsecured lending, and a higher proportion of Institutional lending.
- Funding costs (0 bps): broadly flat reference rates, and broadly flat wholesale funding spreads.
- Deposits (+1 bps): improved deposit margins in the Institutional division from rising U.S. rates and deposit optimization.
- Assets (+1 bps): impact of re-pricing of home loans in the Australia division, partially offset by increased competition in all divisions.
- Treasury (0 bps): broadly flat earnings on capital.
- Markets Balance Sheet activities (-4 bps): growth in lower margin Markets Balance Sheet trading activities.
- Customer remediation (+2 bps): the impact of higher customer remediation in the September 2018 half.

Average interest earning assets (+$27.0 billion or +3%)

- Average net loans and advances (+$13.4 billion or +2%): increase driven by growth in Institutional lending, home loans in the New Zealand division, and the impact of foreign currency translation movements. This was partially offset by a reduction in lending in the Australia division.
- Average trading and investment securities/available-for-sale assets (+$5.1 billion or +5%): increase is mainly driven by an increase in investment and trading securities, and by the impact of foreign currency translation movements.
- Average cash and other liquid assets (+$8.5 billion or +8%): increase driven by higher central bank cash balances, and the impact of foreign currency translation movements.

Average deposits and other borrowings (+$14.1 billion or +2%)

- Average deposits and other borrowings (+$14.1 billion or +2%): increase driven by growth in the Institutional and New Zealand divisions, and the impact of foreign currency translation movements.

Other operating income – continuing operations

	Half Year[1]		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Net fee and commission income[2]	**1,218**	1,289	1,335
Net income from insurance business[2]	**77**	133	140
Markets other operating income	**667**	577	552
Share of associates profit[2]	**131**	95	88
Economic hedges[3]	**(260)**	174	175
Revenue and expense hedges[4]	**(85)**	69	(57)
Other[2,5]	**246**	246	654
Total other operating income from continuing operations	**1,994**	2,583	2,887

	Half Year[1]		
Markets operating income	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Net interest income	**280**	303	355
Other operating income	**667**	577	552
Markets operating income	**947**	880	907

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated or presented accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*
2. *Excluding the Markets business.*
3. *Represents gains and losses on economic hedges used to manage interest rate and foreign exchange risk and the ineffective portion of designated accounting hedges.*
4. *Represents unrealized gains and losses on revenue hedges used to hedge large foreign exchange currency denominated revenue streams.*
5. *Includes net funds management income previously reported under net funds management and insurance income.*

Comparison of March 2019 with March 2018

Other operating income decreased by $893 million (-31%). Key factors affecting the result were:

Net fee and commission income (-$117 million or -9%)

- $85 million decrease in the Australia division primarily as the result of lower fee income due to the removal of dishonor and package fees, lower volume, and higher customer remediation ($20 million).
- $21 million decrease in the Wealth Australia division primarily due to lower financial planning volumes, and higher customer remediation ($9 million).
- $20 million decrease in the TSO and Group Centre division primarily due to the loss of income following the sale of Asia Retail and Wealth businesses.
- $14 million increase in the New Zealand division as the result of higher funds under management income, credit card incentives/rebates, and favorable foreign currency translation movements.

Net income from insurance business (-$63 million or -45%)

- $42 million decrease in the New Zealand division primarily due to the sale of the OPL NZ business.
- $10 million decrease in the TSO and Group Centre division due to the loss of income following the sale of Asia Retail and Wealth businesses.
- $7 million decrease from the impact of changes in market discount rates on the re-measurement of insurance policy liabilities.
- $5 million decrease in the Australia division primarily due to a reduction in lenders mortgage insurance net premium income as the result of lower volumes ($8 million).

Markets operating income (+$40 million or +4%)

- $49 million increase in Franchise Trading (a subdivision of Markets) primarily attributable to favorable market conditions in international rate markets and a more favorable trading environment in Australia and New Zealand rates ($70 million). This was partially offset by adverse derivative valuation adjustments ($21 million).
- $27 million increase in Franchise Sales (a subdivision of Markets) due to growth initiatives in North East Asia and improved Institutional client flow in Asia on the back of U.S. China trade tensions sparking volatility in the region.
- $36 million decrease in Balance Sheet (a subdivision of Markets) trading driven by reduced net interest income from Australia and Asia liquidity desks on reduced average holdings.

Share of associates' profit (+$43 million or +49%)

- $43 million increase in profits from associates of which $25 million relates to P.T. Bank Pan Indonesia and $14 million relates to AmBank.

Economic hedges (-$435 million)

- For the March 2019 half, the majority of the $260 million loss on economic hedges relates to funding related swaps, principally from narrowing basis spreads on NZD/USD and USD/EUR currency pairs.
- For the March 2018 half, the majority of the $175 million gain on economic hedges relates to funding related swaps, principally from widening basis spreads on AUD/USD currency pair and from weakening of the AUD against the USD and EUR.

Revenue and expense hedges (-$28 million or -49%)

- For the March 2019 half, the loss of $85 million on revenue and expense hedges was due to the weakening of the AUD against the NZD.
- For the March 2018 half, the loss of $57 million on revenue and expense hedges was due to the weakening of the AUD against the NZD.

Other (-$408 million or -62%)

- $233 million decrease due to a $233 million gain on sale of SRCB mainly comprising a $289 million release of foreign currency translation and available-for-sale reserve gains, and $56 million of foreign exchange losses recognized in the March 2018 half.
- $119 million decrease related to the gain on sale of MCC recognized in the March 2018 half comprising $121 million gain on sale of the first 20% stake, $1 million of foreign exchange gains and $3 million loss on release of reserves.
- $99 million decrease due to $99 million gain recognized in the March 2018 half associated with the completion of the Asia Retail and Wealth businesses.
- $18 million decrease relating to a cost recovery in respect of the UDC terminated transaction process recognized in the March 2018 half.
- $18 million decrease in the TSO and Group Centre division primarily due to realized losses on economic hedges against larger foreign exchange denominated revenue streams as the result of the NZD strengthening against the AUD. These offset foreign currency translation gains elsewhere in the Group.
- $16 million decrease in the New Zealand division largely as the result of a one-off insurance recovery in the March 2018 half.
- $14 million decrease in the Australia division primarily due to lower brokerage income from ANZ share investing.
- $12 million decrease in the Institutional division primarily driven by fair value losses on loans measured at fair value through profit and loss.
- $119 million increase due to the OPL NZ gain on sale of $82 million and Paymark gain on sale of $37 million recognized in the March 2019 half.

Comparison of March 2019 with September 2018

Other operating income from continuing operations decreased by $589 million (-23%). Key factors affecting the result were:

Net fee and commission income (-$71 million or -6%)

- $90 million decrease in the Australia division primarily as the result of lower fee income due to timing, the removal of dishonor and package fees, and lower volumes. This was partially offset by lower customer remediation ($13 million).
- $13 million increase in the Wealth Australia division primarily due to lower customer remediation ($21 million), partially offset by lower financial planning volumes.
- $11 million increase in the New Zealand division primarily due to higher credit card incentives/rebates and merchant fees as the result of seasonality, and favorable foreign currency translation movements.

Net income from insurance business (-$56 million or -42%)

- $39 million decrease in the New Zealand division primarily due to the sale of the OPL NZ business.
- $18 million decrease in the Australia division primarily due to a reduction in lenders mortgage insurance net premium income as the result of lower volume ($13 million).

Markets operating income (+$67 million or +8%)

- $75 million increase in Franchise Trading (a subdivision of Markets) primarily attributable to favorable market conditions in international rates markets and tighter credit spreads in the second quarter of FY19 benefitting the Franchise Trading businesses ($137 million). This was partially offset by adverse derivative valuation adjustments primarily from falling AUS and NZD swap rates ($62 million).
- $10 million increase in Franchise Sales (a subdivision of Markets) primarily attributable to customer activity in Asia driven by volatility triggered by U.S. China Trade tensions, declining U.S. yields which reduced Asia yields, and franchise growth initiatives in North East Asia.
- $18 million decrease in Balance Sheet (a subdivision of Markets) trading attributable to reduced net interest income from Australia liquidity desks on reduced average holdings.

Share of associates' profit (+$36 million or +38%)

- $36 million increase in profits from associates of which $26 million relates to P.T. Bank Pan Indonesia and $8 million relates to AmBank.

Economic hedges (-$434 million)

- For the March 2019 half, the majority of the $260 million loss on economic hedges relates to funding related swaps, principally from narrowing basis spreads on NZD/USD and USD/EUR currency pairs.
- For the September 2018 half, the majority of the $174 million gain on economic hedges relates to funding related swaps, principally from widening basis spreads on AUD/USD currency pair and from weakening of the AUD against the USD.

Revenue and expense hedges (-$154 million)

- For the March 2019 half, the loss of $85 million on revenue and expense hedges was due to the weakening of the AUD against the NZD.
- For the September 2018 half, the gain of $69 million on revenue and expense hedges was due to the strengthening of the AUD against the NZD.

Other (nil)

- $122 million increase due to OPL NZ business divestment impacts $85 million ($82 million gain recognized in the March 2019 half and $3 million loss recognized in September 2018 half) and Paymark gain on sale $37 million recognized in the March 2019 half.
- $68 million increase as a result of the net charge recognized on reclassification of Cambodia JV and PNG Retail, Commercial & SME to held for sale of $61 million and UDC transaction costs of $7 million in the September 2018 half.
- $121 million decrease relating to the MCC gain on sale in the September 2018 half comprising a $138 million gain on sale of the second 20% stake, $14 million of foreign exchange losses and $3 million loss on release of reserves.
- $38 million decrease due to dividend income received from Bank of Tianjin of $28 million and MCC of $10 million in the September 2018 half.
- $30 million decrease in the TSO and Group Centre division primarily due to realized losses on economic hedges against larger foreign exchange denominated revenue streams as the result of the NZD strengthening against the AUD. These offset foreign currency translation gains elsewhere in the Group.

Operating expenses – continuing operations

	Half Year [1]		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Personnel expenses	**2,370**	2,356	2,402
Premises expenses	**406**	416	395
Technology expenses	**764**	1,084	815
Restructuring expenses	**51**	149	78
Other expenses	**774**	923	783
Total operating expenses from continuing operations	**4,365**	4,928	4,473
Full time equivalent staff from continuing operations	**37,364**	37,860	39,655
Average full time equivalent staff from continuing operations	**37,558**	38,463	41,568

1. On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated or presented accordingly which increased total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.

Comparison of March 2019 with March 2018

Operating expenses decreased by $108 million (-2%):

- Personnel expenses decreased $32 million (-1%) largely driven by lower FTE, a decrease in customer remediation expenses ($17 million) and lower personnel expenses following the sale of OPL NZ and Asia Retail and Wealth businesses ($21 million). This was partially offset by wage inflation, the insourcing of technology services and higher long service leave accruals.
- Premises expenses increased $11 million (+3%) primarily driven by higher spend on property projects.
- Technology expenses decreased $51 million (-6%) largely due to lower software amortization charges and the insourcing of technology services.
- Restructuring expenses decreased $27 million (-35%) due to higher spend in the prior period associated with the move to agile ways of working in the Australia and Technology divisions.
- Other expenses decreased $9 million (-1%) largely due to lower expenses following the sale of OPL NZ and Asia Retail and Wealth businesses ($23 million) and a reduction in Royal Commission legal costs ($3 million), partly offset by higher customer remediation ($18 million).

Comparison of March 2019 with September 2018

Operating expenses decreased by $563 million (-11%):

- Personnel expenses increased $14 million (+1%) largely driven by wage inflation, the insourcing of technology services, higher long service leave accruals and the normalization of incentives. This was offset by lower FTE, a decrease in customer remediation ($80 million) and lower personnel expenses following the sale of OPL NZ ($6 million).
- Premises expenses decreased $10 million (-2%) primarily driven by the consolidation of our property portfolio in Australia and Asia.
- Technology expenses decreased $320 million (-30%) largely due to the accelerated amortization charge in prior period ($251 million), ongoing lower software amortization charges and the insourcing of technology services.
- Restructuring expenses decreased $98 million (-66%) due to higher spend in the prior period associated with the move to agile ways of working in the Australia and Technology divisions.
- Other expenses decreased $149 million (-16%) largely related to lower Royal Commission legal costs ($26 million), lower customer remediation expenses ($40 million), lower expenses following the sale of OPL NZ ($5 million) and lower consultancy spend and lower marketing spend which is typically higher in the September half.

Credit risk – continuing operations

The Group has adopted AASB 9 effective from October 1, 2018 which has resulted in key changes to the classification and measurement of financial assets, including the impairment of financial assets. Under the new standard, provision for credit impairment is based on an ECL model incorporating forward looking information. The presentation of credit risk information for the March 2019 half has been amended accordingly. Comparative information has not been restated and continues to reflect the requirements of the previous standard AASB 139. For further details on key requirements and impacts of the changes described above refer to "Section 1: Key Information – Basis of Preparation – Accounting Standards Adopted" in this U.S. Disclosure Document and Notes 1 and 21 of the Condensed Consolidated Financial Statements attached as the Annex to this U.S. Disclosure Document.

Credit impairment charge/(release)[1]

	Half Year			Half Year			Half Year		
	Mar 19			Sep 18			Mar 18		
Division	Collectively assessed $M	Individually assessed $M	Total charge $M	Collectively assessed $M	Individually assessed $M	Total charge $M	Collectively assessed $M	Individually assessed $M	Total charge $M
Australia	**46**	**350**	**396**	11	375	386	(25)	337	312
Institutional	**(23)**	**(12)**	**(35)**	(41)	(52)	(93)	21	28	49
New Zealand	**(5)**	**35**	**30**	(29)	15	(14)	(14)	34	20
Pacific	**(6)**	**8**	**2**	(4)	5	1	2	-	2
TSO & Group Centre	**1**	**(2)**	**(1)**	-	-	-	(6)	31	25
Total	**13**	**379**	**392**	(63)	343	280	(22)	430	408

Half Year - Mar 19	Collectively Assessed				Individually Assessed			
Division	Stage 1 $M	Stage 2 $M	Stage 3 $M	Total $M	Stage 3 - New and increased $M	Stage 3 - Recoveries and write-backs $M	Total $M	Total $M
Australia	(21)	43	24	**46**	536	(186)	**350**	**396**
Institutional	19	(35)	(7)	**(23)**	18	(30)	**(12)**	**(35)**
New Zealand	(4)	(5)	4	**(5)**	60	(25)	**35**	**30**
Pacific	(1)	(4)	(1)	**(6)**	11	(3)	**8**	**2**
TSO and Group Centre	1	-	-	**1**	(1)	(1)	**(2)**	**(1)**
Total	(6)	(1)	20	**13**	624	(245)	**379**	**392**

Individually assessed credit impairment charge/(release) under AASB 139

	New and increased		Recoveries and write-backs		Total	
	Half Year		Half Year		Half Year	
Division	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M
Australia	581	528	(206)	(191)	**375**	**337**
Institutional	51	92	(103)	(64)	**(52)**	**28**
New Zealand	76	67	(61)	(33)	**15**	**34**
Pacific	8	5	(3)	(5)	**5**	**-**
TSO and Group Centre	-	36	-	(5)	**-**	**31**
Total	**716**	**728**	**(373)**	**(298)**	**343**	**430**

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*

Comparison of March 2019 with March 2018

- The collectively assessed credit impairment charge increased by $35 million primarily driven by an increase of $71 million in the Australia division due to the weakening Australian economic outlook increasing expected credit loss. This was partially offset by a reduction of $44 million in the Institutional division as a result of fewer large customer downgrades relative to the prior period, and also the partial release of a temporary economic overlay.
- The individually assessed credit impairment decreased by $51 million (-12%) primarily due to lower new and increased individually assessed credit impairment charges in the Institutional division combined with the sale of the Asia Retail and Wealth businesses. This was partially offset by Australia division which experienced higher provisions in Business & Private Bank.

Comparison of March 2019 with September 2018

- The collectively assessed credit impairment charge increased by $76 million primarily driven by an increase of $35 million in the Australia division, $18 million in the Institutional division and $24 million in the New Zealand division. The increase in Australia division was due to the weakening Australian economic outlook increasing expected credit loss. The increase in Institutional division was a result of fewer large customer upgrades relative to the September 2018 half, partially offset by the partial release of a temporary economic overlay. The increase in New Zealand division was primarily the result of lower September 2018 half provisions due to the Agri economic cycle release.

- The individually assessed credit impairment charge increased by $36 million (+11%) driven by significant write-backs and recoveries in the Institutional and New Zealand divisions in the September 2018 half. This was partially offset by a $25 million decrease in the Australia division due to decreased provisions predominantly in the personal loan and credit card portfolios.

Allowance for expected credit losses[1,2,3]

	As of			As of			As of		
	Mar 19			Sep 18			Mar 18		
Division	Collectively assessed $M	Individually assessed $M	Total provision $M	Collectively assessed $M	Individually assessed $M	Total provision $M	Collectively assessed $M	Individually assessed $M	Total provision $M
Australia	1,834	586	2,420	1,125	569	1,694	1,113	577	1,690
Institutional	1,132	208	1,340	1,073	251	1,324	1,101	320	1,421
New Zealand	369	73	442	279	81	360	317	104	421
Pacific	43	24	67	43	18	61	45	14	59
TSO and Group Centre	-	-	-	3	1	4	3	1	4
Total[4]	**3,378**	**891**	**4,269**	2,523	920	3,443	2,579	1,016	3,595

As of Mar 19	Collectively Assessed				Individually Assessed	
Division	Stage 1 $M	Stage 2 $M	Stage 3 $M	Total $M	Stage 3 $M	Total $M
Australia	384	1,150	300	**1,834**	586	**2,420**
Institutional	859	234	39	**1,132**	208	**1,340**
New Zealand	152	173	44	**369**	73	**442**
Pacific	20	11	12	**43**	24	**67**
Total[4]	**1,415**	**1,568**	**395**	**3,378**	891	**4,269**

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

2. Balance Sheet amounts include assets and liabilities reclassified as held for sale from continuing and discontinued operations.

3. Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.

4. On adoption of AASB 9 on October 1, 2018, the Group increased the collectively assessed provision by $813 million. Comparative information has not been restated.

Impaired assets[1]

	As of		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Gross impaired assets			
Impaired loans	**1,697**	1,676	1,863
Restructured items[2]	**264**	269	76
Non-performing commitments and contingencies	**61**	68	95
Gross impaired assets	**2,022**	2,013	2,034
Individually assessed provisions			
Impaired loans	**(865)**	(894)	(990)
Non-performing commitments and contingencies	**(26)**	(26)	(26)
Net impaired assets	**1,131**	1,093	1,018

	As of		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Gross impaired assets by division[3]			
Australia	**1,357**	1,285	1,114
Institutional	**373**	442	626
New Zealand	**238**	236	244
Pacific	**53**	46	43
TSO and Group Centre	**1**	4	7
Gross impaired assets	**2,022**	2,013	2,034

	As of		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Gross impaired assets by size of exposure			
Less than $10 million	**1,505**	1,489	1,487
$10 million to $100 million	**328**	335	547
Greater than $100 million	**189**	189	-
Gross impaired assets	**2,022**	**2,013**	**2,034**

1. *Balance sheet amounts include assets reclassified as held for sale from continuing and discontinued operations.*
2. *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 for new facilities with similar risk.*
3. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*

Comparison of March 2019 with March 2018

- Gross impaired assets decreased $12 million (-1%) driven by the Institutional division (-$253 million) with repayments reducing a number of large impaired assets. This was partially offset by an increase in the Australia division ($243 million) primarily driven by a single name restructured loan and an increase in the home loan portfolio. The Group's individually assessed provision coverage ratio on impaired assets was 44.1% as of March 31, 2019 (Mar 18: 50.0%).

Comparison of March 2019 with September 2018

- Gross impaired assets increased $9 million driven by the Australia division ($72 million) due to a single name exposure in business banking and an increase in the home loan portfolio. This was partially offset by a decrease in the Institutional division (-$69 million) driven by repayments and write-offs. The Group's individually assessed provision coverage ratio on impaired assets was 44.1% as of March 31, 2019 (Sep 18: 45.7%).

New impaired assets[1]

	Half Year		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
New impaired assets			
Impaired loans	**857**	929	917
Restructured items	**13**	203	21
Non-performing commitments and contingencies	**20**	13	25
Total new impaired assets	**890**	**1,145**	**963**

	Half Year		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M[1]**
New impaired assets by division[2]			
Australia	**715**	905	699
Institutional	**41**	45	124
New Zealand	**120**	191	101
Pacific	**14**	4	7
TSO and Group Centre	**-**	-	32
Total new impaired assets	**890**	**1,145**	**963**

1. *Balance sheet amounts include assets reclassified as held for sale from continuing and discontinued operations.*
2. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*

Comparison of March 2019 with March 2018

- New impaired assets decreased $73 million (-8%) primarily driven by the Institutional division as the result of an improved risk profile due to portfolio rebalancing, combined with a benign credit environment. In addition, new impaired assets decreased due to lending reductions following the sale of Asia Retail and Wealth businesses.

Comparison of March 2019 with September 2018

- New impaired assets decreased by $255 million (-22%) driven by the Australia division primarily due to a single name restructured loan recorded in the September 2018 half, combined with decreases in the New Zealand Commercial and Agri business.

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[1,2]

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 19 $M	**Sep 18 $M**	**Mar 18 $M**
Australia	**3,077**	2,753	2,787
Institutional	**14**	12	23
New Zealand	**276**	203	202
Pacific	**24**	25	21
TSO and Group Centre	**5**	5	5
Total accruing loans - past due 90 days or more	**3,396**	2,998	3,038

1. *Balance sheet amounts include assets and liabilities reclassified as held for sale from continuing and discontinued operations.*
2. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from methodology and structural changes as described under "Section 1: Key Information –Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*

Comparison of March 2019 with March 2018

- The 90 days past due but not impaired increased by $358 million (+12%) predominantly driven by portfolio deterioration across Australia division home loans ($251 million), New Zealand division home loans ($47 million) and Agri portfolios ($24 million).

Comparison of March 2019 with September 2018

- The 90 days past due but not impaired increased by $398 million (+13%) predominantly driven by portfolio deterioration across Australia division home loans ($296 million), New Zealand division home loans ($42 million) and Commercial and Agri portfolios ($25 million).

Concentrations of credit risk/loans and advances by industry category

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, these customers may be similarly affected by changes in economic or other conditions. The Group monitors its credit portfolios to manage risk concentration and rebalance the portfolio. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

For further information relating to the Group's credit risk exposures, refer to Note 16 of the 2018 Financial Report (attached as part of Annex A to ANZ's 2018 Annual U.S. Disclosure Document).

Income tax expense – continuing operations

	Half Year		
	Mar 19 $M	Sep 18 $M	Mar 18 $M
Income tax expense charged to the income statement	**1,284**	1,358	1,426
Effective tax rate	**28.3%**	29.9%	26.6%
Australian corporate tax rate	**30.0%**	30.0%	30.0%

Comparison of March 2019 with March 2018

- The effective tax rate has increased from 26.6% to 28.3%. The increase of 170 bps is primarily due to the inclusion in the March 2018 half of non-assessable income on completion of the sale of SRCB (+157 bps), non-assessable income on the disposal of the Group's stake in MCC (+69 bps) and release of tax provisions not required (+43 bps), partially offset by higher offshore earnings which attract a lower average tax rate in the March 2019 half (-57 bps), higher equity accounted earnings (-37 bps) and non-assessable gains on the sales of OPL NZ and Paymark (-44 bps).

Comparison of March 2019 with September 2018

- The effective tax rate decreased from 29.9% to 28.3%. The decrease of 160 bps is primarily due to higher offshore earnings which attract a lower average tax rate (-112 bps), higher equity accounted earnings (-22 bps), an increase in foreign tax provision on dividend repatriation (-40 bps), a non-deductible loss on the sale of Cambodia JV (-29 bps) in the September 2018 half, a net non-assessable gain on the sale of OPL NZ (-22 bps) and a non-assessable gain on the sale of Paymark (-22 bps) all in the March 2019 half, partially offset by non-assessable income on the disposal of Group's stake in MCC in the September 2018 half (+90 bps).

CONDENSED BALANCE SHEET – INCLUDING DISCONTINUED OPERATIONS

	As of		
	Mar 19 $B	**Sep 18 $B**	**Mar 18 $B**
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**109.9**	98.0	98.0
Trading and investment securities/available-for-sale assets[1]	**121.8**	112.0	115.3
Derivative financial instruments	**79.4**	68.4	70.9
Net loans and advances	**609.3**	604.4	589.5
Assets held for sale[2,3]	**43.5**	45.2	45.3
Other	**16.4**	15.2	16.7
Total assets[3]	**980.3**	943.2	935.7
Liabilities			
Settlement balances owed by ANZ / Collateral received	**18.1**	18.3	20.0
Deposits and other borrowings	**635.0**	618.2	616.2
Derivative financial instruments	**80.9**	69.7	70.6
Debt issuances	**129.7**	121.2	114.9
Liabilities held for sale[3,4]	**46.6**	47.2	44.8
Other	**10.0**	9.2	9.7
Total liabilities[3]	**920.3**	883.8	876.2
Total equity[3]	**60.0**	59.4	59.5

1. *On adoption of AASB 9 on October 1, 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceased to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 of the Condensed Consolidated Financial Statements (attached as the Annex to this U.S. Disclosure Document) for further details.*
2. *The March 31, 2019 balance of assets held for sale comprises: $42.2 billion for discontinued operations; $1.2 billion for Cambodia JV and $0.2 billion for PNG Retail, Commercial & SME. The September 30, 2018 balance of assets held for sale comprises: $42.9 billion for discontinued operations; $1.4 billion for Cambodia JV; $0.8 billion for OPL NZ and $0.2 billion for PNG Retail, Commercial & SME. The March 31, 2018 balance of assets held for sale comprises: $42.2 billion for discontinued operations; $3.0 billion for UDC and Paymark and $0.1 billion for MCC.*
3. *The Group completed the Successor Fund Transfer ("SFT") on April 13, 2019 which separated the Life Insurance and Pensions and Investments businesses. On completion of the SFT, the Group reduced external unit holders liabilities by circa $4.6 billion, policy liabilities by circa $36.1 billion and investments backing policy liabilities by circa $37.1 billion within assets and liabilities held for sale. The Group also ceased elimination of intercompany balances increasing liabilities and equity not held for sale by circa $3.2 billion and circa $0.4 billion respectively.*
4. *The March 31, 2019 balance of liabilities held for sale comprises: $44.9 billion for discontinued operations; $1.2 billion for Cambodia JV and $0.5 billion for PNG Retail, Commercial & SME. The September 30, 2018 balance of liabilities held for sale comprises: $45.1 billion for discontinued operations; $1.2 billion for Cambodia JV; $0.3 billion for OPL NZ and $0.5 billion for PNG Retail, Commercial & SME. The March 31, 2018 balance of liabilities held for sale comprises: $43.8 billion for discontinued operations and $1.0 billion for UDC and Paymark.*

Comparison of March 2019 with March 2018

- Cash/Settlement balances owed to ANZ/Collateral paid increased $11.9 billion (+12%) primarily driven by an increase in short term reverse repurchase agreements in Markets, increased overnight bank deposits in Treasury, and the impact of foreign currency translation movements.
- Trading and investment securities/available-for-sale assets increased $6.5 billion (+6%) primarily driven by an increase in liquid assets in Markets and the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $8.5 billion (+12%) and $10.3 billion (+15%) respectively as interest rate movements resulted in higher derivative volumes and fair values, particularly in interest rate swap products.
- Net loans and advances increased $19.8 billion (+3%) primarily driven by lending growth in the Institutional division (+$10.9 billion), growth in home loans in the New Zealand division (+$5.2 billion), UDC net loans and advances no longer being classified as held for sale (+3.3 billion) and the impact of foreign currency translation movements, partially offset by the decrease in home loans in the Australia division (-$3.9 billion).
- Assets held for sale decreased $1.8 billion primarily driven by UDC no longer being classified as held for sale, partially offset by reclassification of Cambodia JV and PNG Retail, Commercial & SME to held for sale. Liabilities held for sale increased $1.8 billion primarily due to the reclassification of Cambodia JV and PNG Retail, Commercial & SME to held for sale and an increase of $0.8 billion in payables relating to the IOOF secured note in connection with the sale of OnePath P&I to IOOF, partially offset by UDC no longer being classified as held for sale.
- Deposits and other borrowings increased $18.8 billion (+3%) primarily driven by increase in deposits from banks and repurchase agreements (+$19.6 billion), growth in customer deposits in the New Zealand division (+$4.5 billion) and the impact of foreign currency translation movements. This was partially offset by reduction in certificates of deposit and commercial paper issued (-$16.6 billion).
- Debt issuances increased $14.8 billion (+13%) primarily driven by senior debt issuances and the impact of foreign currency translation movements.

Comparison of March 2019 with September 2018

- Cash/Settlement balances owed to ANZ/Collateral paid increased $11.9 billion (+12%) primarily driven by an increase in short term reverse repurchase agreements in Markets, increased overnight bank deposits in Treasury, and the impact of foreign currency translation movements.
- Trading and investment securities/available-for-sale assets increased $9.8 billion (+9%) primarily driven by an increase in liquid assets in Markets and the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $11.0 billion (+16%) and $11.2 billion (+16%) respectively as interest rate movements resulted in higher derivative volumes and fair values, particularly in interest rate swap products.
- Net loans and advances increased $4.9 billion (+1%) primarily driven by growth in home loans in the New Zealand division (+$2.4 billion), lending growth in the Institutional division (+$1.0 billion) and the impact of foreign currency translation movements, partially offset by a decrease in home loans in the Australia division (-$4.7 billion).
- Assets and liabilities held for sale decreased $1.7 billion and $0.6 billion respectively, primarily driven by the sale completion of OPL NZ. The decrease in liabilities held for sale was partially offset by an increase in payables relating to the IOOF secured note.

- Deposits and other borrowings increased $16.8 billion (+3%) primarily driven by increase in deposits from banks and repurchase agreements (+$20.0 billion), growth in customer deposits in the New Zealand division (+$1.9 billion) and the impact of foreign currency translation movements. This was partially offset by reduction in customer deposits in the Institutional division (-$21.7 billion) and commercial paper issued (-$2.5 billion).
- Debt issuances increased $8.5 billion (+7%) primarily driven by senior debt issuances and the impact of foreign currency translation movements.

RESULTS BY DIVISION – CONTINUING OPERATIONS

Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact of methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document. The tables on page 62 present March 2018 half as reported in the 2018 Half Year U.S. Disclosure Document or 2018 Annual U.S. Disclosure Document ("Previously Reported"), and restated to reflect the changes discussed above ("Restated"), with restatements impacts summarized in the "Restatement impact – Restated vs. Previously Reported" table. The September 2018 half has been restated or presented on a consistent basis to the March 2018 half on page 61.

For further information on the composition of the divisions refer to "Section 2: Information on the Group – Principal Activities of the Group".

This Results by division section is reported on a continuing operations basis, for information on discontinued operations please refer to "Section 1: Key Information - Basis of Preparation – Discontinued Operations".

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

March 2019 Half Year	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	4,091	1,579	1,385	1	68	175	**7,299**
Other operating income	625	1,126	302	26	50	(135)	**1,994**
Operating income	4,716	2,705	1,687	27	118	40	**9,293**
Operating expenses	(1,843)	(1,320)	(612)	(70)	(70)	(450)	**(4,365)**
Profit before credit impairment and income tax	2,873	1,385	1,075	(43)	48	(410)	**4,928**
Credit impairment (charge)/release	(396)	35	(30)	-	(2)	1	**(392)**
Profit before income tax	2,477	1,420	1,045	(43)	46	(409)	**4,536**
Income tax expense and non-controlling interests	(744)	(408)	(292)	13	(13)	151	**(1,293)**
Profit/(Loss) after income tax from continuing operations	1,733	1,012	753	(30)	33	(258)	**3,243**
Balance Sheet[1]							
Net loans & advances	336,584	152,522	118,840	824	2,135	(762)	**610,143**
Other external assets	4,120	307,198	3,401	46,696	1,285	7,401	**370,101**
External assets	340,704	459,720	122,241	47,520	3,420	6,639	**980,244**
Customer deposits	203,366	205,364	85,372	-	3,474	(4,203)	**493,373**
Other external liabilities	9,603	198,475	24,716	45,053	87	148,966	**426,900**
External liabilities	212,969	403,839	110,088	45,053	3,561	144,763	**920,273**

1. *Balance Sheet amounts includes asset and liabilities reclassified as held for sale.*

September 2018 Half Year (Restated)[1]	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	4,122	1,513	1,342	1	66	120	**7,164**
Other operating income	722	1,035	328	12	53	433	**2,583**
Operating income	4,844	2,548	1,670	13	119	553	**9,747**
Operating expenses	(1,990)	(1,575)	(613)	(95)	(65)	(590)	**(4,928)**
Profit before credit impairment and income tax	2,854	973	1,057	(82)	54	(37)	**4,819**
Credit impairment (charge)/release	(386)	93	14	-	(1)	-	**(280)**
Profit before income tax	2,468	1,066	1,071	(82)	53	(37)	**4,539**
Income tax expense and non-controlling interests	(742)	(353)	(299)	25	(14)	16	**(1,367)**
Profit/(Loss) after income tax from continuing operations	1,726	713	772	(57)	39	(21)	**3,172**
Balance Sheet[2]							
Net loans and advances	341,310	150,108	111,333	815	2,114	(243)	**605,437**
Other external assets	4,097	276,607	4,136	47,502	1,427	3,950	**337,719**
External assets	345,407	426,715	115,469	48,317	3,541	3,707	**943,156**
Customer deposits	202,732	205,809	79,780	-	3,467	(4,515)	**487,273**
Other external liabilities	10,387	172,210	24,801	45,133	90	143,857	**396,478**
External liabilities	213,119	378,019	104,581	45,133	3,557	139,342	**883,751**

September 2018 Half Year (Previously Reported)	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Asia Retail & Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	4,105	1,552	1,309	25	67	106	**7,164**
Other operating income	527	1,034	325	120	62	424	**2,492**
Operating income	4,632	2,586	1,634	145	129	530	**9,656**
Operating expenses	(1,865)	(1,573)	(608)	(134)	(65)	(592)	**(4,837)**
Profit before credit impairment and income tax	2,767	1,013	1,026	11	64	(62)	**4,819**
Credit impairment (charge)/release	(386)	93	14	-	(1)	-	**(280)**
Profit before income tax	2,381	1,106	1,040	11	63	(62)	**4,539**
Income tax expense and non-controlling interests	(716)	(364)	(291)	(3)	(18)	25	**(1,367)**
Profit/(Loss) after income tax from continuing operations	1,665	742	749	8	45	(37)	**3,172**
Balance Sheet[2]							
Net loans and advances	340,259	149,826	111,286	1,706	2,117	(257)	**604,937**
Other external assets	2,855	276,607	4,135	48,711	1,432	3,947	**337,687**
External assets	343,114	426,433	115,421	50,417	3,549	3,690	**942,624**
Customer deposits	202,732	205,809	79,780	-	3,475	(4,523)	**487,273**
Other external liabilities	9,577	171,926	24,754	45,773	113	143,825	**395,968**
External liabilities	212,309	377,735	104,534	45,773	3,588	139,302	**883,241**

Restatement impact - Restated vs. Previously Reported	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Asia Retail & Pacific/ Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	17	(39)	33	(24)	(1)	14	**-**
Other operating income							
- AASB 15 Reclassification	86	2	3	-	-	-	**91**
- Other restatements	109	(1)	-	(108)	(9)	9	**-**
Operating income	212	(38)	36	(132)	(10)	23	**91**
Operating expenses							
- AASB 15 Reclassification	(86)	(2)	(3)	-	-	-	**(91)**
- Other restatements	(39)	-	(2)	39	-	2	**-**
Profit before credit impairment and income tax	87	(40)	31	(93)	(10)	25	**-**
Credit impairment (charge)/release	-	-	-	-	-	-	**-**
Profit before income tax	87	(40)	31	(93)	(10)	25	**-**
Income tax expense and non-controlling interests	(26)	11	(8)	28	4	(9)	**-**
Profit/(Loss) after income tax from continuing operations	61	(29)	23	(65)	(6)	16	**-**
Balance Sheet[2]							
Net loans and advances	1,051	282	47	(891)	(3)	14	**500**
Other external assets	1,242	-	1	(1,209)	(5)	3	**32**
External assets	2,293	282	48	(2,100)	(8)	17	**532**
Customer deposits	-	-	-	-	(8)	8	**-**
Other external liabilities	810	284	47	(640)	(23)	32	**510**
External liabilities	810	284	47	(640)	(31)	40	**510**

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Balance Sheet amounts includes asset and liabilities reclassified as held for sale.*

March 2018 Half Year (Restated)[1]	Australia $M	Institutional $M	New Zealand $M	Wealth $M	Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	4,325	1,480	1,309	1	65	170	**7,350**
Other operating income	728	1,031	343	48	47	690	**2,887**
Operating income	5,053	2,511	1,652	49	112	860	**10,237**
Operating expenses	(1,905)	(1,373)	(592)	(85)	(63)	(455)	**(4,473)**
Profit before credit impairment and income tax	3,148	1,138	1,060	(36)	49	405	**5,764**
Credit impairment (charge)/release	(312)	(49)	(20)	-	(2)	(25)	**(408)**
Profit before income tax	2,836	1,089	1,040	(36)	47	380	**5,356**
Income tax expense and non-controlling interests	(853)	(322)	(291)	10	(14)	37	**(1,433)**
Profit/(Loss) after income tax from continuing operations	1,983	767	749	(26)	33	417	3,923
Balance Sheet[2]							
Net loans & advances	340,446	138,179	111,360	44	2,166	274	**592,469**
Other external assets	4,519	281,079	4,611	47,967	1,301	3,724	**343,201**
External assets	344,965	419,258	115,971	48,011	3,467	3,998	**935,670**
Customer deposits	204,165	190,733	79,225	-	3,370	(4,729)	**472,764**
Other external liabilities	10,869	177,222	23,938	43,702	88	147,565	**403,384**
External liabilities	215,034	367,955	103,163	43,702	3,458	142,836	**876,148**

March 2018 Half Year (Previously Reported)	Australia $M	Institutional $M	New Zealand $M	Wealth $M	Asia Retail & Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	4,304	1,516	1,278	24	119	109	**7,350**
Other operating income	559	1,028	338	162	184	554	**2,825**
Operating income	4,863	2,544	1,616	186	303	663	**10,175**
Operating expenses	(1,812)	(1,371)	(588)	(123)	(146)	(371)	**(4,411)**
Profit before credit impairment and income tax	3,051	1,173	1,028	63	157	292	**5,764**
Credit impairment (charge)/release	(312)	(49)	(20)	-	(27)	-	**(408)**
Profit before income tax	2,739	1,124	1,008	63	130	292	**5,356**
Income tax expense and non-controlling interests	(824)	(331)	(282)	(19)	(24)	47	**(1,433)**
Profit/(Loss) after income tax from continuing operations	1,915	793	726	44	106	339	3,923
Balance Sheet[2]							
Net loans & advances	339,345	137,884	111,308	984	2,168	258	**591,947**
Other external assets	3,136	281,079	4,610	49,318	1,312	3,714	**343,169**
External assets	342,481	418,963	115,918	50,302	3,480	3,972	**935,116**
Customer deposits	204,165	190,733	79,225	-	3,382	(4,741)	**472,764**
Other external liabilities	9,895	176,927	23,886	44,505	163	147,476	**402,852**
External liabilities	214,060	367,660	103,111	44,505	3,545	142,735	**875,616**

Restatement impact - Restated vs. Previously Reported	Australia $M	Institutional $M	New Zealand $M	Wealth $M	Asia Retail & Pacific/ Pacific $M	TSO & Group Centre $M	Group $M
Net interest income	21	(36)	31	(23)	(54)	61	**-**
Other operating income							
- AASB 15 Reclassification	54	2	4	2	-	-	**62**
- Other restatements	115	1	1	(116)	(137)	136	**-**
Operating income	190	(33)	36	(137)	(191)	197	**62**
Operating expenses							
- AASB 15 Reclassification	(54)	(2)	(4)	(2)	-	-	**(62)**
- Other restatements	(39)	-	-	40	83	(84)	**-**
Profit before credit impairment and income tax	97	(35)	32	(99)	(108)	113	**-**
Credit impairment (charge)/release	-	-	-	-	25	(25)	**-**
Profit before income tax	97	(35)	32	(99)	(83)	88	**-**
Income tax expense and non-controlling interests	(29)	9	(9)	29	10	(10)	**-**
Profit/(Loss) after income tax from continuing operations	68	(26)	23	(70)	(73)	78	-
Balance Sheet[2]							
Net loans & advances	1,101	295	52	(940)	(2)	16	**522**
Other external assets	1,383	-	1	(1,351)	(11)	10	**32**
External assets	2,484	295	53	(2,291)	(13)	26	**554**
Customer deposits	-	-	-	-	(12)	12	**-**
Other external liabilities	974	295	52	(803)	(75)	89	**532**
External liabilities	974	295	52	(803)	(87)	101	**532**

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Balance Sheet amounts includes asset and liabilities reclassified as held for sale.*

Australia – continuing operations

	Half Year		
Australia	**Mar 19 $M**	**Sep 18 $M[1]**	**Mar 18 $M[1]**
Net interest income	**4,091**	4,122	4,325
Other operating income	**625**	722	728
Operating income	**4,716**	4,844	5,053
Operating expenses	**(1,843)**	(1,990)	(1,905)
Profit before credit impairment and income tax	**2,873**	2,854	3,148
Credit impairment (charge)/release	**(396)**	(386)	(312)
Profit before income tax	**2,477**	2,468	2,836
Income tax expense and non-controlling interests	**(744)**	(742)	(853)
Profit after income tax	**1,733**	1,726	1,983
Consisting of:			
Retail	**1,165**	1,156	1,359
Business & Private Bank	**568**	570	624
Profit after income tax	**1,733**	1,726	1,983
Balance Sheet			
Net loans and advances	**336,584**	341,310	340,446
Other external assets	**4,120**	4,097	4,519
External assets	**340,704**	345,407	344,965
Customer deposits	**203,366**	202,732	204,165
Other external liabilities	**9,603**	10,387	10,869
External liabilities	**212,969**	213,119	215,034
Risk weighted assets	**159,279**	159,281	161,283
Average gross loans and advances[2]	**341,282**	342,757	339,631
Average deposits and other borrowings[2]	**202,765**	202,530	203,239
Ratios			
Return on average assets	**1.01%**	1.00%	1.16%
Net interest margin	**2.61%**	2.60%	2.78%
Operating expenses to operating income	**39.1%**	41.1%	37.7%
Operating expenses to average assets	**1.08%**	1.15%	1.12%
Individually assessed credit impairment charge/(release)	**350**	375	337
Individually assessed credit impairment charge/(release) as a % of average GLA	**0.21%**	0.22%	0.20%
Collectively assessed credit impairment charge/(release)	**46**	11	(25)
Collectively assessed credit impairment charge/(release) as a % of average GLA[3]	**0.03%**	0.01%	(0.01%)
Gross impaired assets	**1,357**	1,285	1,114
Gross impaired assets as a % of GLA	**0.40%**	0.37%	0.33%
Total full time equivalent staff	**13,020**	13,039	13,914

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Averages are calculated using predominantly daily averages.*
3. *Credit impairment charge used in the ratios relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of March 2019 with March 2018

Profit after income tax decreased by $250 million (-13%).

Key factors affecting the result were:

- Net loans and advances decreased primarily from lower system credit growth, asset competition and more conservative home loan origination risk settings.
- Net interest margin decreased 17 basis points as a result of increased funding costs, home loan mix changes and higher discounting, regulatory impact on credit card pricing, and higher customer remediation. This was partially offset by higher deposit margins and home loans re-pricing.
- Other operating income decreased $103 million (-14%) as the result of higher customer remediation and lower fee income due to lower informal overdraft fees, package fees and lending fees.
- Operating expenses decreased $62 million (-3%) due to a reduction in FTE and related costs, lower redundancy expenses and consultancy spend. This was partially offset by higher customer remediation and inflation.
- Credit impairment charges increased $84 million (+27%) as the result of a weakening Australian economic outlook, and an increase in individually assessed provisions for business and small business banking.

Comparison of March 2019 with September 2018

Profit after income tax increased by $7 million (0%).

Key factors affecting the result were:

- Net loans and advances decreased primarily from lower system credit growth, asset competition, more conservative home loan policies and processes, and the impact of products no longer provided to retail customers. Customer deposits were broadly flat with declines in the Retail segment offset by growth in Business & Private Bank.
- Net interest margin increased 1 basis point as the result of lower customer remediation and home loans re-pricing, partially offset by home loan mix changes and higher discounting and the regulatory impact on credit card pricing.
- Other operating income decreased $97 million (-13%) primarily reflecting seasonality of credit card fee income, lower informal overdraft fees, package fees, lending fees and a decline in lenders mortgage revenue.
- Operating expenses decreased $147 million (-7%) due to a reduction in customer remediation, a reduction in average FTE and other productivity initiatives, partially offset by inflation and increased spend in technology infrastructure costs.
- Credit impairment charges increased $10 million (+3%) as the result of a weakening Australian economic outlook across the portfolio.

Institutional – continuing operations

Institutional	Half Year Mar 19 $M	Sep 18 $M[1]	Mar 18 $M[1]
Net interest income	**1,579**	1,513	1,480
Other operating income	**1,126**	1,035	1,031
Operating income	**2,705**	2,548	2,511
Operating expenses	**(1,320)**	(1,575)	(1,373)
Profit before credit impairment and income tax	**1,385**	973	1,138
Credit impairment (charge)/release	**35**	93	(49)
Profit before income tax	**1,420**	1,066	1,089
Income tax expense and non-controlling interests	**(408)**	(353)	(322)
Profit after income tax	**1,012**	713	767
Consisting of:			
Transaction Banking	**352**	306	287
Loans & Specialized Finance	**387**	409	268
Markets	**283**	240	211
Central Functions	**(10)**	(242)	1
Profit after income tax	**1,012**	713	767
Balance Sheet[2]			
Net loans and advances	**152,522**	150,108	138,179
Other external assets	**307,198**	276,607	281,079
External assets	**459,720**	426,715	419,258
Customer deposits	**205,364**	205,809	190,733
Other external liabilities	**198,475**	172,210	177,222
External liabilities	**403,839**	378,019	367,955
Risk weighted assets	**167,406**	163,713	165,614
Average gross loans and advances[3]	**153,982**	144,488	137,864
Average deposits and other borrowings[3]	**281,770**	269,578	257,874
Ratios[2]			
Return on average assets	**0.44%**	0.32%	0.36%
Net interest margin	**0.85%**	0.86%	0.89%
Net interest margin (excluding Markets)	**2.10%**	2.12%	2.09%
Operating expenses to operating income	**48.8%**	61.8%	54.7%
Operating expenses to average assets	**0.58%**	0.72%	0.65%
Individually assessed credit impairment charge/(release)	**(12)**	(52)	28
Individually assessed credit impairment charge/(release) as a % of average GLA[4]	**(0.02%)**	(0.07%)	0.04%
Collectively assessed credit impairment charge/(release)	**(23)**	(41)	21
Collectively assessed credit impairment charge/(release) as a % of average GLA[4]	**(0.03%)**	(0.06%)	0.03%
Gross impaired assets	**373**	442	626
Gross impaired assets as a % of GLA	**0.24%**	0.29%	0.45%
Total full time equivalent staff	**6,085**	6,188	6,505

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Balance Sheet amounts includes asset and liabilities reclassified as held for sale from continuing operations.*
3. *Averages are calculated using predominantly daily averages.*
4. *Credit impairment charge used in the ratios relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Comparison of March 2019 with March 2018

Profit after income tax increased by $245 million (+32%).

Key factors affecting the result were:

- Net loans and advances grew in Loans & Specialized Finance and Transaction Banking due to a business focus on priority sectors. Customer deposits grew in Markets and Transaction Banking.
- Net interest margin (excluding the Markets business) increased 1 basis point due to higher deposit margins, partially offset by a reduction in lending margins.
- Other operating income increased $95 million (+9%) as a result of Markets income, with higher Franchise Sales and Trading, partially offset by lower Balance Sheet income.
- Operating expenses decreased $53 million (-4%) due to a reduction in FTE and related costs, and lower ongoing software amortization charges. This was partially offset by inflation.
- Credit impairment charges decreased $84 million primarily due to a reduction in collectively and individually assessed provisions in Loans & Specialized Finance due to a continuing benign credit environment and improved risk profile, partially offset by lower write-backs.

Comparison of March 2019 with September 2018

Profit after income tax increased by $299 million (+42%).

Key factors affecting the result were:

- Net loans and advances grew due to higher volumes within the Loans & Specialized Finance business due to a business focus on priority sectors.
- Net interest margin (excluding the Markets business) decreased 2 basis points due to lower lending margins impacted by increased funding costs and product mix, partially offset by higher deposit margins due to favorable rate environment.
- Other operating income increased $91 million (+9%) predominantly in the Markets Trading business as a result of favorable market conditions.
- Operating expenses decreased $255 million (-16%) due to a one-off software amortization operating expense in the September 2018 half and ongoing simplification of the business.
- Credit impairment releases decreased $58 million (-62%) due to lower levels of write-backs and recoveries.

New Zealand – continuing operations

Table reflects NZD for New Zealand.

AUD results shown on page 69.

	Half Year		
New Zealand	**Mar 19 NZD M**	**Sep 18 NZD M[1]**	**Mar 18 NZD M[1]**
Net interest income	**1,464**	1,455	1,430
Other operating income[2]	**300**	293	308
Net income from insurance business[3]	**19**	62	66
Operating income	**1,783**	1,810	1,804
Operating expenses	**(647)**	(664)	(646)
Profit before credit impairment and income tax	**1,136**	1,146	1,158
Credit impairment (charge)/release	**(31)**	16	(22)
Profit before income tax	**1,105**	1,162	1,136
Income tax expense and non-controlling interests	**(309)**	(325)	(318)
Profit after income tax	**796**	837	818
Consisting of:			
Retail	**510**	541	525
Commercial	**286**	302	279
Central Functions	**-**	(6)	14
Profit after income tax	**796**	837	818
Balance Sheet[4]			
Net loans and advances	**124,024**	121,550	118,596
Other external assets	**3,549**	4,515	4,910
External assets	**127,573**	126,065	123,506
Customer deposits	**89,096**	87,101	84,372
Other external liabilities	**25,794**	27,077	25,494
External liabilities	**114,890**	114,178	109,866
Risk weighted assets	**62,260**	62,463	61,332
Average gross loans and advances[5]	**123,000**	120,587	118,091
Average deposits and other borrowings[5]	**91,231**	88,052	87,027
Net funds management income	**113**	113	108
Funds under management ("FUM")	**31,403**	30,665	29,185
Average funds under management	**30,389**	30,132	29,195
Ratios[4]			
Return on average assets	**1.26%**	1.34%	1.35%
Net interest margin	**2.39%**	2.41%	2.43%
Operating expenses to operating income	**36.3%**	36.7%	35.8%
Operating expenses to average assets	**1.03%**	1.06%	1.07%
Individual credit impairment charge/(release)	**37**	16	36
Individual credit impairment charge/(release) as a % of average GLA[6]	**0.06%**	0.03%	0.06%
Collective credit impairment charge/(release)	**(6)**	(32)	(14)
Collective credit impairment charge/(release) as a % of average GLA[6]	**(0.01%)**	(0.05%)	(0.02%)
Gross impaired assets	**249**	258	260
Gross impaired assets as a % of GLA	**0.20%**	0.21%	0.22%
Total full time equivalent staff	**6,003**	6,165	6,319

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Includes net funds management income previously reported under net funds management and insurance income.*
3. *Relates to OPL NZ, a controlled entity, which was sold on November 30, 2018.*
4. *Balance sheet amounts include assets and liabilities reclassified as held for sale from continuing operations.*
5. *Averages are calculated using predominantly daily averages.*
6. *Credit impairment charge relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

New Zealand results and commentary are reported in NZD. AUD results are shown on page *69*.

Comparison of March 2019 with March 2018

Profit after income tax decreased by NZD 22 million (-3%).

Key factors affecting the result were:

- Lending and customer deposit volumes grew across all portfolios and funds under management increased during the period.
- Net interest margin decreased 4 basis points as a result of home loan and deposit portfolio mix changes.
- Other operating income decreased NZD 8 million (-3%) primarily due to a one-off insurance recovery in the prior period.
- Net income from insurance business decreased NZD 47 million (-71%) due to the loss of income as a result of the OPL NZ divestment.
- Operating expenses increased NZD 1 million due to increased business investment and inflation, mostly offset by lower expenses as the result of the OPL NZ divestment and reduced FTE driven by customer migration to lower cost channels.
- Credit impairment charges increased NZD 9 million (+41%) primarily due to the Agri economic cycle release in the prior period.

Comparison of March 2019 with September 2018

Profit after income tax decreased by NZD 41 million (-5%).

Key factors affecting the result were:

- Net loans and advances grew primarily in home loans. Customer deposits grew across all portfolios and funds under management increased during the period.
- Net interest margin declined 2 basis points as the result of pricing competition and a higher proportion of lower margin fixed rate lending and term deposits.
- Other operating income increased NZD 7 million (+2%) due to higher credit card incentive/rebates and merchant fees as the result of seasonality.
- Net income from insurance business decreased NZD 43 million (-69%) due to the loss of income as the result of the OPL NZ divestment.
- Operating expenses decreased NZD 17 million (-3%) as the result of the OPL NZ divestment, partially offset by inflation and business investment.
- Credit impairment charges increased NZD 47 million due to higher write-backs and Agri economic cycle release in the prior period.

New Zealand – continuing operations

Table reflects AUD for New Zealand.

NZD results shown on page 67.

New Zealand	Half Year Mar 19 $M	Sep 18 $M[1]	Mar 18 $M[1]
Net interest income	**1,385**	1,342	1,309
Other operating income[2]	**284**	271	283
Net income from insurance business[3]	**18**	57	60
Operating income	**1,687**	1,670	1,652
Operating expenses	**(612)**	(613)	(592)
Profit before credit impairment and income tax	**1,075**	1,057	1,060
Credit impairment (charge)/release	**(30)**	14	(20)
Profit before income tax	**1,045**	1,071	1,040
Income tax expense and non-controlling interests	**(292)**	(299)	(291)
Profit after income tax	**753**	772	749
Consisting of:			
Retail	**482**	498	481
Commercial	**271**	279	255
Central Functions	**-**	(5)	13
Profit after income tax	**753**	772	749
Balance Sheet[4]			
Net loans and advances	**118,840**	111,333	111,360
Other external assets	**3,401**	4,136	4,611
External assets	**122,241**	115,469	115,971
Customer deposits	**85,372**	79,780	79,225
Other external liabilities	**24,716**	24,801	23,938
External liabilities	**110,088**	104,581	103,163
Risk weighted assets	**59,658**	57,213	57,590
Average gross loans and advances[5]	**116,278**	111,218	108,107
Average deposits and other borrowings[5]	**86,244**	81,214	79,669
Net funds management income	**107**	105	99
Funds under management	**30,090**	28,087	27,404
Average funds under management	**29,119**	27,791	26,727
Ratios[4]			
Return on average assets	**1.26%**	1.34%	1.35%
Net interest margin	**2.39%**	2.41%	2.43%
Operating expenses to operating income	**36.3%**	36.7%	35.8%
Operating expenses to average assets	**1.03%**	1.06%	1.07%
Individual credit impairment charge/(release)	**35**	15	34
Individual credit impairment charge/(release) as a % of average GLA[6]	**0.06%**	0.03%	0.06%
Collective credit impairment charge/(release)	**(5)**	(29)	(14)
Collective credit impairment charge/(release) as a % of average GLA[6]	**(0.01%)**	(0.05%)	(0.03%)
Gross impaired assets	**238**	236	244
Gross impaired assets as a % of GLA	**0.20%**	0.21%	0.22%
Total full time equivalent staff	**6,003**	6,165	6,319

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *Includes net funds management income previously reported under net funds management and insurance income.*
3. *Relates to OPL NZ, a controlled entity, which was sold on November 30, 2018.*
4. *Balance sheet amounts include assets and liabilities reclassified as held for sale from continuing operations.*
5. *Averages are calculated using predominantly daily averages.*
6. *Credit impairment charge relates to gross loans and advances and off-balance sheet commitments - undrawn and contingent liabilities.*

Wealth Australia – continuing operations

Wealth Australia	Half Year Mar 19 $M	Sep 18 $M[1]	Mar 18 $M[1]
Net interest income	**1**	1	1
Other operating income	**26**	12	48
Operating income	**27**	13	49
Operating expenses	**(70)**	(95)	(85)
Profit/(Loss) before credit impairment and income tax	**(43)**	(82)	(36)
Credit impairment (charge)/release	**-**	-	-
Profit/(Loss) before income tax	**(43)**	(82)	(36)
Income tax expense and non-controlling interests	**13**	25	10
Profit/(Loss) after income tax from continuing operations	**(30)**	(57)	(26)
Total full time equivalent staff[2]	**640**	692	759

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been restated or presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*
2. *FTE are allocated between continuing and discontinued operations. The actual FTE that will transfer to IOOF or Zurich on sale completion or at a later date is currently being determined.*

Comparison of March 2019 with March 2018

Loss after income tax from continuing operations increased by $4 million (+15%).

Key factors affecting the result were:

- Other operating income decreased by $22 million (-46%) primarily due to lower financial planning volumes and higher customer remediation.
- Operating expenses decreased $15 million (-18%) mainly due to disciplined expense management and lower customer remediation.

Comparison of March 2019 with September 2018

Loss after income tax from continuing operations decreased by $27 million (-47%).

Key factors affecting the result were:

- Other operating income increased $14 million primarily due to lower customer remediation compared to the September 2018 half, offset by lower financial planning volumes.
- Operating expenses decreased $25 million (-26%) mainly due to disciplined expense management and lower customer remediation.

Pacific – continuing operations

Pacific	Half Year Mar 19 $M	Sep 18 $M[1]	Mar 18 $M[1]
Net interest income	**68**	66	65
Other operating income	**50**	53	47
Operating income	**118**	119	112
Operating expenses	**(70)**	(65)	(63)
Profit before credit impairment and income tax	**48**	54	49
Credit impairment (charge)/release	**(2)**	(1)	(2)
Profit before income tax	**46**	53	47
Income tax expense and non-controlling interests	**(13)**	(14)	(14)
Profit after income tax	**33**	39	33
Balance Sheet			
Net loans and advances	**2,135**	2,114	2,166
Customer deposits	**3,474**	3,467	3,370
Risk weighted assets	**3,840**	3,915	3,827
Total full time equivalent staff	**1,096**	1,125	1,172

1. *Divisional comparative information for the March 2018 half has been restated and September 2018 half has been presented on a consistent basis to reflect the impact from adoption of AASB 15, as well as methodology and structural changes as described under "Section 1: Key Information – Basis of Preparation – Continuing Operations – Results by Division" in this U.S. Disclosure Document.*

LIQUIDITY AND CAPITAL RESOURCES – INCLUDING DISCONTINUED OPERATIONS

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 modeling 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 short-term extreme market dislocation and stress.
  - 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 LCR, which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, ANZ has a CLF with the 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. From January 1, 2019, ANZ's CLF was $48 billion (2018 calendar year end: $46.9 billion).

- **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. HQLA is comprised of 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 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[1]		
	Mar 19 $B	**Sep 18 $B**	**Mar 18 $B**
Market Values Post Discount			
HQLA1	**134.5**	137.0	131.8
HQLA2	**7.6**	5.1	4.9
Internal Residential Mortgage Backed Securities[2]	**34.2**	38.9	37.8
Other ALA[3]	**12.9**	13.1	13.8
Total liquid assets	**189.2**	194.1	188.3
Cash flows modeled under stress scenario			
Cash outflows	**176.3**	177.5	180.5
Cash inflows	**38.6**	41.2	40.4
Net cash outflows	**137.7**	136.3	140.1
Liquidity Coverage Ratio[4]	**137%**	142%	134%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.*
2. *In accordance with APRA requirement, March 2019 NZD denominated Liquid Asset balances beyond that required to achieve 100% NZD LCR must be considered not transferrable and thus excluded from Level 2 LCR.*
3. *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.*
4. *All currency Level 2 LCR.*

Funding – including discontinued operations

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

$15.3 billion of term wholesale debt with a remaining term greater than one year as of March 31, 2019 was issued during the fiscal half year ended March 31, 2019.

The following table shows the Group's total funding composition:

	As of		
	Mar 19 $B	**Sep 18 $B**	**Mar 18 $B**
Customer deposits and other liabilities			
Australia	**203.4**	202.7	204.2
Institutional	**205.4**	205.8	190.7
New Zealand	**85.4**	79.8	79.2
Pacific	**3.5**	3.5	3.4
TSO and Group Centre[1]	**(4.3)**	(4.5)	(4.7)
Customer deposits	**493.4**	487.3	472.8
Other funding liabilities[2,3]	**8.6**	8.6	8.5
Total customer liabilities (funding)	**502.0**	495.9	481.3
Wholesale funding			
Debt issuances	**113.4**	105.3	97.5
Subordinated debt	**16.3**	15.9	17.2
Certificates of deposit	**43.6**	42.7	50.3
Commercial paper	**14.7**	17.0	24.1
Other wholesale borrowings[4,5]	**100.1**	86.8	84.4
Total wholesale funding	**288.1**	267.7	273.5
Shareholders' equity	**60.0**	59.4	59.5
Total funding	**850.1**	823.0	814.3

1. *Includes term deposits, other deposits and an adjustment recognized in Group Centre to eliminate Wealth Australia investments in ANZ deposit products.*
2. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in Wealth Australia.*
3. *Excludes liability for acceptances as they do not provide net funding.*
4. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings.*
5. *Includes RBA open repurchase arrangement netted down by the exchange settlement account cash balance.*

Net Stable Funding Ratio

The following table shows the Level 2 Net Stable Funding Ratio ("NSFR") composition:

	As of		
	Mar 19 $B	**Sep 18 $B**	**Mar 18 $B**
Required Stable Funding[1]			
Retail & small and medium enterprises, corporate loans <35% risk weight[2]	**182.9**	183.9	184.0
Retail & small and medium enterprises, corporate loans >35% risk weight[2]	**189.1**	182.6	177.2
Other lending[3]	**23.2**	23.2	19.1
Liquid assets	**10.7**	9.8	9.7
Other assets[4]	**40.2**	36.6	38.4
Total Required Stable Funding	**446.1**	436.1	428.4
Available Stable Funding[1]			
Retail & small and medium enterprise customer deposits	**236.6**	231.7	233.4
Corporate, public sector entities & operational deposits	**91.5**	91.8	83.4
Central bank & other financial institution deposits	**6.1**	5.3	4.2
Term funding	**101.2**	96.3	94.0
Short term funding & other liabilities	**3.7**	1.3	2.7
Capital	**73.9**	73.3	74.4
Total Available Stable Funding	**513.0**	499.7	492.1
Net Stable Funding Ratio	**115%**	115%	115%

1. *NSFR factored balance as per APRA Prudential Regulatory Standard APS 210 Liquidity.*
2. *Risk weighting as per APRA Prudential Regulatory Standard APS 112 Capital Adequacy: Standardized Approach to Credit Risk.*
3. *Includes financial institution and central bank loans.*
4. *Includes off-balance sheet items, net derivatives and other assets.*

Term debt maturity profile

The amounts disclosed below represent the outstanding principal of term debt issued by the Group under its term funding programs on or before March 31, 2019. For the avoidance of doubt, this excludes commercial paper issuance and the amounts do not include interest cash flows. For the purposes of this maturity profile, foreign currency denominated term debt has been translated into Australian Dollars using spot foreign exchange rates as of March 31, 2019.

Contractual maturity ($m)[1]	FY19	FY20	FY21	FY22	FY23	After 2023	Total
Debt issuances[2]	10,789	24,192	27,093	18,404	13,807	22,482	116,767
Subordinated debt[3]	1,938	524	827	720	127	4,145	8,281
Total	**12,727**	**24,716**	**27,920**	**19,124**	**13,934**	**26,627**	**125,048**

1. *The maturity profile is presented as the total amount of term debt scheduled to mature in the relevant fiscal year ending September 30. Maturities for the fiscal year ending September 30, 2019 ("FY19") relate to term debt maturing in the period April 1, 2019 to September 30, 2019.*
2. *Debt issuances include transferable certificate of deposits included as "Deposits and other borrowings" in the balance sheet.*
3. *The maturity profile for all non-perpetual subordinated debt is presented based on the next callable date. Excludes additional Tier 1 capital.*

	As of March 19		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investor Services	P-1	Aa3	Stable
Standard & Poor's	A-1+	AA-	Negative
Fitch Ratings	F1+	AA-	Stable

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

Capital management – including discontinued operations

	APRA Basel 3		
	As of		
Qualifying Capital	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Tier 1			
Shareholders' equity and non-controlling interests[1]	**59,971**	59,383	59,500
Prudential adjustments to shareholders' equity	**(43)**	(322)	(394)
Gross Common Equity Tier 1 capital	**59,928**	59,061	59,106
Deductions	**(14,400)**	(14,370)	(15,399)
Common Equity Tier 1 capital	**45,528**	44,691	43,707
Additional Tier 1 capital	**7,547**	7,527	7,418
Tier 1 capital	**53,075**	52,218	51,125
Tier 2 capital	**7,569**	7,291	8,040
Total qualifying capital	**60,644**	59,509	59,165
Capital adequacy ratios			
Common Equity Tier 1	**11.5%**	11.4%	11.0%
Tier 1	**13.4%**	13.4%	12.9%
Tier 2	**1.9%**	1.9%	2.0%
Total capital ratio	**15.3%**	15.2%	14.9%
Risk weighted assets	**396,291**	390,820	395,777

1. *Prior period numbers have not been restated for impacts of AASB 15 to align with the previously reported regulatory returns.*

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 (referred to below as "Internationally Comparable basis") include:

Deductions

- Investments 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.

RWA

- Mortgages RWA - APRA imposes a floor of 20% on the downturn LGD used in credit RWA calculations for residential mortgages. The Internationally Comparable Basel 3 framework requires a downturn LGD floor of 10%. Additionally, from July 2016, APRA also requires a higher correlation factor than the Basel framework.
- 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.
- 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 – an 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") – an adjustment to 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 2019 with September 2018

ANZ's CET1 ratio increased 5 bps to 11.5% during the half year. Key drivers of the movement in the CET1 ratio were:

- Net organic capital generation of 77 bps. This was primarily driven by statutory profit (excluding large/notable items), a net reduction in underlying RWA growth (excluding foreign currency translation movements, regulatory changes and other one-offs), partially offset by growth in other business capital deductions.
- Payment of the September 2018 final dividend (net of Bonus Option Plan ("BOP") issuance, neutralized Dividend Reinvestment Plan ("DRP")) reduced the CET1 ratio by 58 bps.
- Capital benefits from asset disposals (OPL NZ and Paymark) increased the CET1 ratio by 17 bps. This was partially offset by the Group's share buy-back of $1.1 billion (-29 bps).
- Other impacts netted to -2 bps on the CET1 ratio. Other impacts include RWA modelling changes, large/notable items affecting the March 2019 half earnings, impact of AASB 9 transition and net foreign currency translation movements.

Leverage Ratio – including discontinued operations

At March 31, 2019, the Group's APRA Leverage Ratio was 5.4% which is above the 3% minimum required by the BCBS. APRA has not finalized a minimum Leverage Ratio requirement for ADIs. The following table summarizes the Group's Leverage Ratio calculation:

	As of		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**
Tier 1 Capital (net of capital deductions)[1]	**53,075**	52,218	51,125
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**810,915**	785,405	780,272
Derivative exposures	**31,439**	30,676	32,747
Securities financing transaction exposures	**37,287**	36,066	29,351
Other off-balance sheet exposures	**105,942**	102,810	99,921
Total exposure measure	**985,583**	954,957	942,291
APRA Leverage Ratio	**5.4%**	5.5%	5.4%

1. *Prior period numbers have not been restated for impacts of transition to AASB 15 to align with previously reported regulatory returns.*

Comparison of March 2019 with September 2018

ANZ's Leverage Ratio decreased 8 bps in the March 2019 half. Key drivers of the movement in the Leverage Ratio were:

- Net organic capital generation of 7 bps from statutory profit (excluding large/notable items) less dividends paid.
- Exposure growth primarily from growth in liquid assets, trading securities and securities financing transactions decreased the Leverage Ratio by 11 bps.
- Benefits from asset divestment increased the Leverage Ratio by 7 bps (cash settlement of OPL NZ and Paymark). This was partially offset by the impact of the Group's share buy-back of $1.1 billion during the March 2019 half (-12 bps).
- Net other impacts increased the ratio by 1 bps.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Fair Values	**Mar 19 $M**	**Mar 19 $M**	**Sep 18 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 18 $M**
Interest rate contracts						
Forward rate agreements	**13**	**(14)**	2	(2)	23	(22)
Futures contracts	**66**	**(205)**	101	(42)	26	(229)
Swap agreements	**55,832**	**(56,028)**	36,935	(38,808)	34,981	(35,868)
Options purchased	**1,111**	**-**	782	-	749	-
Options sold	**-**	**(1,789)**	-	(1,408)	-	(1,549)
Total	**57,022**	**(58,036)**	37,820	(40,260)	35,779	(37,668)
Foreign exchange contracts						
Spot and forward contracts	**11,303**	**(10,419)**	15,218	(14,133)	19,681	(19,347)
Swap agreements	**9,288**	**(11,087)**	12,577	(11,873)	13,357	(11,437)
Options purchased	**366**	**-**	494	-	543	-
Options sold	**-**	**(506)**	-	(669)	-	(527)
Total	**20,957**	**(22,012)**	28,289	(26,675)	33,581	(31,311)
Commodity contracts	**1,328**	**(738)**	2,260	(2,683)	1,486	(1,567)
Credit default swaps						
Structured credit derivatives purchased	**16**	**-**	22	-	22	-
Other credit derivatives purchased	**14**	**(59)**	8	(29)	6	(47)
Credit derivatives purchased	**30**	**(59)**	30	(29)	28	(47)
Structured credit derivatives sold	**-**	**(20)**	-	(26)	-	(26)
Other credit derivatives sold	**38**	**(6)**	24	(3)	41	(5)
Credit derivatives sold	**38**	**(26)**	24	(29)	41	(31)
Total	**68**	**(85)**	54	(58)	69	(78)
Derivative financial instruments	**79,375**	**(80,871)**	68,423	(69,676)	70,915	(70,624)

Summary

Refer to “Section 4: Directors, Senior Management/Executives and Employees” on pages 73 to 78 of ANZ’s 2018 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 2018 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:

Lee Hsien Yang retired as a Director on December 19, 2018.

Changes to Senior Management and Executives

On December 13, 2018, ANZ announced that Mr. Fred Ohlsson was stepping down from his current role as Group Executive Australia, effective December 29, 2018, to take an extended unpaid career-break in his native Sweden after 17-years’ service with ANZ.

Effective December 29, 2018, Mr. Mark Hand was appointed Acting Group Executive Australia. Mr. Hand joined ANZ in 1988 and has held senior roles across business and retail banking, credit management and internal audit in Australia and South Asia. He has been Group Executive Business and Private Banking since May 2018, having previously held senior roles in ANZ’s Australia division.

On February 28, 2019, ANZ announced a new management structure for its Australia business designed to help it better navigate the challenges facing the sector, while also ensuring increased organizational alignment to take advantage of current market opportunities. As part of these changes, current Group Executives Mr. Hand and Mrs. Maile Carnegie will share responsibility for the financial performance of ANZ’s business in Australia.

Mr. Hand has been appointed Group Executive Australia Retail and Commercial Banking, with Mrs. Carnegie taking on an expanded role as Group Executive Digital and Australia Transformation, effective March 1, 2019.

Industrial Relations Developments

Australia

In Australia, 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.

The *ANZ Enterprise Agreement 2015-2016 (Australia)* commenced operation on December 29, 2015. The agreement was approved by the Fair Work Commission following an employee ballot in which a majority of 89% voted to endorse it. The agreement replaced the *ANZ Enterprise Agreement 2013-2014 (Australia)* and set the minimum terms and conditions of employment for ANZ’s Australian Group 4, 5 and 6 employees (i.e. junior management and non-management employees). The agreement also governed the pay increase arrangements for eligible ‘non-market rated’ Australian Group 5 and 6 employees (i.e. non-management employees) in respect of the 2015 and 2016 performance and remuneration reviews and contains the salary ranges applicable to these employees.

On September 19, 2017, a 94% majority of employees voted to endorse a proposed variation to the agreement which would extend its operation for another year and provide pay increases for eligible ‘non-market rated’ Australian Group 5 and 6 employees (i.e. non-management employees) in respect of the 2017 performance and remuneration reviews and include updated salary ranges for these employees. The Fair Work Commission approved this variation on October 31, 2017. As of the date of this U.S Disclosure Document, the agreement continues to apply and will do so indefinitely – although in 2018 the pay increases for eligible ‘non-market rated’ Australian Group 5 and 6 employees (i.e. non-management employees) were managed outside of the agreement given that the agreement’s pay increase provisions have now expired.

In Australia, there are no significant disputes between management and labor unions.

New Zealand

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 August 2018 and is effective from August 1, 2018 expiring on July 31, 2020. Management is not involved in any significant disputes with labor unions in New Zealand.

Asia Pacific, Europe & America

There are no significant disputes between management and labor unions in any of the countries located in the Asia Pacific, Europe or America geography.

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 April 2019, we are aware of two entities which are the beneficial owners of 5% or more of our ordinary shares. We were made aware on May 12, 2017 that BlackRock Group became a substantial shareholder, with an interest in 148,984,864 ordinary shares (5.07%) in the Company, and on July 3, 2018, that The Vanguard Group, Inc. became a substantial shareholder, with an interest in 144,730,016 ordinary shares (5.001%) in the Company.

Refer to the 2018 Remuneration Report (attached as part of Annex A to ANZ's 2018 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 "Section 6: Additional Information - Limitations affecting security holders" 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 and December 19, 2018 is available on our website at: *https://shareholder.anz.com/reviews/usdebtinvestors-files*. 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 and other hybrid securities carrying a prior right to the payment of a dividend or distribution. 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 in "Section 6: Additional Information - Limitations affecting security holders" 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.

A Banking Act 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

Key management personnel loan 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 and on normal commercial terms and conditions that are no more favorable than those given to other employees or customers, including: the term of the loan, security required and the interest rate.

Other transactions of key management personnel and their related parties

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.

Associates

Transactions conducted with all associates were on terms equivalent to those made on an arm's length basis.

For further information on related party transactions, refer to Note 32 of the 2018 Financial Report (attached as part of Annex A to ANZ's 2018 Annual 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. ASX is currently consulting on a replacement CHESS, with the new system expected to take effect from early 2021.

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 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 33 of ANZ's 2018 Financial Report for a description of contingent liabilities and contingent assets as of September 30, 2018 (attached as part of Annex A to ANZ's 2018 Annual U.S. Disclosure Document). A summary of some of those contingent liabilities and new contingent liabilities that have arisen during the current reporting period is set out below.

- **Bank fees litigation**

  A litigation funder commenced a class action against ANZBGL in 2010, followed by a second similar class action in March 2013. The applicants contended that certain exception fees (honor, dishonor 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. The claims in the March 2013 class action failed and have been dismissed.

  The original claims in the 2010 class action have been dismissed. In 2017, a new claim was added to the 2010 class action, in relation to ANZBGL's entitlement to charge certain periodical payment non-payment fees. An agreement to settle the claim was reached in December 2018. The settlement is subject to court approval.

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the U.S. District Court against local and international banks, including ANZBGL - one action relating to the bank bill swap rate ("BBSW"), and one action relating to the Singapore Interbank Offered Rate ("SIBOR") and the Singapore Swap Offer Rate ("SOR"). The class actions are expressed to apply to persons and entities that engaged in U.S.-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including ANZBGL, violated U.S. anti-trust laws and (in the BBSW case only) anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. ANZBGL 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 ANZBGL 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.

- **Capital raising actions**

  In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against ANZBGL and a senior employee alleging that they were knowingly concerned in cartel conduct by the joint lead managers of ANZBGL's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The matter is at an early stage. ANZBGL and its senior employee are defending the allegations.

  In September 2018, ASIC commenced civil penalty proceedings against ANZBGL alleging failure to comply with continuous disclosure obligations in connection with ANZBGL's August 2015 underwritten institutional equity placement. ASIC alleges ANZBGL should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The matter is at an early stage. ANZBGL is defending the allegations.

- **Franchisee litigation**

  In February 2018, two related class actions were brought against ANZBGL alleging breaches of contract and unconscionable conduct in relation to lending to 7-Eleven franchisees. An agreement to settle the claims against ANZBGL was reached in March 2019. The settlement is subject to court approval.

- **Regulatory and customer exposures**

  In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal 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 interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability and distribution, interest and fees and the entitlement to charge them, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and capital market transactions, reporting and disclosure obligations and product disclosure documentation. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. 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.

- **Royal Commission**

  The Royal Commission was established on December 14, 2017. The Royal Commission's final report was released publicly on February 4, 2019. The Royal Commission may result in additional costs and may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain. See also "*Section 2: Information on the Group - Supervision and Regulation - Australia - Australian Regulatory Developments*" for further information.

- **Security recovery actions**

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

- **Warranties and Indemnities**

  The Group has provided warranties, indemnities and other commitments in favor of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments.

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 DRP and a BOP that will operate in respect of the 2019 interim dividend. For the 2019 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 and Chi-X during the ten trading days commencing on May 17, 2019, 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 U.S. 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. Economic and trade sanctions 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 Act 2011 of Australia and Autonomous Sanctions Regulations 2011 of Australia prohibit dealing with certain "designated" vessels, persons or entities by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit, including:

   (a) persons who have been indicted for an offence by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia ("ICTY") or who are subject to an Interpol arrest warrant related to such an offence within the jurisdiction of the ICTY, persons who are suspected of assisting persons who have been indicted by the ICTY and are not currently detained by the ICTY, 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"), or have assisted or are assisting North Korea to violate or evade certain United Nations Resolutions;

   (d) certain persons associated with the Myanmar regime, including current and former ministers, senior officials in security or corrections agencies, senior officials or executives in a state-owned or military owned- enterprise and current or former military officers of particular ranks, and immediate family members of such persons;

   (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) Regulation 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) Libya (see the Charter of the United Nations (Sanctions – Libya) Regulations 2011 of Australia);

(j) Central African Republic (see the Charter of the United Nations (Sanctions – Central African Republic) Regulation 2014 of Australia);

(k) Yemen (see the Charter of the United Nations (Sanctions – Yemen) Regulation 2014 of Australia);

(l) South Sudan (see the Charter of the United Nations (Sanctions – South Sudan) Regulation 2015 of Australia); and

(m) 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 digital currency of $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 20%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 20% 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 19, 2018. 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.

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

APRA - Australian Prudential Regulation Authority.

APRA Leverage Ratio compares Tier 1 Capital to the "exposure measure" (expressed as a percentage) as defined by APS 110. It is a designed as a non-risk based supplement or backstop to the current risk based capital requirements and is intended to restrict the build-up of excessive leverage in the banking system.

APS - ADI Prudential Standard.

Cash and cash equivalents comprise coins, notes, money at call, balances held with central banks, liquid settlement balances (readily convertible to known amounts of cash which are subject to insignificant risk of changes in value) and securities purchased under agreements to resell (reverse repos) in less than three months.

Collectively assessed provision under AASB 139 is the provision for credit losses that are inherent in the portfolio but not able to be individually identified. A collectively assessed provision may only be recognized when a loss event has already occurred. Losses expected as a result of future events, no matter how likely, are not recognized.

Collectively assessed provision under AASB 9 represents the ECL. These incorporate forward looking information and do not require an actual loss event to have occurred for an impairment provision to be 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 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.

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

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.

Individually assessed provision is assessed on a case-by-case basis for all individually managed impaired assets taking into consideration factors such as the realizable value of security (or other credit mitigants), the likely return available upon liquidation or bankruptcy, legal uncertainties, estimated costs involved in recovery, the market price of the exposure in secondary markets and the amount and timing of expected receipts and recoveries.

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.

Level 1 in the context of APRA supervision, Australia and New Zealand Banking Group Limited consolidated with certain approved subsidiaries.

Level 2 in the context of APRA supervision, the consolidated ANZ Group excluding associates, insurance and funds management entities, commercial non-financial entities and certain securitization vehicles.

Net interest margin is net interest income as a percentage of average interest earning assets.

Net loans and advances represent gross loans and advances less allowance for credit losses.

Net Stable Funding Ratio ("NSFR") is the ratio of the amount of available stable funding ("ASF") to the amount of required stable funding ("RSF") defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADIs must maintain an NSFR of at least 100%.

Net tangible assets equal share capital and reserves attributable to shareholders of the Company less unamortized intangible assets (including goodwill and software).

Regulatory deposits are mandatory reserve deposits lodged with local central banks in accordance with statutory requirements.

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, divided by average total assets.

Return on average ordinary shareholders' equity is the profit attributable to shareholders of the Company, divided by average ordinary shareholders' equity.

Risk weighted assets ("RWA") 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, vostro accounts and securities settlement accounts.

Annex: Condensed Consolidated Financial Statements for the half year ended March 31, 2019 and independent auditor's review report on the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fiscal half year ended March 31, 2019

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The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2019.

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
Mr Lee Hsien Yang	Director, retired on 19 December 2018
Mr GR Liebelt	Director
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT MacFarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $3,173 million, and consolidated profit attributable to shareholders of the Company from continuing operations was $3,243 million. Further details are contained in Group Results on pages 21 to 47 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 21 to 47 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 121 which forms part of this report.

Rounding of amounts

The amounts contained in these Condensed Consolidated Financial Statements have been rounded to the nearest million dollars, except where otherwise indicated, as permitted by *ASIC Corporations Instrument 2016/191*.

Significant events since balance date

There have been no significant events from 31 March 2019 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

30 April 2019

Australia and New Zealand Banking Group Limited

		Half Year[1]			Movement	
	Note	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Interest income		**15,970**	15,478	14,849	3%	8%
Interest expense		**(8,671)**	(8,314)	(7,499)	4%	16%
Net interest income	2	**7,299**	7,164	7,350	2%	-1%
Other operating income	2	**1,786**	2,355	2,659	-24%	-33%
Net income from insurance business	2	**77**	133	140	-42%	-45%
Share of associates' profit	2, 17	**131**	95	88	38%	49%
Operating income		**9,293**	9,747	10,237	-5%	-9%
Operating expenses	3	**(4,365)**	(4,928)	(4,473)	-11%	-2%
Profit before credit impairment and income tax		**4,928**	4,819	5,764	2%	-15%
Credit impairment charge	9	**(392)**	(280)	(408)	40%	-4%
Profit before income tax		**4,536**	4,539	5,356	0%	-15%
Income tax expense	4	**(1,284)**	(1,358)	(1,426)	-5%	-10%
Profit after tax from continuing operations		**3,252**	3,181	3,930	2%	-17%
Profit/(Loss) after tax from discontinued operations	11	**(70)**	(95)	(600)	-26%	-88%
Profit for the period		**3,182**	3,086	3,330	3%	-4%
Comprising:						
Profit attributable to shareholders of the Company		**3,173**	3,077	3,323	3%	-5%
Profit attributable to non-controlling interests		**9**	9	7	0%	29%
Earnings per ordinary share (cents) including discontinued operations						
Basic	6	**111.7**	107.3	114.2	4%	-2%
Diluted	6	**106.4**	103.2	108.6	3%	-2%
Earnings per ordinary share (cents) from continuing operations						
Basic	6	**114.1**	110.6	134.8	3%	-15%
Diluted	6	**108.7**	106.2	127.4	2%	-15%
Dividend per ordinary share (cents)	5	**80**	80	80	0%	0%

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*

The notes appearing on pages 86 to 119 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	As at			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v Sep 18	Mar 19 v Mar 18
Profit for the period from continuing operations	**3,252**	3,181	3,930	2%	-17%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Investment securities - equity securities at FVOCI[1]	**176**	-	-	n/a	n/a
Other reserve movements	**11**	5	27	large	-59%
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve[2]	**834**	(238)	460	large	81%
Other reserve movements[1]	**517**	(37)	174	large	large
Income tax attributable to the above items	**(187)**	3	(121)	large	55%
Share of associates' other comprehensive income[3]	**13**	30	(5)	-57%	large
Other comprehensive income after tax from continuing operations	**1,364**	(237)	535	large	large
Profit/(Loss) after tax from discontinued operations	**(70)**	(95)	(600)	-26%	-88%
Other comprehensive income after tax from discontinued operations	**42**	8	10	large	large
Total comprehensive income for the period	**4,588**	2,857	3,875	61%	18%
Comprising total comprehensive income attributable to:					
Shareholders of the Company	**4,578**	2,841	3,865	61%	18%
Non-controlling interests	**10**	16	10	-38%	0%

1. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 and Note 21 for further details. Comparative information has not been restated.*
2. *Includes foreign currency translation differences attributable to non-controlling interests of $1 million gain (Sep 18 half: $7 million gain; Mar 18 half: $3 million gain).*
3. *Share of associates' other comprehensive income includes an FVOCI reserve gain of $5 million (available-for-sale revaluation reserve: Sep 18 half: $30 million gain; Mar 18 half: $2 million loss), defined benefits gain of $7 million (Sep 18 half: nil; Mar18 half: nil) and a foreign currency translation reserve gain of $1 million (Sep 18 half: nil; Mar18 half: $3 million loss) that may be reclassified subsequently to profit or loss.*

The notes appearing on pages 86 to 119 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As At			Movement	
Assets	**Note**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Cash and cash equivalents[1]		**93,996**	84,636	82,071	11%	15%
Settlement balances owed to ANZ		**4,041**	2,319	5,037	74%	-20%
Collateral paid		**11,860**	11,043	10,863	7%	9%
Trading securities		**42,857**	37,722	45,058	14%	-5%
Derivative financial instruments		**79,375**	68,423	70,915	16%	12%
Investment securities[2]		**78,882**	-	-	n/a	n/a
Available-for-sale assets[2]		**-**	74,284	70,239	-100%	-100%
Net loans and advances[3]	8	**609,255**	604,438	589,468	1%	3%
Regulatory deposits		**944**	882	1,229	7%	-23%
Assets held for sale	11	**43,549**	45,248	45,278	-4%	-4%
Investment in associates		**2,737**	2,553	2,481	7%	10%
Current tax assets		**500**	268	15	87%	large
Deferred tax assets		**1,146**	900	840	27%	36%
Goodwill and other intangible assets		**5,017**	4,930	5,338	2%	-6%
Premises and equipment		**1,863**	1,833	1,892	2%	-2%
Other assets		**4,222**	3,677	4,946	15%	-15%
Total assets		**980,244**	943,156	935,670	4%	5%
Liabilities						
Settlement balances owed by ANZ		**12,371**	11,810	10,577	5%	17%
Collateral received		**5,726**	6,542	9,395	-12%	-39%
Deposits and other borrowings	10	**634,989**	618,150	616,230	3%	3%
Derivative financial instruments		**80,871**	69,676	70,624	16%	15%
Current tax liabilities		**159**	300	371	-47%	-57%
Deferred tax liabilities		**48**	69	268	-30%	-82%
Liabilities held for sale	11	**46,555**	47,159	44,773	-1%	4%
Payables and other liabilities		**7,641**	6,894	7,542	11%	1%
Provisions		**2,221**	1,972	1,532	13%	45%
Debt issuances	12	**129,692**	121,179	114,836	7%	13%
Total liabilities		**920,273**	883,751	876,148	4%	5%
Net assets		**59,971**	59,405	59,522	1%	1%
Shareholders' equity						
Ordinary share capital	15	**26,048**	27,205	27,933	-4%	-7%
Reserves	15	**1,709**	323	541	large	large
Retained earnings	15	**32,064**	31,737	30,922	1%	4%
Share capital and reserves attributable to shareholders of the Company		**59,821**	59,265	59,396	1%	1%
Non-controlling interests	15	**150**	140	126	7%	19%
Total shareholders' equity		**59,971**	59,405	59,522	1%	1%

1. *Includes settlement balances owed to ANZ that meet the definition of cash and cash equivalents.*
2. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer Note 1 and 21 for further details. Comparative information has not been restated.*
3. *On adoption of AASB 9 on 1 October 2018, the Group increased the collectively assessed provisions by $813 million. Comparative information has not been restated. Refer to Note 1 and 21 for further details.*

The notes appearing on pages 86 to 119 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

The Condensed Consolidated Cash Flow Statement includes discontinued operations. Please refer to Note 11 for cash flows associated with discontinued operations and cash and cash equivalents reclassified as held for sale.

	Half Year[1]		
	Mar 19 $M	Sep 18 $M	Mar 18 $M
Profit after income tax	**3,182**	3,086	3,330
Adjustments to reconcile to net cash flow from operating activities:			
Provision for credit impairment charge	**391**	280	408
Depreciation and amortisation	**428**	714	485
(Profit)/loss on sale of premises and equipment	**(1)**	(4)	-
Net derivatives/foreign exchange adjustment	**1,614**	5,818	903
(Gain)/loss on sale from divestments	**(118)**	(125)	(469)
(Gain)/loss on reclassification of businesses to held for sale	**-**	61	632
Other non-cash movements	**(61)**	52	(107)
Net (increase)/decrease in operating assets:			
Collateral paid	**(643)**	77	(1,725)
Trading securities	**(5,525)**	9,713	(1,148)
Loans and advances	**1,071**	(13,808)	(11,431)
Investments backing policy liabilities[2]	**(211)**	(3,033)	(881)
Other assets	**(1,103)**	(330)	(643)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**9,056**	(1,816)	14,023
Settlement balances owed by ANZ	**443**	1,257	596
Collateral received	**(924)**	(3,114)	3,300
Life insurance contract policy liabilities[2]	**110**	3,133	1,130
Other liabilities	**(126)**	(292)	494
Total adjustments	**4,401**	(1,417)	5,567
Net cash inflows/(outflows) from operating activities[3]	**7,583**	1,669	8,897
Cash flows from investing activities			
Investment securities/available-for-sale assets:[4]			
Purchases	**(16,999)**	(10,323)	(13,483)
Proceeds from sale or maturity	**13,508**	7,922	12,670
Proceeds from divestments	**706**	104	2,044
Proceeds from Zurich reinsurance arrangement	**-**	1,000	-
Proceeds from IOOF secured notes	**800**	-	-
Other assets	**(396)**	(162)	394
Net cash inflows/(outflows) from investing activities	**(2,381)**	(1,459)	1,625
Cash flows from financing activities			
Debt issuances:[5]			
Issue proceeds	**16,982**	10,383	14,692
Redemptions	**(10,781)**	(6,154)	(9,744)
Dividends paid[6]	**(2,242)**	(2,267)	(2,296)
On market purchase of treasury shares	**(112)**	-	(114)
Share buy-back[6]	**(1,120)**	(748)	(1,132)
Net cash inflows/(outflows) from financing activities	**2,727**	1,214	1,406
Net increase in cash and cash equivalents	**7,929**	1,424	11,928
Cash and cash equivalents at beginning of period	**84,964**	82,076	68,048
Effects of exchange rate changes on cash and cash equivalents	**1,370**	1,464	2,100
Cash and cash equivalents at end of period[7]	**94,263**	84,964	82,076

1. *As a result of restatements impacting prior period balance sheet items, certain items in the Cash Flow Statement have restated accordingly. Refer Note 21 for further information.*
2. *Investments backing policy liabilities and life insurance contract policy liabilities have been reclassified as held for sale.*
3. *Net cash inflows/(outflows) from operating activities includes income taxes paid of $1,935 million (Sep 18 half: $1,858 million; Mar 18 half: $1,515 million).*
4. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer Note 1 and 21 for further details.*
5. *Non-cash changes in debt issuances includes fair value hedging loss of $1,459 million (Sep 18 half: $570 million gain; Mar 18 half: $873 million gain) and foreign exchange losses of $1,104 million (Sep 18 half: $2,732 million loss; Mar 18 half: $2,980 million loss).*
6. *Shares purchased to satisfy the dividend reinvestment plan in the March 2018 half were reclassified from Share buy-back to Dividends paid to conform with current period presentation.*
7. *Includes cash and cash equivalents recognised on the face of balance sheet of $93,996 million (Sep 18: $84,636 million; Mar 18: $82,071 million) and amounts recorded as part of assets held for sale of $267 million (Sep 18: $328 million; Mar 18: $5 million).*

The notes appearing on pages 86 to 119 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital [1] $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 2017	29,088	37	29,834	**58,959**	116	**59,075**
Impact on transition to AASB 15	-	-	22	**22**	-	**22**
Profit or loss from continuing operations	-	-	3,923	**3,923**	7	**3,930**
Profit or loss from discontinued operations	-	-	(600)	**(600)**	-	**(600)**
Other comprehensive income for the period from continuing operations	-	511	21	**532**	3	**535**
Other comprehensive income for the period from discontinued operations	-	10	-	**10**	-	**10**
Total comprehensive income for the period	-	521	3,344	**3,865**	10	**3,875**
Transactions with equity holders in their capacity as equity holders:[2]						
Dividends paid	-	-	(2,308)	**(2,308)**	-	**(2,308)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Group share buy-back[3]	(1,132)	-	-	**(1,132)**	-	**(1,132)**
Other equity movements:[2]						
Treasury shares Wealth Australia adjustment	20	-	-	**20**	-	**20**
Group employee share acquisition scheme	(43)	-	-	**(43)**	-	**(43)**
Other items	-	(17)	18	**1**	-	**1**
As at 31 March 2018	27,933	541	30,922	**59,396**	126	**59,522**
Profit or loss from continuing operations	-	-	3,172	**3,172**	9	**3,181**
Profit or loss from discontinued operations	-	-	(95)	**(95)**	-	**(95)**
Other comprehensive income for the period from continuing operations	-	(247)	3	**(244)**	7	**(237)**
Other comprehensive income for the period from discontinued operations	-	8	-	**8**	-	**8**
Total comprehensive income for the period	-	(239)	3,080	**2,841**	16	**2,857**
Transactions with equity holders in their capacity as equity holders:[2]						
Dividends paid	-	-	(2,277)	**(2,277)**	(2)	**(2,279)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Group share buy-back[3]	(748)	-	-	**(748)**	-	**(748)**
Other equity movements:[2]						
Treasury shares Wealth Australia adjustment	(22)	-	-	**(22)**	-	**(22)**
Group employee share acquisition scheme	42	-	-	**42**	-	**42**
Other items	-	21	-	**21**	-	**21**
As at 30 September 2018	27,205	323	31,737	**59,265**	140	**59,405**
Impact on transition to AASB 9	-	14	(624)	**(610)**	-	**(610)**
Profit or loss from continuing operations	-	-	3,243	**3,243**	9	**3,252**
Profit or loss from discontinued operations	-	-	(70)	**(70)**	-	**(70)**
Other comprehensive income for the period from continuing operations	-	1,351	12	**1,363**	1	**1,364**
Other comprehensive income for the period from discontinued operations	-	42	-	**42**	-	**42**
Total comprehensive income for the period	-	1,393	3,185	**4,578**	10	**4,588**
Transactions with equity holders in their capacity as equity holders:[2]						
Dividends paid	-	-	(2,254)	**(2,254)**	-	**(2,254)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Group share buy-back[3]	(1,120)	-	-	**(1,120)**	-	**(1,120)**
Other equity movements:[2]						
Treasury shares Wealth Australia adjustment	-	-	-	**-**	-	**-**
Group employee share acquisition scheme	(37)	-	-	**(37)**	-	**(37)**
Other items	-	(21)	8	**(13)**	-	**(13)**
As at 31 March 2019	26,048	1,709	32,064	**59,821**	150	**59,971**

1. *No new shares were issued under the Dividend Reinvestment Plan (DRP) for the 2018 final dividend (nil shares for the 2018 Interim dividend; nil shares for the 2017 final dividend) as the shares were purchased on-market and provided directly to the shareholders participating in the DRP. On-market share purchases for the DRP in the March 2019 half were $199 million (Sep 18 half: $200 million; Mar 18 half: $192 million).*
2. *Current period and prior periods include discontinued operations.*
3. *The Company has completed its $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million worth of shares in the March 2019 half (Sep 18 half: $748 million; Mar 18 half: $1,132 million) resulting in 42.0 million shares being cancelled in the March 2019 half (Sep 18 half: 26.6 million; Mar 18 half: 40.1 million).*

The notes appearing on pages 86 to 119 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 2018 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2019 in accordance with the continuous disclosure obligations under the *Corporations Act 2001* and the *ASX Listing Rules*;
- do not include all notes of the type normally included in ANZ's Annual Financial Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 30 April 2019.

i) Statement of Compliance

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

ii) Accounting policies

These Condensed Consolidated Financial Statements have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2018 ANZ Annual Financial Report with the exception of policies associated with new standards adopted during the period as discussed below.

Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item 'profit/(loss) after tax from discontinued operations' in the Condensed Consolidated Income Statement. Notes to the Condensed Consolidated Income Statement have been presented on a continuing basis. Assets and liabilities of discontinued operations have been presented as held for sale in the Condensed Consolidated Balance Sheet as at 31 March 2019.

New standards adopted during the period

AASB 9 *Financial Instruments* (AASB 9)

The Group has applied AASB 9 effective from 1 October 2018 (with the exception of the 'own credit' requirements relating to financial liabilities designated as measured at fair value, which were early adopted by the Group effective from 1 October 2013). In addition the Group chose to early adopt AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* (AASB 2017-6) effective from 1 October 2018.

AASB 9 and AASB 2017-6 stipulate new requirements for the impairment of financial assets, classification and measurement of financial assets and financial liabilities and general hedge accounting. Details of the key new requirements are outlined below, and a reconciliation of the transitional impact at 1 October 2018 is set out in Note 21.

Impairment

AASB 9 introduces a new impairment model based on expected credit losses (ECL). This model is applied to:

- Financial assets measured at amortised cost;
- Debt instruments measured at fair value through other comprehensive income (FVOCI);
- Lease receivables; and
- Loan commitments and financial guarantees not measured at fair value through profit or loss (FVTPL).

Expected credit loss impairment model

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a significant increase in credit risk since origination, a provision equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a significant increase in credit risk since origination, a provision equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, a provision equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

Significant increase in credit risk (SICR)

Stage 2 assets are those that have experienced a significant increase in credit risk (SICR) since origination. In determining what constitutes a SICR, the Bank considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined by comparing each facility's scenario weighted lifetime probability of default at the reporting date to the scenario weighted lifetime probability of default at origination. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Bank uses 30 days past due arrears as a backstop criteria for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

Measurement of expected credit loss

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward looking information through the use of macro-economic variables.

Forward looking information

In applying forward looking information for estimating ECL, the Bank considers four probability-weighted forecast economic scenarios as follows:

(i) Base case scenario

The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Bank applies in strategic and capital planning over a 3 year time horizon;

(ii) Upside and (iii) Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

(iv) Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting each scenario is determined by management by considering risks and uncertainties surrounding the base case scenario, as well as specific portfolio considerations where required. The Group's Credit and Market Risk Committee (CMRC) is responsible for reviewing and approving forecast economic scenarios and the associated probability weights applied to each scenario.

Where applicable, adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

Expected Life

When estimating ECL for exposures in Stage 2 and 3, the Bank considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Bank uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Bank's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using behavioural term, taking into account expected prepayment behaviour and substantial modifications.

Definition of default, credit impaired and write-offs

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Bank's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

Classification and measurement

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest only and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest only and which are held in a business model whose objective is to collect their cash flows or to sell; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

Fair Value Option for Financial Assets

A financial asset may be irrevocably designated at fair value through profit or loss on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - equity instruments

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Financial liabilities

The classification and measurement requirements for financial liabilities under AASB 9 are largely consistent with AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) with the exception that for financial liabilities designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss. This part of the standard was early adopted by the Group on 1 October 2013.

Financial liabilities are measured at amortised cost, or fair value through profit or loss (when they are held for trading). Additionally, financial liabilities can be designated at FVTPL where:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives unless:

  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract, or

  b) the embedded derivative is closely related to the host financial liability.

General hedge accounting

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging financial and non-financial risks. The Group has exercised an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the International Accounting Standards Board's ongoing Dynamic Risk Management (macro hedging) project is completed.

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

The Group adopted AASB 15 from 1 October 2018 which resulted in changes in accounting policies and adjustments to amounts recognised in the half year condensed consolidated financial statements. The standard requires identification of distinct performance obligations within a contract, and allocation of the transaction price of the contract to those performance obligations. Revenue is then recognised as each performance obligation is satisfied. The standard also provides guidance on whether an entity is acting as a principal or an agent which impacts the presentation of revenue on a gross or net basis. In accordance with the transitional provisions of AASB 15, the Group has adopted the full retrospective transition approach. Under this approach, the cumulative effect of initially applying the standard has been recognised as an adjustment to opening retained earnings as at 1 October 2017 and comparative information for the 2018 reporting period has been restated.

The adoption of AASB 15 resulted in the following changes in accounting policy:

i) Recognition of trail commission revenue: trail commission revenue previously recognised over time is now recognised at the time the Group initially distributes the underlying product to the customer where it is highly probable the revenue will not need to be reversed in future periods.

This policy change resulted in an adjustment to the opening balances of Other assets $32 million, Deferred tax liabilities $10 million and Retained earnings $22 million as at 1 October 2017 to recognise revenue that qualifies for upfront recognition under AASB 15 but was not previously recognised under AASB 118 *Revenue* (AASB 118). The change did not impact net profit or earnings per share in the comparative periods.

ii) Presentation: Certain credit card loyalty costs and other costs will be presented as operating expenses where the Group has assessed that it is acting as principal (rather than an agent). Previously these costs were presented as a reduction of other operating income. In addition, certain incentives received from card scheme providers related to card marketing activities will be presented as operating income where the Group has assessed that it is acting as principal (rather than an agent). Previously these incentives were presented as a reduction of operating expenses.

The presentation of these costs under AASB 15 increased other operating income and operating expenses by $91 million and $62 million in the comparative periods ending 30 September 2018 and 31 March 2018 respectively. The changes did not impact net profit or earnings per share in the comparative periods.

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;
- financial assets and liabilities held for trading;
- financial assets and liabilities designed at fair value through profit and loss;
- available-for-sale financial assets (applicable prior to 1 October 2018);
- financial assets at fair value through other comprehensive income (applicable from 1 October 2018);
- assets and liabilities held for sale (except those at carrying value as per Note 11).

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 judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in Note 1 of the 2018 ANZ Annual Financial Report. Such estimates and judgements are reviewed on an ongoing basis.

Investments in associates

At 31 March 2019, the impairment assessment of non-lending assets identified that one of the Group's associate investments AMMB Holdings Berhad (AmBank) had indicators of impairment. Although its market value (based on share price) was below its carrying value, no impairment was recognised as the carrying value was supported by its value in use (VIU).

The VIU calculation is sensitive to a number of key assumptions, including discount rates, long term growth rates, future profitability and capital levels. A change in key assumptions could have an adverse impact on the recoverable amount of the investment. The key assumptions used in the VIU calculations are outlined below:

	As at 31 Mar 19
	AmBank
Carrying value supported by VIU calculation ($m)	1,497
Post-tax discount rate	11.2%
Terminal growth rate	4.8%
Expected NPAT growth (compound annual growth rate - 5 years)	4.5%
Core equity tier 1 ratio	11.8% to 12.5%

Investment securities (comparative information shown in available-for-sale assets)

As a result of persistent illiquidity of the quoted share price of Bank of Tianjin (BoT), the Group determines the fair value based on a valuation model using comparable bank pricing multiples. Judgement is required in both the selection of the model and inputs used.

Customer remediation provision

At 31 March 2019, the Group has recognised provisions of $698 million (Sep 18: $602 million; Mar 18: $141 million) in respect of customer remediation and related costs.

Determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including the number of impacted customers, the average refund per customer and the associated remediation costs.

Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence, and adjustments are made to the provisions where appropriate.

Assets and liabilities held for sale

When classifying assets and liabilities as held for sale, judgement is required when assessing whether it is highly probable that contracted sales will complete within 12 months after balance date, particularly when the sale is subject to third party approvals. Management constantly reviews the status of each sale transaction to ensure the classification remains appropriate.

Management is required to exercise significant judgement when assessing the fair value less costs to sell for assets and liabilities held for sale. The judgemental factors include determining: costs to sell, allocation of goodwill, indemnities provided under the sale contract and consideration received - particularly where elements of consideration are contingent in nature. Any impairment we record is based on the best available evidence of fair value compared to the carrying value before the impairment. The final sale price may be different to the fair value we estimate when recording the impairment. Management regularly assess the appropriateness of the underlying assumptions against actual outcomes and other relevant evidence and adjustments are made to fair value where appropriate.

Useful lives of software

Management judgement is used to assess the useful life of software assets. A number of factors can influence the useful lives of software assets, including changes to business strategy, significant divestments and the underlying pace of technological change.

The Group reassess the useful lives of software assets on an annual basis. During the September 2018 half, certain software assets in the Institutional and Australia divisions had their useful life reassessed.

iv) 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*.

v) Future accounting developments

General hedge accounting

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

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

AASB 16 *Leases* (AASB 16)

The final version of AASB 16 was issued in February 2016 and is not effective for the Group until 1 October 2019. AASB 16 requires a lessee to recognise its:

- right to use the underlying leased asset, as a right-of-use asset; and
- obligation to make lease payments as a lease liability.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 *Leases*.

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

AASB 17 *Insurance Contracts* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2021. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

The Group anticipates that this standard will impact profit measurement of businesses being sold which form part of discontinued operations. This standard is not expected to have a material impact on continuing operations.

2. Income

	Half Year[1]			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Interest income	**15,970**	15,478	14,849	3%	8%
Interest expense	**(8,493)**	(8,136)	(7,322)	4%	16%
Major bank levy	**(178)**	(178)	(177)	0%	1%
Net interest income	**7,299**	7,164	7,350	2%	-1%
i) Fee and commission income					
Lending fees[2]	**303**	309	343	-2%	-12%
Non-lending fees	**1,507**	1,529	1,525	-1%	-1%
Commissions	**48**	46	46	4%	4%
Funds management income	**128**	108	140	19%	-9%
Fee and commission income	**1,986**	1,992	2,054	0%	-3%
Fee and commission expense	**(721)**	(663)	(673)	9%	7%
Net fee and commission income	**1,265**	1,329	1,381	-5%	-8%
ii) Other income					
Net foreign exchange earnings and other financial instruments income[3]	**380**	896	770	-58%	-51%
Sale of Asia Retail and Wealth businesses	**-**	-	99	n/a	-100%
Sale of SRCB	**-**	-	233	n/a	-100%
Sale of MCC	**-**	121	119	-100%	-100%
Sale of Cambodia JV	**-**	(42)	-	-100%	n/a
Sale of PNG Retail, Commercial & SME	**-**	(19)	-	-100%	n/a
Sale of OPL NZ	**82**	(3)	-	large	n/a
Sale of Paymark	**37**	-	-	n/a	n/a
Other[4]	**22**	73	57	-70%	-61%
Other income	**521**	1,026	1,278	-49%	-59%
Other operating income	**1,786**	2,355	2,659	-24%	-33%
iii) Net income from insurance business					
Investment income	**-**	(1)	1	-100%	-100%
Insurance premium income	**91**	155	141	-41%	-35%
Commission expense	**4**	2	6	100%	-33%
Claims	**(26)**	(36)	(31)	-28%	-16%
Changes in policy liabilities	**8**	13	23	-38%	-65%
Net income from insurance business	**77**	133	140	-42%	-45%
iv) Share of associates' profit	**131**	95	88	38%	49%
Operating income[5]	**9,293**	9,747	10,237	-5%	-9%

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*
2. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
3. *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.*
4. *Other income includes external dividend income of nil (Sep 18 half: $39 million; Mar 18 half: nil).*
5. *Includes charges associated with customer remediation of $64 million for the March 2019 half (Sep 18 half: $196 million; Mar 18 half: $32 million).*

3. Operating expenses

	Half Year[1]			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
i) Personnel					
Salaries and related costs	**2,127**	2,092	2,133	2%	0%
Superannuation costs	**146**	141	149	4%	-2%
Other	**97**	123	120	-21%	-19%
Personnel expenses	**2,370**	2,356	2,402	1%	-1%
ii) Premises					
Rent	**232**	236	232	-2%	0%
Other	**174**	180	163	-3%	7%
Premises expenses	**406**	416	395	-2%	3%
iii) Technology					
Depreciation and amortisation	**337**	371	368	-9%	-8%
Licences and outsourced services	**333**	348	327	-4%	2%
Accelerated amortisation[2]	**-**	251	-	-100%	n/a
Other	**94**	114	120	-18%	-22%
Technology expenses	**764**	1,084	815	-30%	-6%
iv) Restructuring	**51**	149	78	-66%	-35%
v) Other					
Advertising and public relations	**97**	140	108	-31%	-10%
Professional fees	**229**	286	244	-20%	-6%
Freight, stationery, postage and communication	**107**	107	116	0%	-8%
Royal Commission legal costs	**13**	39	16	-67%	-19%
Other	**328**	351	299	-7%	10%
Other expenses	**774**	923	783	-16%	-1%
Operating expenses[3]	**4,365**	4,928	4,473	-11%	-2%

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating expense by $91 million for the September 2018 half and $62 million for the March 2018 half.*
2. *Accelerated amortisation charge relates to certain software assets in the Institutional and Australia divisions following the reassessment of their useful lives.*
3. *Includes customer remediation expenses of $36 million for the March 2019 half (Sep 18 half: $156 million; Mar 18 half: $35 million).*

4. Income tax expense

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

	Half Year			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Profit before income tax from continuing operations	**4,536**	4,539	5,356	0%	-15%
Prima facie income tax expense at 30%	**1,361**	1,362	1,607	0%	-15%
Tax effect of permanent differences:					
Sale of SRCB	**-**	-	(84)	n/a	-100%
Sale of MCC	**-**	(41)	(37)	-100%	-100%
Sale of Cambodia JV	**-**	13	-	-100%	n/a
Sale of PNG Retail, Commercial & SME	**-**	8	-	-100%	n/a
Sale of OPL NZ	**(10)**	-	-	n/a	n/a
Sale of Paymark	**(10)**	-	-	n/a	n/a
Share of associates' profit	**(39)**	(29)	(26)	34%	50%
Interest on convertible instruments	**33**	33	34	0%	-3%
Overseas tax rate differential	**(64)**	(13)	(45)	large	42%
Provision for foreign tax on dividend repatriation	**9**	27	5	-67%	80%
Tax provisions no longer required	**-**	(18)	(23)	-100%	-100%
Other	**-**	13	(5)	-100%	-100%
Subtotal	**1,280**	1,355	1,426	-6%	-10%
Income tax (over)/under provided in previous years	**4**	3	-	33%	n/a
Income tax expense	**1,284**	1,358	1,426	-5%	-10%
Australia	**771**	850	949	-9%	-19%
Overseas	**513**	508	477	1%	8%
Income tax expense	**1,284**	1,358	1,426	-5%	-10%
Effective tax rate	**28.3%**	29.9%	26.6%		

5. Dividends

Dividend per ordinary share (cents) - including discontinued operations	Half Year			Movement	
	Mar 19	**Sep 18**	**Mar 18**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
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	**-**	2,317	-	n/a	n/a
Final dividend	**2,295**	-	2,350	n/a	-2%
Bonus option plan adjustment	**(41)**	(40)	(42)	3%	-2%
Total	**2,254**	2,277	2,308	-1%	-2%
Ordinary share dividend payout ratio (%)[2]	**71.4%**	74.6%	69.7%		

1. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders (Mar 19 half: nil, Sep 18 half: $1.6 million, Mar 18 half: nil).*
2. *Dividend payout ratio is calculated using the proposed 2019 interim dividend of $2,267 million (not shown in the above table). The proposed 2019 interim dividend of $2,267 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2018 and March 2018 halves were calculated using actual dividend paid of $2,295 million and $2,317 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 1 July 2019. The proposed 2019 interim dividend will be fully franked for Australian tax purposes. 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 2019 interim dividend.

6. Earnings per share

	Half Year			Movement	
	Mar 19	Sep 18	Mar 18	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Earnings Per Share (EPS) - Basic					
Earnings Per Share (cents)	**111.7**	107.3	114.2	4%	-2%
Earnings Per Share (cents) from continuing operations[1]	**114.1**	110.6	134.8	3%	-15%
Earnings Per Share (cents) from discontinued operations	**(2.4)**	(3.3)	(20.6)	-27%	-88%
Earnings Per Share (EPS) - Diluted					
Earnings Per Share (cents)	**106.4**	103.2	108.6	3%	-2%
Earnings Per Share (cents) from continuing operations[1]	**108.7**	106.2	127.4	2%	-15%
Earnings Per Share (cents) from discontinued operations	**(2.3)**	(3.0)	(18.8)	-23%	-88%
Reconciliation of earnings used in earnings per share calculations					
Basic:					
Profit for the period ($M)	**3,182**	3,086	3,330	3%	-4%
Less: Profit attributable to non-controlling interests ($M)	**9**	9	7	0%	29%
Earnings used in calculating basic earnings per share ($M)	**3,173**	3,077	3,323	3%	-5%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(70)**	(95)	(600)	-26%	-88%
Earnings used in calculating basic earnings per share from continuing operations ($M)	**3,243**	3,172	3,923	2%	-17%
Diluted:					
Earnings used in calculating basic earnings per share ($M)	**3,173**	3,077	3,323	3%	-5%
Add: Interest on convertible subordinated debt ($M)	**137**	138	141	-1%	-3%
Earnings used in calculating diluted earnings per share ($M)	**3,310**	3,215	3,464	3%	-4%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(70)**	(95)	(600)	-26%	-88%
Earnings used in calculating diluted earnings per share from continuing operations ($M)	**3,380**	3,310	4,064	2%	-17%
Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1,2]					
WANOS used in calculating basic earnings per share (M)	**2,841.3**	2,867.1	2,909.6	-1%	-2%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**260.5**	240.6	269.7	8%	-3%
Share based payments (options, rights and deferred shares) (M)	**8.4**	9.5	10.0	-12%	-16%
WANOS used in calculating diluated earnings per share (M)	**3,110.2**	3,117.2	3,189.3	0%	-2%

1. *Post completion of the successor funds transfer performed in preparation for the sales of the Group's wealth businesses to Zurich and IOOF (see Note 11), Treasury shares held in Wealth Australia will cease to be eliminated in the Group's consolidated financial statements and will be included in the denominator used in calculating earnings per share. If the weighted average number of Treasury shares held in Wealth Australia was included in the denominator used in calculating earnings per share from continuing operations for the half year ended 31 March 2019, basic earnings per share from continuing operations would have been 113.5 cents (Sep 18 half: 110.1 cents; Mar 18 half: 134.1 cents) and diluted earnings per share from continuing operations would have been 108.1 cents (Sep 18 half: 105.7 cents; Mar 18 half: 126.8 cents).*
2. *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 19 half (Million)	*Sep 18 half (Million)*	*Mar 18 half (Million)*
ANZEST Pty Ltd	*4.9*	*5.5*	*6.3*
Wealth Australia	*15.6*	*15.1*	*15.0*
Total Treasury shares	***20.5***	***20.6***	***21.3***

7. Segment analysis

i) Description of segments

The Group operates on a divisional structure with six continuing divisions: Australia, New Zealand, Institutional, Pacific, Wealth Australia, and TSO and Group Centre. For further information on the composition of divisions refer to the Definitions on page 137.

The presentation of divisional results has been impacted by a number of methodology and structural changes during the period. Prior period comparatives have been restated as follows:

- The methodology for allocating earnings on capital at a business unit level has changed from Economic Capital to Regulatory Capital. While neutral at a Group level, this change has impacted net interest income at the divisional level;
- The residual Asia Retail and Wealth businesses have been transferred from the former Asia Retail and Pacific division to TSO and Group Centre division. The remaining segment has been renamed Pacific division; and
- ANZ's lenders mortgage insurance, share investing and general insurance distribution businesses which were previously part of the continuing operations of Wealth Australia now form part of the Australia division (ANZ's financial planning business continues to be part of the continuing operations of the Wealth Australia division).

The divisional results were also impacted by the adoption of two new accounting standards:

- AASB 9 - the Group implemented an expected credit loss methodology for impairment of financial assets, and revised the classification and measurement of certain financial assets from 1 October 2018. Consequently, the Group increased its provision for credit impairment by $813 million through opening retained earnings. Comparative information has not been restated.
- AASB 15 - the main impact of adoption is that certain items previously netted are now presented gross in operating income and operating expenses. Comparative information has been restated which increased total operating income for the September 2018 half by $91 million (Mar 18 half: $62 million) and increased total operating expenses by the same amount.

Other than those described above, there have been no other significant changes. The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

ii) Operating segments

ANZ measures the performance of continuing segments on a cash profit basis. To calculate cash profit, certain non-core items are removed from statutory profit. Details of these items are included in the 'Other items' section of this note. Transactions between divisions across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

For information on discontinued operations please refer to Note 11.

	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
March 2019 Half Year								
Net interest income	4,091	1,579	1,385	1	68	175	-	7,299
Net fee and commission income								
- Lending fees	144	144	8	-	7	-	-	303
- Non-lending fees	708	435	354	-	20	(10)	-	1,507
- Commissions	22	-	21	18	-	(13)	-	48
- Funds management income	2	1	120	8	-	(3)	-	128
- Fee and commission expense	(322)	(168)	(227)	-	(4)	-	-	(721)
Net income from insurance business	52	-	18	-	-	-	7	77
Other income	18	714	4	-	27	218	(460)	521
Share of associates' profit	1	-	4	-	-	126	-	131
Operating income[2]	4,716	2,705	1,687	27	118	493	(453)	9,293
Profit after tax from continuing operations	1,733	1,012	753	(30)	33	63	(321)	3,243
Profit/(Loss) after tax from discontinued operations	-	-	-	(17)	-	(33)	(20)	(70)
Profit after tax attributable to shareholders	1,733	1,012	753	(47)	33	30	(341)	3,173

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment and are evaluated separately.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*

	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
September 2018 Half Year								
Net interest income	4,122	1,513	1,342	1	66	120	-	7,164
Net fee and commission income								
- Lending fees	158	136	8	-	7	-	-	309
- Non-lending fees	768	409	326	-	20	6	-	1,529
- Commissions	18	-	23	21	-	(16)	-	46
- Funds management income	-	2	118	(8)	-	(4)	-	108
- Fee and commission expense	(300)	(147)	(210)	-	(4)	(2)	-	(663)
Net income from insurance business	70	1	57	-	-	-	5	133
Other income	9	634	2	(1)	30	107	245	1,026
Share of associates' profit	(1)	-	4	-	-	92	-	95
Operating income[2]	4,844	2,548	1,670	13	119	303	250	9,747
Profit after tax from continuing operations	1,726	713	772	(57)	39	(199)	178	3,172
Profit/(Loss) after tax from discontinued operations	-	-	-	(51)	-	(14)	(30)	(95)
Profit after tax attributable to shareholders	1,726	713	772	(108)	39	(213)	148	3,077
March 2018 Half Year								
Net interest income	4,325	1,480	1,309	1	65	170	-	7,350
Net fee and commission income								
- Lending fees	195	133	7	-	7	1	-	343
- Non-lending fees	726	423	331	-	19	26	-	1,525
- Commissions	21	-	19	23	-	(17)	-	46
- Funds management income	6	3	112	24	-	(5)	-	140
- Fee and commission expense	(309)	(142)	(207)	-	(4)	(11)	-	(673)
Net income from insurance business	57	-	60	(1)	-	10	14	140
Other income	32	614	20	2	25	232	353	1,278
Share of associates' profit	-	-	1	-	-	87	-	88
Operating income[2]	5,053	2,511	1,652	49	112	493	367	10,237
Profit after tax from continuing operations	1,983	767	749	(26)	33	(13)	430	3,923
Profit/(Loss) after tax from discontinued operations	-	-	-	(585)	-	(32)	17	(600)
Profit after tax attributable to shareholders	1,983	767	749	(611)	33	(45)	447	3,323

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment and are evaluated separately.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*

iii) Other items

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

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Revaluation of policy liabilities	New Zealand, TSO and Group Centre	**(77)**	4	10	large	large
Economic hedges	Institutional, TSO and Group Centre	**(185)**	124	124	large	large
Revenue and expense hedges	TSO and Group Centre	**(60)**	49	(40)	large	51%
Structured credit intermediation trades	Institutional	**1**	1	3	0%	-67%
Sale of SRCB	TSO and Group Centre	**-**	-	333	n/a	-100%
Total profit after tax from continuing operations		**(321)**	178	430	large	large
Treasury shares adjustment	Wealth Australia	**18**	(30)	23	large	-22%
Revaluation of policy liabilities	Wealth Australia	**(38)**	-	(6)	n/a	large
Total profit after tax from discontinued operations		**(20)**	(30)	17	-33%	large
Total profit after tax		**(341)**	148	447	large	large

8. Net loans and advances

	As at			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Australia					
Overdrafts	**5,832**	5,741	5,843	2%	0%
Credit cards outstanding	**8,168**	8,372	8,629	-2%	-5%
Commercial bills outstanding	**6,441**	6,861	7,467	-6%	-14%
Term loans - housing	**268,766**	271,554	270,631	-1%	-1%
Term loans - non-housing	**132,733**	134,503	125,901	-1%	5%
Lease receivables	**966**	1,059	1,080	-9%	-11%
Hire purchase contracts	**561**	548	893	2%	-37%
Total Australia	**423,467**	428,638	420,444	-1%	1%
Asia, Pacific, Europe & America					
Overdrafts	**611**	491	538	24%	14%
Credit cards outstanding	**12**	12	13	0%	-8%
Term loans - housing	**770**	767	729	0%	6%
Term loans - non-housing	**61,405**	59,446	53,971	3%	14%
Lease receivables	**305**	180	210	69%	45%
Other	**13**	14	17	-7%	-24%
Total Asia, Pacific, Europe & America	**63,116**	60,910	55,478	4%	14%
New Zealand					
Overdrafts	**1,040**	829	809	25%	29%
Credit cards outstanding	**1,552**	1,506	1,558	3%	0%
Term loans - housing	**79,410**	73,833	73,751	8%	8%
Term loans - non-housing	**42,930**	40,456	41,306	6%	4%
Lease receivables	**162**	168	182	-4%	-11%
Hire purchase contracts	**1,592**	1,473	1,411	8%	13%
Total New Zealand	**126,686**	118,265	119,017	7%	6%
Sub-total	**613,269**	607,813	594,939	1%	3%
Unearned income	**(446)**	(430)	(441)	4%	1%
Capitalised brokerage/mortgage origination fees[1]	**947**	997	1,044	-5%	-9%
Gross loans and advances (including assets reclassified as held for sale)	**613,770**	608,380	595,542	1%	3%
Allowance for expected credit losses (refer to Note 9)[2,3,4]	**(3,627)**	(2,943)	(3,073)	23%	18%
Net loans and advances (including assets reclassified as held for sale)	**610,143**	605,437	592,469	1%	3%
Net loans and advances held for sale (refer to Note 11)	**(888)**	(999)	(3,001)	-11%	-70%
Net loans and advances	**609,255**	604,438	589,468	1%	3%

1. *Capitalised brokerage/mortgage origination fees are amortised over the expected life of the loan.*
2. *On adoption of AASB 9 on 1 October 2018, the Group increased the collectively assessed provision by $813 million. Comparative information has not been restated. Refer to Note 21 for further details.*
3. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*
4. *Provision for credit impairment includes individually assessed provisions against off balance-sheet credit exposures of $26 million as at 31 March 2019 (Sep 18: $26 million; Mar 18: $26 million).*

9. Allowance for expected credit losses

As described in Note 1, the Group adopted AASB 9 effective from 1 October 2018 which resulted in the application of an expected credit loss (ECL) model for measuring impairment of financial assets and amendments to the presentation of credit impairment information for the March 2019 half. Comparative information has not been restated.

The following tables present the movement in the allowance for ECL (including allowance for ECL reclassified as held for sale) for the March 2019 half.

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Individually assessed	
	$M	$M	$M	$M	$M
As at 1 October 2018	920	1,391	359	894	**3,564**
Transfer between stages	133	(228)	(53)	148	**-**
New and increased provisions (net of releases)	(124)	244	74	475	**669**
Write-backs	-	-	-	(152)	**(152)**
Bad debts written off (excluding recoveries)	-	-	-	(498)	**(498)**
Foreign currency translaton and other movements	11	8	1	(2)	**18**
As at 31 March 2019	**940**	**1,415**	**381**	**865**	**3,601**

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Individually assessed	
	$M	$M	$M	$M	$M
As at 1 October 2018	9	2	-	-	11
Transfer between stages	-	-	-	-	-
New and increased provisions (net of releases)	2	(1)	-	-	1
Write-backs	-	-	-	-	-
Bad debts written off (excluding recoveries)	-	-	-	-	-
Foreign currency translation and other movements	-	-	-	-	-
As at 31 March 2019	**11**	**1**	**-**	**-**	**12**

Investment securities - debt securities at FVOCI

Allowance for ECL does not change the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI), with a corresponding charge to profit or loss.

	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Individually assessed	
	$M	$M	$M	$M	$M
As at 1 October 2018	14	-	-	-	14
Transfer between stages	-	-	-	-	-
New and increased provisions (net of releases)	(3)	-	-	-	(3)
Write-backs	-	-	-	-	-
Bad debts written off (excluding recoveries)	-	-	-	-	-
Foreign currency translation and other movements	-	-	-	-	-
As at 31 March 2019	**11**	**-**	**-**	**-**	**11**

Off-balance sheet commitments - undrawn and contingent facilities

The collectively assessed allowance for ECL is included in Provisions. The individually assessed allowance for ECL is included in Net loans and advances.

	Stage 1	Stage 2	Stage 3		Total
			Collectively assessed	Individually assessed	
	$M	$M	$M	$M	$M
As at 1 October 2018	474	166	15	26	**681**
Transfer between stages	19	(19)	-	-	**-**
New and increased provisions (net of releases)	(34)	3	(1)	1	**(31)**
Write-backs	-	-	-	-	**-**
Bad debts written off (excluding recoveries)	-	-	-	-	**-**
Foreign currency translation and other movements	5	2	-	(1)	6
As at 31 March 2019	**464**	**152**	**14**	**26**	**656**

9. Allowance for expected credit losses, cont'd

2018 Provision for credit impairment disclosures under AASB 139

The below disclosure does not reflect the adoption of AASB 9 and are prepared under the requirements of the previous AASB 139.

	Half Year	
	Sep 18 $M	Mar 18 $M
Individually assessed provision		
Balance at start of period	1,016	1,136
New and increased provisions	716	728
Write-backs	(234)	(191)
Adjustment for foreign currency translation movements and transfers	5	1
Discount unwind	(10)	(7)
Bad debts written-off	(573)	(651)
Total individually assessed provision	920	1,016
Collectively assessed provision		
Balance at start of period	2,579	2,662
Charge/(release) to Income Statement	(63)	(22)
Adjustment for foreign currency translation movements and transfers	7	18
Asia Retail and Wealth businesses divestment	-	(79)
Total collectively assessed provision	2,523	2,579
Unfunded portion reclassified to provisions[1]	(500)	(522)
Total collectively assessed provision	2,023	2,057
Total provision for credit impairment	2,943	3,073

1. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*

Credit impairment charge/(release) analysis under AASB 9	Half Year
	Mar 19 $M
New and increased provisions (net of releases)	
- Collectively assessed	12
- Individually assessed	624
Write-backs	(152)
Recoveries of amounts previously written off	(93)
Total credit impairment charge	391
Less: credit impairment charge/(release) from discontinued operations	(1)
Total credit impairment charge from continuing operations	**392**

2018 Credit impairment charge/(release) analysis under AASB 139

The below disclosures do not reflect the adoption of AASB 9 and are prepared under the requirements of the previous AASB 139.

	Half Year	
	Sep 18 $M	Mar 18 $M
New and increased individual provisions	716	728
Write-backs	(234)	(191)
Recoveries of amounts previously written off	(139)	(107)
Individually assessed credit impairment charge	343	430
Collectively assessed credit impairment charge/(release)	(63)	(22)
Credit impairment charge	280	408

10. Deposits and other borrowings

	As at			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Australia					
Certificates of deposit	**39,481**	39,671	43,157	0%	-9%
Term deposits	**77,714**	75,551	75,116	3%	3%
On demand and short term deposits	**180,863**	189,287	190,473	-4%	-5%
Deposits not bearing interest	**12,202**	11,931	11,303	2%	8%
Deposits from banks and securities sold under repurchase agreements	**49,964**	41,480	37,718	20%	32%
Commercial paper	**12,530**	14,742	21,658	-15%	-42%
Total Australia	**372,754**	372,662	379,425	0%	-2%
Asia, Pacific, Europe & America					
Certificates of deposit	**3,215**	2,242	5,234	43%	-39%
Term deposits	**94,396**	92,145	77,335	2%	22%
On demand and short term deposits	**19,930**	18,056	19,557	10%	2%
Deposits not bearing interest	**5,234**	4,993	4,362	5%	20%
Deposits from banks and securities sold under repurchase agreements	**34,705**	30,738	30,756	13%	13%
Total Asia, Pacific, Europe & America	**157,480**	148,174	137,244	6%	15%
New Zealand					
Certificates of deposit	**874**	833	1,897	5%	-54%
Term deposits	**50,890**	46,986	44,810	8%	14%
On demand and short term deposits	**41,011**	38,106	39,580	8%	4%
Deposits not bearing interest	**10,383**	9,365	9,334	11%	11%
Deposits from banks and securities sold under repurchase agreements	**245**	473	1,543	-48%	-84%
Commercial paper and other borrowings	**2,896**	3,130	3,297	-7%	-12%
Total New Zealand	**106,299**	98,893	100,461	7%	6%
Total deposits and other borrowings (including liabilities reclassified as held for sale)	**636,533**	619,729	617,130	3%	3%
Deposits and other borrowings held for sale (refer to Note 11)	**(1,544)**	(1,579)	(900)	-2%	72%
Total deposits and other borrowings	**634,989**	618,150	616,230	3%	3%

11. Discontinued operations and assets and liabilities held for sale

i) Discontinued operations

On 17 October 2017, the Group announced it had agreed to sell its OnePath pensions and investments (OnePath P&I) business and aligned dealer groups (ADG) businesses to IOOF Holdings Limited (IOOF). The sale of the aligned dealer groups business completed on 1 October 2018. The completion of the remaining OnePath P&I business, which is dependent on the receipt of all necessary approvals, is expected to occur before the end of the March 2020 half.

On 12 December 2017, ANZ announced that it had agreed to the sale of its life insurance business to Zurich Financial Services Australia (Zurich) and regulatory approval was obtained on 10 October 2018. The transaction is subject to closing conditions and ANZ expects it to complete in the first half of the 2019 calendar year.

As a result of the sale transactions outlined above, the financial results of the businesses to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a reporting perspective. This impacts the current and comparative financial information for Wealth Australia and TSO and Group Centre divisions.

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

Income Statement

	Half Year			Movement	
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Net interest income	**(57)**	-	-	n/a	n/a
Other operating income[1,2]	**199**	310	(229)	-36%	large
Operating income	**142**	310	(229)	-54%	large
Operating expenses[2]	**(221)**	(301)	(243)	-27%	-9%
Profit/(Loss) before credit impairment and income tax	**(79)**	9	(472)	large	-83%
Credit impairment (charge)/release	**1**	-	-	n/a	n/a
Profit/(Loss) before income tax	**(78)**	9	(472)	large	-83%
Income tax expense [2]	**8**	(104)	(128)	large	large
Profit/(Loss) for the period attributable to shareholders of the Company[2]	**(70)**	(95)	(600)	-26%	-88%

1. *Includes a $632 million loss recognised on the reclassification of Wealth Australia businesses to held for sale in the March 2018 half.*
2. *Includes customer remediation of $53 million post-tax recognised in the March 2019 half (Sep 18 half: $127 million; Mar 18 half: nil) comprising $55 million of customer remediation recognised in other operating income (Sep 18 half: $106 million; Mar 18 half: nil), $20 million of remediation costs recognised in operating expenses (Sep 18 half: $75 million; Mar 18 half: nil), and a $22 million benefit in income tax expense (Sep 18 half: $54 million; Mar 18 half: nil).*

Cash Flow Statement

	Half Year			Movement	
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Net cash provided by/(used in) operating activities	(589)	2,065	924	large	large
Net cash provided by/(used in) investing activities	803	(1,311)	(1,133)	large	large
Net cash provided by/(used in) financing activities	(219)	(754)	179	-71%	large
Net increase/(decrease) in cash and cash equivalents	**(5)**	-	(30)	n/a	-83%

ii) Assets and liabilities held for sale

At 31 March 2019, assets and liabilities held for sale were re-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 and continue to be recognised at their existing carrying value.

In addition to the assets and liabilities associated with the Group's discontinued operations, assets and liabilities held for sale contain the assets and liabilities of other assets or disposal groups, subject to sale, which do not meet the criteria to classify as a discontinued operation under the accounting standards.

Assets and liabilities held for sale[1]

	As at 31 March 2019				As at 30 September 2018					As at 31 March 2018			
	Discontinued operations $M	Cambodia JV $M	PNG Retail, Commercial & SME $M	Total $M	Discontinued operations $M	Cambodia JV $M	OPL NZ $M	PNG Retail, Commercial & SME $M	Total $M	Discontinued operations $M	UDC and Paymark $M	Metrobank Card Corporation $M	Total $M
Cash and cash equivalents	-	267	-	267	5	323	-	-	328	5	-	-	5
Derivative financial instruments	-	1	-	1	-	3	-	-	3	1	-	-	1
Available-for-sale assets	-	-	-	-	1,079	-	-	-	1,079	1,040	-	-	1,040
Investment securities	1,167	-	-	1,167	-	-	-	-	-	-	-	-	-
Net loans and advances	43	700	145	888	46	806	-	147	999	118	2,883	-	3,001
Regulatory deposits	-	145	-	145	-	146	-	-	146	-	-	-	-
Investment in associates	-	-	-	-	1	1	-	-	2	1	7	60	68
Deferred tax assets	97	2	-	99	102	2	-	-	104	72	-	-	72
Goodwill and other intangible assets	1,138	-	-	1,138	1,155	-	93	-	1,248	946	124	-	1,070
Investments backing policy liabilities[2]	39,191	-	-	39,191	40,054	-	-	-	40,054	38,803	-	-	38,803
Premises and equipment	2	5	6	13	4	6	-	6	16	5	-	-	5
Other assets	590	50	-	640	450	92	727	-	1,269	1,198	15	-	1,213
Total assets held for sale	**42,228**	**1,170**	**151**	**43,549**	**42,896**	**1,379**	**820**	**153**	**45,248**	**42,189**	**3,029**	**60**	**45,278**
Deposits and other borrowings	-	1,064	480	1,544	-	1,067	-	512	1,579	-	900	-	900
Derivative financial instruments	-	-	-	-	-	1	-	-	1	-	-	-	-
Current tax liabilities	(192)	4	-	(188)	(33)	8	15	-	(10)	(158)	36	-	(122)
Deferred tax liabilities	338	1	-	339	160	1	160	-	321	387	(9)	-	378
Policy liabilities[2]	38,787	-	-	38,787	39,607	-	-	-	39,607	38,381	-	-	38,381
External unit holder liabilities[2]	4,590	-	-	4,590	4,712	-	-	-	4,712	4,618	-	-	4,618
Payables and other liabilities	1,349	53	-	1,402	644	98	130	-	872	560	28	-	588
Provisions	35	42	4	81	28	43	-	6	77	29	1	-	30
Total liabilities held for sale	**44,907**	**1,164**	**484**	**46,555**	**45,118**	**1,218**	**305**	**518**	**47,159**	**43,817**	**956**	**-**	**44,773**

1. Amounts in the table above are shown net of intercompany balances.

2. The Group completed the Successor Fund Transfer (SFT) on 13 April 2019 which separated the Life Insurance and Pensions and Investments businesses. On completion of the SFT, the Group reduced external unit holders liabilities by circa $4.6 billion, policy liabilities by circa $36.1 billion and investments backing policy liabilities by circa $37.1 billion within assets and liabilities held for sale. The Group also ceased elimination of intercompany balances increasing liabilities and equity not held for sale by circa $3.2 billion and circa $0.4 billion respectively.

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

Other strategic divestments not classified as discontinued operations but have been presented as held for sale:

- **UDC Finance and Paymark Limited (UDC and Paymark) – New Zealand division**

  On 11 January 2017, the Group announced that it had entered into a conditional agreement to sell UDC to HNA Group (HNA). On 21 December 2017, the Group announced that it had been informed that New Zealand's Overseas Investment Office had declined HNA's application to acquire UDC and the agreement with HNA was terminated in January 2018. The assets and liabilities of UDC were no longer classified as held for sale at September 2018.

  On 17 January 2018, the Group entered into an agreement to sell its 25% shareholding in Paymark to Ingenico Group. The transaction was completed on 11 January 2019.

- **Metrobank Card Corporation (MCC) – TSO and Group Centre division**

  On 18 October 2017, the Group announced it had entered into a sale agreement with its joint venture partner Metropolitan Bank & Trust Company (Metrobank) in relation to its 40% stake in the Philippines based Metrobank Card Corporation (MCC). The Group sold its 40% stake in two equal tranches in January and September 2018.

- **ANZ Royal Bank (Cambodia) Ltd (Cambodia JV) – Institutional division**

  On 17 May 2018, the Group announced it had reached an agreement to sell its 55% stake in Cambodia JV ANZ Royal Bank to J Trust, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange. The transaction is subject to closing conditions and regulatory approval and ANZ expects it to close in the 2019 financial year.

- **OnePath Life (NZ) Ltd (OPL NZ) – New Zealand division**

  On 30 May 2018, the Group announced that it had agreed to sell OPL NZ to Cigna Corporation and the final regulatory approval was obtained on 29 October 2018. The transaction was completed on 30 November 2018.

- **Papua New Guinea Retail, Commercial and Small-Medium Sized Enterprise businesses (PNG Retail, Commercial & SME) – Institutional division**

  On 25 June 2018, the Group announced it had entered into an agreement to sell its Retail, Commercial and Small-Medium Sized Enterprise (SME) banking businesses in Papua New Guinea to Kina Bank. The transaction is subject to closing conditions and ANZ expects it to close by late 2019 calendar year.

Income Statement impact relating to assets and liabilities held for sale

During the March 2019 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $69 million gain after tax relating to the sale of the OPL NZ business, comprising a $56 million gain on sale, a $26 million release from the foreign currency translation reserve and a $13 million income tax expense. The gain was recognised in continuing operations.
- $37 million gain after tax relating to the sale of the Paymark. The gain was recognised in continuing operations.

During the September 2018 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $42 million loss after tax relating to the reclassification of the Cambodia JV to held for sale, comprising a $27 million impairment and $15 million of costs associated with the sale. The loss was recognised in continuing operations.
- $21 million loss after tax relating to the reclassification of the PNG Retail, Commercial and SME businesses to held for sale, comprising a $12 million impairment of goodwill, $7 million costs associated with the sale and a $2 million tax expense. The loss was recognised in continuing operations.
- $3 million loss after tax relating to OPL NZ transaction costs. The loss was recognised in continuing operations.
- $126 million gain after tax relating to MCC comprising a $138 million gain on sale of the second 20% stake, $14 million of foreign exchange losses, $3 million loss on release of reserves and a $5 million tax benefit. This gain was recognised in continuing operations.

During the March 2018 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $632 million loss after tax recognised on the reclassification of the Wealth Australia businesses to held for sale. This loss was recognised in discontinued operations.
- $85 million gain after tax comprising $99 million relating to the sale of the remaining Asia Retail and Wealth businesses, net of costs associated with the sale and a $14 million tax expense. This gain was recognised in continuing operations.
- $18 million gain after tax relating to UDC comprising a cost recovery in respect of the terminated transaction process. This gain was recognised in continuing operations.
- $247 million gain after tax relating to SRCB comprising a $289 million gain on release of reserves, $56 million of foreign exchange losses and other costs, and a $14 million tax benefit. This gain was recognised in continuing operations.
- $121 million gain after tax relating to MCC comprising a $121 million gain on sale of the first 20% stake, $1 million of foreign exchange gains, $3 million loss on release of reserves, and a $2 million tax benefit. This gain was recognised in continuing operations.

The impacts on continuing operations are shown in the relevant Income Statement categories and items relating to discontinued operations are included in Profit/(Loss) after tax from discontinued operations.

12. Debt issuances

	Half Year			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Total unsubordinated debt	**113,424**	105,271	97,576	8%	16%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN1	**1,118**	1,117	1,117	0%	0%
ANZ CN2	**1,606**	1,605	1,604	0%	0%
ANZ CN3	**965**	965	961	0%	0%
ANZ CN4	**1,611**	1,610	1,609	0%	0%
ANZ CN5	**925**	924	924	0%	0%
ANZ Capital Securities[3]	**1,336**	1,240	1,188	8%	12%
ANZ NZ Capital Notes[4]	**478**	456	467	5%	2%
Tier 2 Capital					
Perpetual subordinated notes[5]	**423**	416	1,174	2%	-64%
Term subordinated notes[6]	**7,806**	7,575	8,216	3%	-5%
Total subordinated debt	**16,268**	15,908	17,260	2%	-6%
Total debt issuances	**129,692**	121,179	114,836	7%	13%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ NZ Capital Notes are Basel 3 compliant instruments.*
2. *Each of the ANZ Capital Notes will convert into a variable number of ANZ ordinary shares on a specified mandatory conversion date at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible to ANZ ordinary shares (on similar terms to mandatory conversion) by ANZ at its discretion on early redemption or conversion date.*

	Issuer	Issue date	Issue Amount $M	Early redemption or conversion date	Mandatory conversion date
CN1	ANZ	7 Aug 2013	1,120	1 Sep 2021	1 Sep 2023
CN2	ANZ	31 Mar 2014	1,610	24 Mar 2022	24 Mar 2024
CN3	ANZ, acting through its New Zealand branch	5 Mar 2015	970	24 Mar 2023	24 Mar 2025
CN4	ANZ	27 Sep 2016	1,622	20 Mar 2024	20 Mar 2026
CN5	ANZ	28 Sep 2017	931	20 Mar 2025	20 Mar 2027

3. *On 15 June 2016, ANZ acting through its London branch issued 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.*
4. *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.*
5. *The USD 300 million perpetual subordinated notes have been granted Basel 3 transitional capital treatment until the end of the transition period in December 2021.*
6. *All the term subordinated notes are convertible and are Basel 3 compliant instruments, except ANZ's EUR 750 million subordinated notes due in September 2019 which have been granted Basel 3 transitional capital treatment until their maturity. 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

The Group has adopted AASB 9 effective from 1 October 2018 which has resulted in changes to the classification and measurement of financial assets, including the impairment of financial assets. The presentation of credit risk information for the March 2019 half has been amended with no restatement of comparatives. For further details on key requirements and impacts of the changes described above refer to Note 1.

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the group would have to pay if the instrument is called upon.

The table below shows the maximum exposure to credit risk of on-balance sheet, and off-balance sheet, positions before taking account of any collateral held or other credit enhancements:

	Reported As at			Excluded/Other[1,2] As at			Maximum Exposure to Credit Risk As at		
On-balance sheet positions[3]	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Net loans and advances	**610,143**	605,437	592,469	**(26)**	(26)	(26)	**610,169**	605,463	592,495
Investment securities[4]									
- debt securities at amortised cost	**6,176**	-	-	**-**	-	-	**6,176**	-	-
- debt securities at FVOCI	**72,555**	-	-	**-**	-	-	**72,555**	-	-
- equity securities at FVOCI	**1,318**	-	-	**1,318**	-	-	**-**	-	-
Available-for-sale assets	**-**	75,363	71,279	**-**	1,095	1,052	**-**	74,268	70,227
Other financial assets	**276,973**	249,406	258,086	**49,466**	47,434	49,472	**227,507**	201,972	208,614
Total on-balance sheet positions	**967,165**	930,206	921,834	**50,758**	48,503	50,498	**916,407**	881,703	871,336
Off-balance sheet commitments									
Undrawn and contingent facilities[5]	**245,311**	244,608	233,005	**26**	26	26	**245,285**	244,582	232,979
Total	**1,212,476**	1,174,814	1,154,839	**50,784**	48,529	50,524	**1,161,692**	1,126,285	1,104,315

1. *Excluded comprises bank notes and coins and cash at bank within liquid assets, investments relating to the insurance business where the credit risk is passed onto the policy holder. Equity securities and precious metal exposures recognised as trading securities have been excluded as they do not have credit exposure. Equity securities within investment securities – equity securities at FVOCI/available-for-sale financial assets were also excluded as they do not have credit exposure.*
2. *Other relates to the transfer of individual provisions related to off-balance sheet facilities held in net loans and advances. The provisions are transferred for the purposes of showing the maximum exposure to credit risk by relevant facility type in this and the following tables.*
3. *On-balance sheet position includes assets and liabilities reclassified as held for sale.*
4. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details. Comparative information has not been restated.*
5. *Undrawn facilities and contingent facilities includes guarantees, letters of credit and performance related contingencies, net of collectively assessed allowance for expected credit losses.*

13. Credit risk, cont'd

Credit Quality

The Group's internal Customer Credit Rating (CCR) is used to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirement	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

Net loans and advances

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	444,556	10,273	-	-	454,829
Satisfactory	112,984	19,843	-	-	132,827
Weak	8,808	9,775	-	-	18,583
Defaulted	-	-	4,078	1,961	6,039
Gross loans and advances at amortised cost	**566,348**	**39,891**	**4,078**	**1,961**	**612,278**
Provision for credit impairment	940	1,415	381	865	3,601
Net loans and advances at amortised cost	**565,408**	**38,476**	**3,697**	**1,096**	**608,677**
Coverage ratio	**0.17%**	**3.55%**	**9.34%**	**44.11%**	**0.59%**
Loans and advances at fair value through profit or loss					991
Unearned income					(446)
Capitalised brokerage/mortgage origination fees					947
Net carrying amount					**610,169**

Investment securities - debt securities at amortised cost

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	4,751	-	-	-	4,751
Satisfactory	666	771	-	-	1,437
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	**5,417**	**771**	-	-	**6,188**
Provision for credit impairment	11	1	-	-	**12**
Net investment securities - debt securities at amortised cost	**5,406**	**770**	-	-	**6,176**
Coverage ratio	**0.20%**	**0.13%**	-	-	**0.19%**

13. Credit risk, cont'd

Investment securities - debt securities at FVOCI

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	72,401	-	-	-	**72,401**
Satisfactory	154	-	-	-	**154**
Weak	-	-	-	-	**-**
Defaulted	-	-	-	-	**-**
Investment securities - debt securities at FVOCI	**72,555**	-	-	-	**72,555**
Loss allowances recognised in other comprehensive income	11	-	-	-	**11**
Coverage ratio	**0.02%**	**-**	**-**	**-**	**0.02%**

Other financial assets

	As at Mar 19
	Total $M
Strong	**215,464**
Satisfactory	**11,596**
Weak	**447**
Defaulted	**-**
Total carrying amount	**227,507**

Off-balance sheet commitments - undrawn and contingent facilities

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	158,599	1,977	-	-	**160,576**
Satisfactory	23,519	3,894	-	-	**27,413**
Weak	395	957	-	-	**1,352**
Defaulted	-	-	96	61	**157**
Gross undrawn and contingent facilities subject to ECL	**182,513**	**6,828**	**96**	**61**	**189,498**
Allowance for ECL included in Provisions	464	152	14	26	**656**
Net undrawn and contingent facilities subject to ECL	**182,049**	**6,676**	**82**	**35**	**188,842**
Coverage ratio	**0.25%**	**2.23%**	**14.58%**	**42.62%**	**0.35%**
Undrawn and contingent facilities not subject to ECL[1]					56,443
Net undrawn and contingent facilities					**245,285**

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

13. Credit risk, cont'd

2018 Credit Risk Disclosures

The below disclosures do not reflect the adoption of AASB 9 and have been prepared under the requirements of the previous AASB 139.

Credit Quality

The table below provides an analysis of the credit quality of the maximum exposure to credit risk split by:

- *Neither past due nor impaired assets by credit quality*

  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.

- *Past due but not impaired assets by ageing*

  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.

- *Restructured and impaired assets presented as gross amounts and net of individually assessed provisions*

  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 individually assessed provision is allocated against it.

  As described in the summary of significant accounting policies in the 2018 Annual Financial Report, 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.

	Loan advances As at		Other financial assets As at		Off balance sheet credit related commitments As at		Total As at	
	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M
Neither past due nor impaired								
Strong credit profile	445,997	427,729	272,110	274,815	206,859	194,393	924,966	896,937
Satisfactory risk	127,384	131,229	4,014	3,859	36,037	36,756	167,435	171,844
Sub-standard but not past due or impaired	15,567	16,767	116	167	1,644	1,761	17,327	18,695
Subtotal	588,948	575,725	276,240	278,841	244,540	232,910	1,109,728	1,087,476
Past due but not impaired								
1-29 days	8,958	8,974	-	-	-	-	8,958	8,974
30-59 days	2,240	2,576	-	-	-	-	2,240	2,576
60-89 days	1,268	1,233	-	-	-	-	1,268	1,233
>90 days	2,998	3,038	-	-	-	-	2,998	3,038
Subtotal	15,464	15,821	-	-	-	-	15,464	15,821
Restructured and impaired								
Impaired loans	1,676	1,863	-	-	-	-	1,676	1,863
Restructured items[1]	269	76	-	-	-	-	269	76
Non-performing commitment and contingencies	-	-	-	-	68	95	68	95
Gross impaired financial assets	1,945	1,939	-	-	68	95	2,013	2,034
Individually assessed provisions	(894)	(990)	-	-	(26)	(26)	(920)	(1,016)
Subtotal	1,051	949	-	-	42	69	1,093	1,018
Total	605,463	592,495	276,240	278,841	244,582	232,979	1,126,285	1,104,315

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 for new facilities with similar risk.*

14. Fair value measurement

The Group carries a significant number of financial instruments on the balance sheet at fair value. In addition, the Group also holds assets classified as held for sale which are measured at fair value less costs to sell. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

a) Valuation

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

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

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

b) Fair value approach and valuation techniques

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market for that asset or liability exists. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - trading securities - securities sold short - derivative financial assets and liabilities - investment securities (under AASB 9) - available-for-sale assets (under AASB 139) - other assets	Valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - net loans and advances - deposits and other borrowings - debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.
Assets and liabilities held for sale	Valuation based on the agreed sale price before transaction costs.

Details of significant unobservable inputs used in measuring fair values are described in (ii)(a).

c) Fair value hierarchy categorisation

The Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

d) Fair value hierarchy disclosure

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

14. Fair value measurement, cont'd

	Fair value measurements			
As at March 2019	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Trading securities[1]	35,967	6,890	-	**42,857**
Derivative financial instruments	331	78,991	53	**79,375**
Investment securities[2]	71,001	393	1,312	**72,706**
Net loans and advances (measured at fair value)	-	991	-	**991**
Assets held for sale[3]	-	43,673	-	**43,673**
Total	**107,299**	**130,938**	**1,365**	**239,602**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,169	-	**2,169**
Derivative financial instruments	508	80,320	43	**80,871**
Liabilities held for sale[3]	-	46,538	-	**46,538**
Payables and other liabilities[4]	2,125	42	-	**2,167**
Debt issuances (designated at fair value)	-	2,414	-	**2,414**
Total	**2,633**	**131,483**	**43**	**134,159**
As at September 2018				
Assets				
Trading securities	30,855	6,867	-	37,722
Derivative financial instruments	647	67,717	59	68,423
Available-for-sale assets[2]	69,508	3,695	1,081	74,284
Net loans and advances (measured at fair value)	-	133	-	133
Assets held for sale[3]	-	44,623	-	44,623
Total	101,010	123,035	1,140	225,185
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,332	-	2,332
Derivative financial instruments	1,680	67,952	44	69,676
Liabilities held for sale[3]	-	46,829	-	46,829
Payables and other liabilities[4]	1,159	12	-	1,171
Debt issuances (designated at fair value)	-	1,442	-	1,442
Total	2,839	118,567	44	121,450
As at March 2018				
Assets				
Trading securities	38,517	6,541	-	45,058
Derivative financial instruments	259	70,593	63	70,915
Available-for-sale assets[2]	63,283	5,921	1,035	70,239
Net loans and advances (measured at fair value)	-	145	-	145
Assets held for sale[3]	-	42,544	-	42,544
Other assets	4	139	-	143
Total	102,063	125,883	1,098	229,044
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,470	-	2,470
Derivative financial instruments	1,008	69,570	46	70,624
Liabilities held for sale[3]	-	43,817	-	43,817
Payables and other liabilities[4]	1,884	161	-	2,045
Debt issuances (designated at fair value)	-	1,785	-	1,785
Total	2,892	117,803	46	120,741

1. *During the March 2019 half, there were no material transfers from Level 2 to Level 1 (Sep 18: $200 million, Mar 18: $753 million) in Trading securities. Transfers from Level 1 to Level 2 for March 2019 half and previous periods are immaterial. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.*
2. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets was revised. The available-for-sale classification used in comparative periods no longer exists under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details about the adoption of AASB 9. Comparative information has not been restated.*
3. *The amounts reclassified as assets and liabilities held for sale relate to assets and liabilities measured at fair value less costs to sell in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The amounts presented reflect fair value excluding cost to sell but including intercompany eliminations.*
4. *Payables and other liabilities relates to securities sold short which are classified as held for trading are measured at fair value through profit or loss.*

14. Fair value measurement, cont'd

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

a) Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,322 million (Sep 18: $1,096 million; Mar 18: $1,052 million). The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

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

There were no other material transfers in or out of Level 3 during the period.

Bank of Tianjin (BoT)

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

b) Sensitivity to Level 3 data inputs

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

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $121 million increase or decrease to the fair value of the investment (Sep 18: $102 million; Mar 18: $98 million), which would be recognised in shareholders' equity.

Other

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

c) Deferred fair value gains and losses

When fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss over the life of the transaction on a straight line basis or until all inputs become observable.

The day one gains and losses deferred are not material.

iii) Financial assets and liabilities not measured at fair value

The classes of financial assets and liabilities listed in the table below are generally carried at amortised cost on the Group's balance sheet. Whilst this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of these financial assets and liabilities at balance date in the table below.

14. Fair value measurement, cont'd

	Carrying amount in the balance sheet			Fair Value
As at March 2019	At amortised cost $M	At fair value $M	Total $M	$M
Financial assets				
Net loans and advances[1]	608,264	1,879	610,143	610,983
Investment securities[1, 2]	6,176	73,873	80,049	80,044
Total	**614,440**	**75,752**	**690,192**	**691,027**
Financial liabilities				
Deposits and other borrowings[1]	632,820	3,713	636,533	637,009
Debt issuances	127,278	2,414	129,692	130,558
Total	**760,098**	**6,127**	**766,225**	**767,567**
As at September 2018				
Financial assets				
Net loans and advances[1]	604,305	1,132	605,437	605,911
Financial liabilities				
Deposits and other borrowings[1]	615,818	3,911	619,729	619,895
Debt issuances	119,737	1,442	121,179	122,060
Total	735,555	5,353	740,908	741,955
As at March 2018				
Financial assets				
Net loans and advances[1]	592,206	263	592,469	592,875
Financial liabilities				
Deposits and other borrowings[1]	614,660	2,470	617,130	617,254
Debt issuances	113,051	1,785	114,836	115,811
Total	727,711	4,255	731,966	733,065

1. *Net loans and advances, investment securities and deposits and other borrowings include amounts reclassified to assets and liabilities held for sale. Refer to Note 11.*
2. *Investment securities under AASB 9 includes securities measured at amortised cost, fair value through other comprehensive income and fair value through P&L. Refer to Note 1.*

15. Shareholders' equity

Issued and quoted securities	Half Year		
Ordinary shares	**Mar 19 No.**	**Sep 18 No.**	**Mar 18 No.**
Closing balance	**2,833,175,579**	2,873,618,118	2,898,758,978
Issued/(Repurchased) during the period[1]	**(40,442,539)**	(25,140,860)	(38,656,349)

[1] *The Company issued 1.6 million shares under the Bonus Option Plan (BOP) for the 2018 final dividend (1.4 million shares for the 2018 interim dividend; 1.5 million shares for the 2017 final dividend). No new shares were issued under the Dividend Reinvestment Plan (DRP) for the 2018 final dividend (nil shares for the 2018 interim dividend; nil shares for the 2017 final dividend) as the shares were purchased on-market and provided directly to the shareholders participating in the DRP. On-market purchases for the DRP in the March 2019 half were $199 million (Sep 18 half: $200 million, Mar 18 half: $192 million). The Company has completed its $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million in the March 2019 half (Sep 18 half: $748 million, Mar 18 half: $1,132 million) resulting in 42.0 million ANZ ordinary shares being cancelled in the March 2019 half (Sep 18 half: 26.6 million; Mar 18 half: 40.1 million).*

	Half Year			Movement	
Shareholders' equity	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Ordinary share capital	**26,048**	27,205	27,933	-4%	-7%
Reserves					
Foreign currency translation reserve	**846**	12	257	large	large
Share option reserve	**71**	92	70	-23%	1%
Available-for-sale revaluation reserve[1]	**-**	113	119	-100%	-100%
FVOCI reserve[1]	**370**	-	-	n/a	n/a
Cash flow hedge reserve	**444**	127	117	large	large
Transactions with non-controlling interests reserve	**(22)**	(21)	(22)	5%	0%
Total reserves	**1,709**	323	541	large	large
Retained earnings	**32,064**	31,737	30,922	1%	4%
Share capital and reserves attributable to shareholders of the Company	**59,821**	59,265	59,396	1%	1%
Non-controlling interests	**150**	140	126	7%	19%
Total shareholders' equity	**59,971**	59,405	59,522	1%	1%

[1] *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details. Comparative information has not been restated.*

16. Changes in composition of the Group

The Group disposed of the aligned dealer groups and OnePath Life (NZ) Ltd in the half year ended 31 March 2019. There were no other acquisitions or disposals of material controlled entities during the period.

17. Investments in Associates

	Half Year			Movement	
	Mar 19	**Sep 18**	**Mar 18**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Share of associates' profit	**131**	95	88	38%	49%

Contributions to profit[1]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 %**	**Sep 18 %**	**Mar 18 %**
P.T. Bank Pan Indonesia	**70**	44	45	**39**	39	39
AMMB Holdings Berhad	**56**	48	42	**24**	24	24
Other associates	**5**	3	1	**n/a**	n/a	n/a
Share of associates' profit	**131**	95	88			

[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.*

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 2018.

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 33 of the 2018 ANZ Annual Financial Report for a description of contingent liabilities and contingent assets as at 30 September 2018. A summary of some of those contingent liabilities and new contingent liabilities that have arisen during the current reporting period is set out below.

- **Bank fees litigation**

  A litigation funder commenced a class action against the Company 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. The claims in the March 2013 class action failed and have been dismissed.

  The original claims in the 2010 class action have been dismissed. In 2017, a new claim was added to the 2010 class action, in relation to the Company's entitlement to charge certain periodical payment non-payment fees. An agreement to settle the claim was reached in December 2018. The settlement is subject to court approval.

- **Benchmark/rate actions**

  In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company - one action relating to the bank bill swap rate (BBSW), and one action relating to the Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR). The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated US anti-trust laws and (in the BBSW case only) anti-racketeering laws, the Commodity Exchange Act, and unjust enrichment principles. The Company 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 the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain. The matter is at an early stage.

- **Capital raising actions**

  In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against the Company and a senior employee alleging that they were knowingly concerned in cartel conduct by the joint lead managers of the Company's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The matter is at an early stage. The Company and its senior employee are defending the allegations.

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

- **Franchisee litigation**

  In February 2018, two related class actions were brought against the Company alleging breaches of contract and unconscionable conduct in relation to lending to 7-Eleven franchisees. An agreement to settle the claims against the Company was reached in March 2019. The settlement is subject to court approval.

- **Regulatory and customer exposures**

  In recent years there has been an increase in the number of matters on which ANZ engages with its regulators. There have been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal 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 interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability and distribution, interest and fees and the entitlement to charge them, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and capital market transactions, reporting and disclosure obligations and product disclosure documentation. ANZ has received various notices and requests for information from its regulators as part of both industry-wide and ANZ-specific reviews and has also made disclosures to its regulators at its own instigation. 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.

- **Royal Commission**

  The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established on 14 December 2017. The Commission's final report was released publicly on 4 February 2019. The Commission may result in additional costs and may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

- **Security recovery actions**

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

- **Warranties and Indemnities**

  The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to potential claims under those warranties, indemnities and commitments.

20. Significant Events Since Balance Date

There have been no significant events from 31 March 2019 to the date of signing this report.

21. Adoption of new accounting standards and other changes to comparatives

i) Changes to comparatives including the impact of AASB 15 *Revenue from Contracts with Customers* (AASB 15)

The following table summarises the changes to comparatives resulting from the application of AASB 15, and other reclassification adjustments to enhance comparability with current period presentation.

	Reported as at 30 Sep 18	Impact of application of AASB 15	Other reclassification adjustment	Restated as at 30 Sep 18
	$M	$M	$M	$M
Net loans and advances [1]	603,938	-	500	604,438
Other assets[2]	3,645	32	-	3,677
Other non-impacted balance sheet line items	335,041	-	-	335,041
Total assets	**942,624**	**32**	**500**	**943,156**
Deferred tax liabilities[2]	59	10	-	69
Payables and other liabilities[3]	6,788	106	-	6,894
Provisions[1,3]	1,578	(106)	500	1,972
Other non-impacted balance sheet line items	874,816	-	-	874,816
Total liabilities	**883,241**	**10**	**500**	**883,751**
Retained earnings[2]	31,715	22	-	31,737
Other non-impacted balance sheet line items	27,528	-	-	27,528
Share capital and reserves attributable to shareholders of the Company[2]	**59,243**	**22**	**-**	**59,265**
Non-controlling interests	140	-	-	140
Total shareholders' equity[2]	**59,383**	**22**	**-**	**59,405**

	Reported as at 31 Mar 18	Impact of application of AASB 15	Other reclassification adjustment	Restated as at 31 Mar 18
	$M	$M	$M	$M
Net loans and advances [1]	588,946	-	522	589,468
Other assets[2]	4,914	32	-	4,946
Other non-impacted balance sheet line items	341,256	-	-	341,256
Total assets	**935,116**	**32**	**522**	**935,670**
Deferred tax liabilities[2]	258	10	-	268
Payables and other liabilities[3]	7,442	100		7,542
Provisions[1,3]	1,110	(100)	522	1,532
Other non-impacted balance sheet line items	866,806	-	-	866,806
Total liabilities	**875,616**	**10**	**522**	**876,148**
Retained earnings[2]	30,900	22	-	30,922
Other non-impacted balance sheet line items	28,474	-	-	28,474
Share capital and reserves attributable to shareholders of the Company[2]	**59,374**	**22**	**-**	**59,396**
Non-controlling interests	126	-	-	126
Total shareholders' equity[2]	**59,500**	**22**	**-**	**59,522**

1. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*
2. *The Group adopted AASB 15 in this reporting period with comparatives restated. This policy change resulted in an adjustment to the opening balance of $32 million to Other assets, $10 million to Deferred tax liabilities and $22 million to Retained earnings as at 1 October 2017 to recognise revenue that qualifies for upfront recognition under AASB 15 but was not previously recognised under AASB 118.*
3. *Upon adoption of AASB 15, certain liabilities associated with credit card loyalty programs have been reclassified from Provisions to Other Liabilities. In addition, certain items previously netted are now presented gross in operating income and operating expenses. Comparative information has been restated which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*

ii) Impact of the transition to AASB 9 *Financial Instruments* (AASB 9)

Allowance for expected credit losses

The table below reconciles the closing provisions for credit impairment for financial assets determined in accordance with AASB 139, and provisions for loan commitments and financial guarantee contracts determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as at 30 September 2018, and the opening provisions for credit impairment determined in accordance with AASB 9 as at 1 October 2018.

	As at 30 Sep 18		As at 1 Oct 18
	Provision for credit impairment under AASB 139 or AASB 137 $M	Incremental allowance for ECL under AASB 9 $M	Allowance for ECL under AASB 9 $M
Loans and advances - at amortised cost	2,943	647	3,590
Investment securities - debt securities at amortised cost	-	11	11
Off-balance sheet commitments - undrawn and contingent facilities[1]	500	155	655
Total provisions for credit impairment	**3,443**	**813**	**4,256**
Loss allowances recognised in other comprehensive income:			
Investment securities - debt securities at FVOCI[2]	-	14	14
Total loss allowance recognised in other comprehensive income	**-**	**14**	**14**

1. *The collectively assessed allowance for ECL is included in Provisions. The individually assessed allowance for ECL is included in Net loans and advances.*
2. *Allowance for ECL does not change the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in OCI, with a corresponding charge to profit or loss.*

The following table summarises the adjustments arising on adoption of AASB 9.

Consolidated balance sheet reconciliation

	Reference	AASB 139 measurement category	AASB 9 measurement category	Restated as at 30 Sep 18 $M	AASB 9 reclassification impact $M	AASB 9 Remeasurement impact (excl. impairment) $M	AASB 9 credit impairment impact $M	Revised carrying amount as at 1 Oct 18 $M
Trading securities	1,2	FVTPL	FVTPL	37,722	(993)	-	-	36,729
Investment securities:								
- debt securities at amortised cost	2,6,7	N/A	Amortised cost	-	6,158	2	(11)	6,149
- debt securities at FVOCI	1, 2	N/A	FVOCI	-	70,938	-	-	70,938
- equity securities at FVOCI	2	N/A	FVOCI	-	1,087	-	-	1,087
Available-for-sale assets (AFS)	2	AFS	N/A	74,284	(74,284)	-	-	-
Net loans and advances								
- at amortised cost	3,6,7,8	Loans and receivables	Amortised cost	604,305	(4,470)	15	(647)	599,203
- at FVTPL	3,8	FVTPL	FVTPL	133	1,564	(23)	-	1,674
Investment in associates	5	N/A	N/A	2,553	-	-	(65)	2,488
Deferred tax assets	1,2,4,6	N/A	N/A	900	-	15	234	1,149
Other non-impacted balance sheet line items		N/A	N/A	223,259	-	-	-	223,259
Total assets				**943,156**	**-**	**9**	**(489)**	**942,676**
Current tax liabilities	1,3,4	N/A	N/A	300	-	30	-	330
Provisions	6	N/A	N/A	1,972	-	-	155	2,127
Debt issuances:								-
- at amortised cost	4	Amortised cost	Amortised cost	119,737	(879)	-	-	118,858
- at FVTPL	4	FVTPL	FVTPL	1,442	879	(55)	-	2,266
Other non-impacted balance sheet line items		N/A	N/A	760,300	-	-	-	760,300
Total liabilities				**883,751**	**-**	**(25)**	**155**	**883,881**
Ordinary share capital				27,205	-	-	-	27,205
Reserves	1,2,6			323	1	3	10	337
Retained earnings	1,2,3,4,5,6			31,737	(1)	31	(654)	31,113
Share capital and reserves attributable to shareholders of the Company				**59,265**	**-**	**34**	**(644)**	**58,655**
Non-controlling interests				140	-	-	-	140
Total shareholders' equity				**59,405**	**-**	**34**	**(644)**	**58,795**

Reference

1. On initial application of AASB 9, a portfolio of bonds with a fair value of $1,000 million was transferred from Trading securities to Investment securities - debt securities at FVOCI as the applicable business model was held to collect and sell. Cumulative fair value gains/(losses) on this portfolio of $2 million (after tax) were transferred from Retained earnings to the FVOCI reserve. Additionally, the reclassification resulted in a reduction in deferred tax assets and current tax liabilities of $1 million.
2. The Available-for-sale classification is no longer applicable under AASB 9. Accordingly, on transition:
   - $69,938 million of Available-for-sale debt instruments were reclassified to Investment securities – debt securities measured at FVOCI due to the business model being held to collect and sell. There was no re-measurement impact associated with this reclassification;
   - $3,252 million of Available-for-sale debt instruments were reclassified to Investment securities – debt securities at amortised cost due to the business model being held to collect at 1 October 2018. This reclassification resulted in re-measurement of a $2 million increase to the carrying amount arising from reversal of the previous available-for-sale revaluation reserve. Additionally, a deferred tax asset of $1 million associated with the previous available-for-sale revaluation was reversed;
   - the Group made irrevocable elections to designate $1,087 million of non-traded Available-for-sale equity securities as Investment securities - equity securities at FVOCI; and
   - $7 million of Available-for-sale equity securities were reclassified to Trading securities and the related reserve balance of $1 million was reclassified to Retained earnings.
3. Certain loans with contractual cash flow characteristics that are not solely payments of principal and interest were reclassified from Net loans and advances at amortised cost to Net Loans and advances at FVTPL. The loans had an amortised cost carrying amount of $224 million and a fair value of $201 million at 30 September 2018. The associated re-measurement of $23 million was recognised in Retained earnings offset by a decrease in current tax liabilities of $7 million. In addition, one of the loans was previously in a fair value hedge relationship which was discontinued effective 1 October 2018. Accordingly, changes in the fair value due to changes in the hedged risk which were previously recognised as a reduction to the carrying value of the loan amounting to $15 million were written back to Retained earnings offset by an increase in current tax liabilities of $4 million.
4. The Group elected to designate certain financial liabilities (bonds included within Debt issuances) as measured at fair value through profit or loss effective from 1 October 2018 to reduce an accounting mismatch. The bonds had an amortised cost carrying amount of $879 million and a fair value of $824 million at 30 September 2018. The difference of $55 million (comprising a $109 million decrease in fair value before own credit, offset by a $54 million increase in fair value attributable to own credit) offset by a net tax impact of $17 million (increase in deferred tax asset of $17 million and an increase in current tax liability of $34 million) was recognised in Retained earnings.
5. The Group recognised a decrease of $65 million to the carrying value of Investments in associates with a corresponding decrease to Retained earnings reflecting the Group's share of the estimated initial application impact of IFRS 9 (the international equivalent of AASB 9).
6. The initial application of the expected credit loss requirements of AASB 9, resulted in increases in provisions for credit impairment attributable to the following:
   - On-balance sheet loans and advances of $647 million reflected in the Net loans and advances at amortised cost;
   - Investment securities measured at amortised cost of $11 million reflected in the Investment securities – debt securities at amortised cost; and
   - Off-balance sheet credit related commitments of $155 million reflected in the Provisions.

   The total impact of $813 million was recognised as a reduction to Retained earnings, offset by an increase of $234 million related to deferred tax. Additionally, loss allowances of $10 million (after-tax) attributable to Investment securities – debt securities at FVOCI have been recognised in Reserves with a corresponding adjustment to Retained earnings. The debt securities remain at fair value on the face of the Balance Sheet.
7. On initial application of AASB 9, a portfolio of Negotiable Certificates of Deposit with a carrying amount of $2,906 million was reclassified from Net loans and advances at amortised cost to Investment Securities at amortised cost. There was no re-measurement impact associated with this reclassification.
8. On initial application of AASB 9, loans with a carrying amount and fair value of $1,340 million that were in the process of being syndicated were reclassified from Net loans and advances at amortised cost to Net Loans and advances at FVTPL on the basis that the applicable business model is held-to-sell. There was no re-measurement impact associated with this reclassification.

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 2019 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

30 April 2019

KPMG

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 Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited (the Group).

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.

The Condensed Consolidated Financial Statements comprise:

- The condensed consolidated balance sheet as at 31 March 2019;
- The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited are not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 March 2019 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*.

Responsibilities of the Directors for the Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Statements based on our review. 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 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 2019 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 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

KPMG
Melbourne
30 April 2019

A M Kitchen

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 2019, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG
Melbourne
30 April 2019

A M Kitchen

Alison Kitchen
Partner