Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Half year ended
March 31, 2014

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The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2014.

Directors

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

Mr JP Morschel	Chairman
Mr MRP Smith, OBE	Director and Chief Executive Officer
Dr GJ Clark	Director, retired on 18 December 2013
Ms PJ Dwyer	Director
Mr DM Gonski, AC	Director since 27 February 2014
Mr PAF Hay	Director
Mr Lee Hsien Yang	Director
Mr GR Liebelt	Director
Mr IJ Macfarlane, AC	Director
Mr DE Meiklejohn, AM	Director, retired on 18 December 2013
Ms AM Watkins	Director

Result

The consolidated profit attributable to shareholders of the Company was $3,381 million. Further details are contained in the CFO's Overview on pages 15 to 40 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 CFO's Overview on pages 15 to 40 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 129 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 Class Order 98/100.

Significant events since balance date

On 10 April 2014, the Company announced the sale of ANZ Trustees to Equity Trustees Limited for $150 million. The transaction is expected to be completed in July 2014 subject to regulatory approval. The gain on sale will be recognised in the second half of the 2014 financial year.

There have been no other significant events from 31 March 2014 to the date of this report.

Signed in accordance with a resolution of the Directors.

John P Morschel
Chairman

Michael R P Smith, OBE
Director

30 April 2014

Australia and New Zealand Banking Group Limited

	Note	Half Year			Movement	
		Mar-14 $M	**Sep-13[1] $M**	**Mar-13[1] $M**	**Mar-14 v. Sep-13**	**Mar-14 v. Mar-13**
Interest income		**14,430**	14,301	14,326	1%	1%
Interest expense		**(7,652)**	(7,743)	(8,126)	-1%	-6%
Net interest income	2	**6,778**	6,558	6,200	3%	9%
Other operating income	2	**1,882**	1,959	1,829	-4%	3%
Net funds management and insurance income	2	**611**	735	696	-17%	-12%
Share of associates' profit	2,18	**247**	271	211	-9%	17%
Operating income		**9,518**	9,523	8,936	0%	7%
Operating expenses	3	**(4,286)**	(4,213)	(4,044)	2%	6%
Profit before credit impairment and income tax		**5,232**	5,310	4,892	-1%	7%
Credit impairment charge	8	**(527)**	(600)	(588)	-12%	-10%
Profit before income tax		**4,705**	4,710	4,304	0%	9%
Income tax expense	4	**(1,318)**	(1,376)	(1,362)	-4%	-3%
Profit for the period		**3,387**	3,334	2,942	2%	15%
Comprising:						
Profit attributable to non-controlling interests		**6**	5	5	20%	20%
Profit attributable to shareholders of the Company		**3,381**	3,329	2,937	2%	15%
Earnings per ordinary share (cents)						
Basic	6	**124.4**	122.5	108.5	2%	15%
Diluted	6	**120.2**	118.5	105.3	1%	14%
Dividend per ordinary share (cents)	5	**83**	91	73	-9%	14%

The notes appearing on pages 100 to 127 form an integral part of the Condensed Consolidated Financial Statements.

1. *Comparative amounts have changed. Refer to Note 21 for details.*

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 14 $M	Sep 13[1] $M	Mar 13[1] $M	Mar 14 v. Sep 13	Mar 14 v. Mar 13
Profit for the period	**3,387**	3,334	2,942	2%	15%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement gain/(loss) on defined benefit plans	**36**	65	(22)	-45%	large
Income tax on items that will not be reclassified subsequently to profit or loss					
Remeasurement gain/(loss) on defined benefit plans	**(10)**	(17)	(1)	-41%	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
Exchange differences taken to equity	**570**	1,706	6	-67%	Large
Exchange differences transferred to income statement	**(11)**	-	-	n/a	n/a
Available-for-sale assets					
Valuation gain/(loss) taken to equity	**133**	(22)	35	large	Large
Transferred to income statement	**(45)**	5	(2)	large	Large
Cash flow hedges					
Valuation gain/(loss) taken to equity	**-**	(71)	(115)	-100%	-100%
Transferred to income statement	**(16)**	(5)	5	large	Large
Share of associates' other comprehensive income[2]	**(32)**	(2)	20	large	large
Income tax on items that may be reclassified subsequently to profit or loss					
Available-for-sale assets revaluation reserve	**(26)**	2	(9)	large	large
Cash flow hedge reserve	**3**	21	31	-86%	-90%
Other comprehensive income net of tax	**602**	1,682	(52)	-64%	large
Total comprehensive income for the period	**3,989**	5,016	2,890	-20%	38%
Comprising total comprehensive income attributable to:					
Non-controlling interests	**6**	10	5	-40%	20%
Shareholders of the Company	**3,983**	5,006	2,885	-20%	38%

1. *Comparative amounts have changed. Refer to Note 21 for details.*
2. *Share of associates other comprehensive income is comprised of Available-for-sale assets reserve loss of $32 million (Sep 13 half: loss of $2 million, Mar 13 half: gain of $20 million); Foreign currency translation reserve of nil (Sep 13 half: nil, Mar 13 half: loss of $1 million) and Cash flow hedge reserve of nil (Sep 13 half: nil, Mar 13 half: gain of $1 million).*

The notes appearing on pages 100 to 127 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at ($M)			Movement	
Assets	**Note**	**Mar 14**	**Sep 13[1]**	**Mar 13[1]**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Cash		**33,651**	25,270	39,779	33%	-15%
Settlement balances owed to ANZ		**16,209**	19,225	15,804	-16%	3%
Collateral paid		**6,219**	6,530	6,699	-5%	-7%
Trading securities		**46,170**	41,288	39,569	12%	17%
Derivative financial instruments		**43,829**	45,878	41,700	-4%	5%
Available-for-sale assets		**27,330**	28,277	23,410	-3%	17%
Net loans and advances	7	**509,250**	483,264	454,316	5%	12%
Regulatory deposits		**2,205**	2,106	1,679	5%	31%
Investment in associates		**4,323**	4,123	3,719	5%	16%
Current tax assets		**64**	20	55	large	16%
Deferred tax assets		**446**	725	659	-38%	-32%
Goodwill and other intangible assets		**7,969**	7,690	7,142	4%	12%
Investments backing policy liabilities		**33,197**	32,083	31,199	3%	6%
Other assets		**4,803**	4,352	4,821	10%	0%
Premises and equipment		**2,150**	2,164	2,079	-1%	3%
Total assets		**737,815**	702,995	672,630	5%	10%
Liabilities						
Settlement balances owed by ANZ		**8,133**	8,695	13,373	-6%	-39%
Collateral received		**3,880**	3,921	2,877	-1%	35%
Deposits and other borrowings	10	**498,318**	466,915	451,105	7%	10%
Derivative financial instruments		**45,876**	47,509	45,070	-3%	2%
Current tax liabilities		**285**	972	735	-71%	-61%
Deferred tax liabilities		**41**	14	12	large	large
Policy liabilities		**33,402**	32,388	31,087	3%	7%
External unit holder liabilities (life insurance funds)		**3,334**	3,511	3,730	-5%	-11%
Payables and other liabilities		**9,615**	9,059	9,074	6%	6%
Provisions		**1,115**	1,228	1,172	-9%	-5%
Bonds and notes		**73,552**	70,376	60,226	5%	22%
Loan capital	11	**13,226**	12,804	11,666	3%	13%
Total liabilities		**690,777**	657,392	630,127	5%	10%
Net assets		**47,038**	45,603	42,503	3%	11%
Shareholders' equity						
Ordinary share capital		**23,529**	23,641	23,589	0%	0%
Preference share capital		**871**	871	871	0%	0%
Reserves	13	**(334)**	(907)	(2,528)	-63%	-87%
Retained earnings	13	**22,905**	21,936	20,518	4%	12%
Share capital and reserves attributable to shareholders of the Company	13	**46,971**	45,541	42,450	3%	11%
Non-controlling interests	13	**67**	62	53	8%	26%
Total shareholders' equity	13	**47,038**	45,603	42,503	3%	11%

The notes appearing on pages 100 to 127 form an integral part of the Condensed Consolidated Financial Statements.

1. *Comparative amounts have changed. Refer to Note 21 for details.*

Australia and New Zealand Banking Group Limited

	Half Year		
	Mar 14 Inflows (Outflows) $M	**Sep 13[1] Inflows (Outflows) $M**	**Mar 13[1] Inflows (Outflows) $M**
Cash flows from operating activities			
Interest received	**14,309**	14,450	14,302
Interest paid	**(7,389)**	(8,083)	(8,250)
Dividends received	**19**	92	22
Other operating income received	**2,024**	7,146	2,470
Other operating expenses paid	**(4,216)**	(3,598)	(3,753)
Income taxes (paid)/refunds received	**(1,867)**	(1,203)	(1,291)
Net cash flows from funds management and insurance business			
Premiums, other income and life investment deposits received	**3,552**	3,360	2,733
Investment income and policy deposits received/(paid)	**48**	139	59
Claims and policy liability payments	**(2,642)**	(2,595)	(2,388)
Commission expense paid	**(230)**	(239)	(207)
Cash flows from operating activities before changes in operating assets and liabilities	**3,608**	9,469	3,697
Changes in operating assets and liabilities arising from cash flow movements			
(Increase)/decrease in operating assets			
Collateral paid	**396**	169	179
Trading securities	**(4,990)**	(1,624)	2,392
Loans and advances	**(16,357)**	(13,088)	(15,610)
Net cash flows from investments backing policy liabilities			
Purchase of insurance assets	**(2,474)**	(2,166)	(1,339)
Proceeds from sale/maturity of insurance assets	**2,217**	2,413	1,928
Increase/(decrease) in operating liabilities			
Deposits and other borrowings	**27,397**	(3,816)	31,357
Settlement balances owed by ANZ	**(624)**	(4,678)	7,957
Collateral received	**(70)**	1,045	346
Payables and other liabilities	**347**	(2)	(1,023)
Change in operating assets and liabilities arising from cash flow movements	**5,842**	(21,747)	26,187
Net cash provided by/(used in) operating activities	**9,450**	(12,278)	29,884
Cash flows from investing activities			
Available-for-sale assets			
Purchases	**(6,713)**	(6,091)	(10,229)
Proceeds from sale or maturity	**7,947**	2,683	7,541
Controlled entities and associates			
Purchased (net of cash acquired)	**-**	(1)	(1)
Proceeds from sale (net of cash disposed)	**9**	56	25
Premises and equipment			
Purchases	**(135)**	(207)	(149)
Other assets	**(856)**	(684)	(550)
Net cash provided by/(used in) investing activities	**252**	(4,244)	(3,363)
Cash flows from financing activities			
Bonds and notes			
Issue proceeds	**10,814**	11,915	6,980
Redemptions	**(8,860)**	(9,090)	(10,683)
Loan capital			
Issue proceeds	**1,874**	1,118	750
Redemptions	**(1,505)**	(500)	(965)
Dividends paid	**(1,970)**	(1,569)	(1,657)
Share capital issues	**2**	9	21
Share buyback	**(500)**	(425)	-
Net cash provided by/(used in) financing activities	**(145)**	1,458	(5,554)
Net increase/(decrease) in cash and cash equivalents	**9,557**	(15,064)	20,967
Cash and cash equivalents at beginning of period	**49,023**	60,777	41,450
Effects of exchange rate changes on cash and cash equivalents	**(88)**	3,310	(1,640)
Cash and cash equivalents at end of period	**58,492**	49,023	60,777

1. *Comparative amounts have changed as a result of the changes referred to in Note 21.*

The notes appearing on pages 100 to 127 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital	Preference shares	Reserves[1]	Retained earnings	Shareholders' equity attributable to Equity holders of the Bank	Non-controlling interests	Total Shareholders' equity
	$M	$M	$M	$M	$M	$M	$M
As at 1 October 2012	23,070	871	(2,498)	19,728	**41,171**	49	**41,220**
Restatement (refer Note 1)	-	-	-	(17)	**(17)**	-	**(17)**
As at 1 October 2012 (restated)	23,070	871	(2,498)	19,711	**41,154**	49	**41,203**
Profit or loss	-	-	-	2,937	**2,937**	5	**2,942**
Other comprehensive income for the period	-	-	(29)	(23)	**(52)**	-	**(52)**
Total comprehensive income for the period	-	-	(29)	2,914	**2,885**	5	**2,890**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,118)	**(2,118)**	-	**(2,118)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	10	**10**	-	**10**
Dividend reinvestment plan	451	-	-	-	**451**	-	**451**
Transactions with non-controlling interests	-	-	-	-	**-**	(1)	**(1)**
Other equity movements:							
Group share option scheme	21	-	-	-	**21**	-	**21**
Treasury shares Global Wealth adjustment	27	-	-	-	**27**	-	**27**
Group employee share acquisition Scheme	20	-	-	-	**20**	-	**20**
Transfer of options/rights lapsed	-	-	(1)	1	**-**	-	**-**
As at 31 March 2013	23,589	871	(2,528)	20,518	**42,450**	53	**42,503**
Profit or loss	-	-	-	3,329	**3,329**	5	**3,334**
Other comprehensive income for the period	-	-	1,629	48	**1,677**	5	**1,682**
Total comprehensive income for the period	-	-	1,629	3,377	**5,006**	10	**5,016**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,970)	**(1,970)**	(1)	**(1,971)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	10	**10**	-	**10**
Dividend reinvestment plan	392	-	-	-	**392**	-	**392**
Transactions with non-controlling interests	-	-	(10)	-	**(10)**	-	**(10)**
Other equity movements:							
Share based payments/(exercises)	-	-	3	-	**3**	-	**3**
Group share option scheme	9	-	-	-	**9**	-	**9**
Treasury shares Global Wealth adjustment	(20)	-	-	-	**(20)**	-	**(20)**
Group employee share acquisition scheme	96	-	-	-	**96**	-	**96**
Group share buyback	(425)	-	-	-	**(425)**	-	**(425)**
Transfer of options/rights lapsed	-	-	(1)	1	**-**	-	**-**
As at 30 September 2013	23,641	871	(907)	21,936	**45,541**	62	**45,603**
Profit or loss	-	-	-	3,381	**3,381**	6	**3,387**
Other comprehensive income for the period	-	-	576	26	**602**	-	**602**
Total comprehensive income for the period	-	-	576	3,407	**3,983**	6	**3,989**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,458)	**(2,458)**	(1)	**(2,459)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	12	**12**	-	**12**
Dividend reinvestment plan	476	-	-	-	**476**	-	**476**
Transactions with non-controlling interests	-	-	-	-	**-**		**-**
Other equity movements:							
Share based payments/(exercises)	-	-	5	-	**5**	-	**5**
Group share option scheme	2	-	-	-	**2**	-	**2**
Treasury shares Global Wealth adjustment	(2)	-	-	-	**(2)**	-	**(2)**
Group employee share acquisition scheme	(88)	-	-	-	**(88)**	-	**(88)**
Group share buyback	(500)	-	-	-	**(500)**	-	**(500)**
Transfer of options/rights lapsed	-	-	(8)	8	**-**	-	**-**
As at 31 March 2014	23,529	871	(334)	22,905	**46,971**	67	**47,038**

1. *Further information on reserves is disclosed in Note 13.*

The notes appearing on pages 100 to 127 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 2013 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2014 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules;
- are Condensed Consolidated Financial Statements as defined in the AASB 134 Interim Financial Reporting ("AASB 134"). This report does not include all notes of the type normally included in ANZ's Annual Financial Statements;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 30 April 2014.

i) Statement of compliance

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

ii) Accounting policies

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 2013 Annual Financial Statements with the exception of changes in policies arising from the adoption of a number of new and revised AAS's that are effective from 1 October 2013 as described below:

- AASB 10 Consolidated Financial Statements ("AASB 10")

This standard replaces AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities and establishes the principles for when the Group controls another entity and is required to consolidate the other entity in the Group's Financial Statements. The standard provides a single definition of control based on whether the investor is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Implementation of AASB 10 did not materially impact the Group.

- AASB 13 Fair Value Measurement ("AASB 13")

This standard provides a single source of guidance on fair value measurement for financial and non-financial assets and liabilities. Consequential amendments to AASB 134 require additional fair value disclosures for financial assets and liabilities for Interim Financial Reports which have been included in Note 14. Comparative information is not required in the first year of application. Initial application of the standard did not materially impact the Group.

- AASB 119 Employee Benefits (amended 2011)

These amendments impact the accounting for and disclosure of employee benefits by employers. The amendment to this standard has resulted in a change to the measurement of interest costs from defined benefit obligations.

In accordance with transitional provisions the changes have been applied retrospectively, with the net impact of initial application recognised in retained earnings as at 1 October 2012 and shown in the statement of changes in equity. The comparative balances of payables and other liabilities and the associated deferred tax asset have been restated. Refer to Note 21 for further details.

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, including in the case of fair value hedging, the fair value adjustment on the underlying hedged exposure;
- available-for-sale financial assets;
- financial instruments held for trading; and
- assets and liabilities designated at fair value through profit and loss.

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

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

iv) Use of estimates, assumptions and judgments

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting treatments, which include complex or subjective decisions or assessments, are covered in Note 2 of the 2013 Annual Financial Statements. Such estimates and judgements are reviewed on an ongoing basis.

v) Rounding of amounts

The amounts contained in these Condensed Consolidated Financial Statements have been rounded to the nearest million dollars, except where otherwise indicated, as permitted by Australian Securities and Investments Commission Class Order 98/100.

vi) Comparatives

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations. Refer to Note 21 for further details.

2. Income

	Mar 14 $M	Sep 13 $M	Mar 13 $M	Mar 14 v. Sep 13	Mar 14 v. Mar 13
Interest income	**14,430**	14,301	14,326	1%	1%
Interest expense	**(7,652)**	(7,743)	(8,126)	-1%	-6%
Net interest income	**6,778**	6,558	6,200	3%	9%
i) Fee and commission income					
Lending fees[1]	**396**	373	371	6%	7%
Non-lending fees and commissions	**1,069**	1,042	1,043	3%	2%
Total fee and commission income	**1,465**	1,415	1,414	4%	4%
Fee and commission expense	**(210)**	(187)	(183)	12%	15%
Net fee and commission income[2]	**1,255**	1,228	1,231	2%	2%
ii) Net funds management and insurance income					
Funds management income	**458**	444	418	3%	10%
Investment income	**1,232**	1,832	2,303	-33%	-47%
Insurance premium income	**534**	829	519	-36%	3%
Commission income/(expense)	**(230)**	(239)	(207)	-4%	11%
Claims	**(345)**	(364)	(345)	-5%	0%
Changes in policy liabilities[3]	**(998)**	(1,734)	(1,935)	-42%	-48%
Elimination of treasury share (gain)/loss	**(40)**	(33)	(57)	21%	-30%
Total net funds management and insurance income	**611**	735	696	-17%	-12%
iii) Share of associates' profit	**247**	271	211	-9%	17%
iv) Other income					
Net foreign exchange earnings	**593**	377	467	57%	27%
Net gains from trading securities and derivatives	**15**	33	267	-55%	-94%
Credit risk on credit intermediation trades	**9**	15	48	-40%	-81%
Movement on financial instruments measured at fair value through profit & loss[4]	**(140)**	236	(241)	large	-42%
Brokerage income	**28**	28	25	0%	12%
Write-down of investment in SSI	**-**	(26)	-	-100%	n/a
Dilution gain on investment in Bank of Tianjin	**12**	-	-	n/a	n/a
Insurance settlement	**26**	-	-	n/a	n/a
Other	**84**	68	32	24%	Large
Total other income	**627**	731	598	-14%	5%
Total other operating income[5]	**2,740**	2,965	2,736	-8%	0%
Total income	**17,170**	17,266	17,062	-1%	1%

1. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
2. *Includes interchange fees paid.*
3. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the super contributions made by members) debited to the policyholder account once a year in July when the statement is issued to the members at the end of the 30 June financial year.*
4. *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 cashflow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit and loss.*
5. *Total income includes external dividend income of $0.2 million (Sep 13 half: $1.8 million; Mar 13 half: $2.5 million).*

3. Operating expenses

	Half Year			Movement	
	Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Personnel					
Employee entitlements and taxes	**131**	149	115	-12%	14%
Salaries and wages	**1,627**	1,556	1,547	5%	5%
Superannuation costs - defined benefit plans	**4**	9	6	-56%	-33%
Superannuation costs - defined contribution plans	**148**	140	143	6%	3%
Equity-settled share-based payments	**110**	99	101	11%	9%
Temporary staff	**82**	84	64	-2%	28%
Other	**391**	380	371	3%	5%
Total personnel expenses	**2,493**	2,417	2,347	3%	6%
Premises					
Depreciation and amortisation	**50**	41	47	22%	6%
Rent	**226**	227	208	0%	9%
Utilities and other outgoings	**89**	89	81	0%	10%
Other	**26**	20	20	30%	30%
Total premises expenses	**391**	377	356	4%	10%
Computer					
Computer contractors	**124**	72	109	72%	14%
Data communications	**61**	60	55	2%	11%
Depreciation and amortisation	**265**	258	238	3%	11%
Rentals and repairs	**69**	71	71	-3%	-3%
Software purchased	**105**	155	120	-32%	-13%
Software impairment	**1**	-	8	n/a	-88%
Other	**15**	9	17	67%	-12%
Total computer expenses	**640**	625	618	2%	4%
Other					
Advertising and public relations	**125**	129	112	-3%	12%
Amortisation and impairment of intangible assets	**45**	50	50	-10%	-10%
Audit and other fees	**11**	8	10	38%	10%
Depreciation of furniture and equipment	**50**	48	49	4%	2%
Freight and cartage	**34**	33	32	3%	6%
Loss on sale and write-off of equipment	**2**	8	7	-75%	-71%
Non-lending losses	**27**	26	28	4%	-4%
Postage and stationery	**65**	67	61	-3%	7%
Professional fees	**106**	150	118	-29%	-10%
Telephone	**36**	36	34	0%	6%
Travel	**93**	102	85	-9%	9%
Other	**133**	109	80	22%	66%
Total other expenses	**727**	766	666	-5%	9%
Restructuring					
New Zealand simplification programme	**-**	4	14	-100%	-100%
Other	**35**	24	43	46%	-19%
Total restructuring expenses	**35**	28	57	25%	-39%
Operating expenses	**4,286**	4,213	4,044	2%	6%

4. Income tax expense

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the Income Statement	**Half Year**			**Movement**	
	Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Profit before income tax	**4,705**	4,710	4,304	0%	9%
Prima facie income tax expense at 30%	**1,412**	1,413	1,291	0%	9%
Tax effect of permanent differences:					
Overseas tax rate differential	**(59)**	(25)	(16)	large	large
Rebateable and non-assessable dividends	**(1)**	(1)	(3)	0%	-67%
Profit from associates	**(74)**	(81)	(63)	-9%	17%
Write-down of investment in SSI	**-**	8	-	-100%	n/a
Offshore Banking Unit	**(1)**	(2)	(4)	-50%	-75%
Global Wealth - Policyholder income and contributions tax	**21**	130	131	-84%	-84%
Global Wealth - Tax consolidation adjustment	**-**	(50)	-	-100%	n/a
Tax provisions no longer required	**(25)**	-	(4)	n/a	large
Interest on Convertible Instruments	**32**	29	29	10%	10%
Other	**13**	(48)	2	large	large
	1,318	1,373	1,363	-4%	-3%
Income tax under/(over) provided in previous years	**-**	3	(1)	-100%	-100%
Total income tax expense charged in the income statement	**1,318**	1,376	1,362	-4%	-3%
Australia	**879**	1,013	1,054	-13%	-17%
Overseas	**439**	363	308	21%	43%
	1,318	1,376	1,362	-4%	-3%
Effective Tax Rate - Group	**28.0%**	29.2%	31.6%		

5. Dividends

	Half Year			Movement	
Dividend per ordinary share (cents)	**Mar 14**	**Sep 13**	**Mar 13**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Interim (fully franked)	**83**	n/a	73	n/a	14%
Final (fully franked)	**n/a**	91	n/a	n/a	n/a
Ordinary share dividend[1]	**$M**	**$M**	**$M**	**%**	**%**
Interim dividend	**-**	2,003	-	n/a	n/a
Final dividend	**2,497**	-	2,150	n/a	16%
Bonus option plan adjustment	**(42)**	(36)	(35)	17%	20%
Total[2]	**2,455**	1,967	2,115	25%	16%
Ordinary share dividend payout ratio (%)[3]	**67.4%**	75.1%	68.3%		

1. *Dividends paid to ordinary equity holders of the Company. Excludes dividends payable by subsidiaries of the Group to non-controlling equity holders of approximately $1 million (Sep 13 half: $1 million; Mar 13 half: nil).*
2. *Dividends payable are not accrued and are recorded when paid.*
3. *Dividend payout ratio is calculated using proposed 2014 interim dividend of $2,278 million (not shown in the above table). The proposed 2014 interim dividend of $2,278 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2013 half year and March 2013 half year are calculated using actual dividend paid of $2,497 million and $2,003 million respectively. Dividend payout ratio is calculated by adjusting profit attributable to shareholders of the company by the amount of preference share dividends paid.*

Ordinary Shares

The Directors propose that an interim dividend of 83 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2014. The proposed 2014 interim dividend will be fully franked for Australian tax purposes and New Zealand imputation credits of NZD 10 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 2014 interim dividend. For the 2014 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. The “Acquisition Price” to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on 16 May 2014, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZ ordinary shares. Election notices from shareholders wanting to commence, cease or vary their participation in the DRP or BOP for the 2014 interim dividend must be received by ANZ's Share Registrar by 5.00pm (Australian Eastern Standard Time) on 14 May 2014.

Subject to receiving effective contrary instructions from the shareholder, dividends payable to shareholders with a registered address in the United Kingdom (including the Channel Islands and the Isle of Man) or New Zealand will be converted to Pounds Sterling and New Zealand Dollars respectively at an exchange rate calculated on 16 May 2014.

Preference Shares

	Half Year			Movement	
	Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Preference share dividend					
Euro Trust Securities	**3**	3	3	0%	0%
Dividend per preference share					
Euro Trust Securities	**€4.60**	€4.45	€4.37	3%	5%

6. Earnings per share

	Half Year			Movement	
	Mar 14	**Sep 13**	**Mar 13**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Number of fully paid ordinary shares on issue (M)[1]	**2,744.1**	2,743.7	2,743.7	0%	0%
Basic					
Profit attributable to shareholders of the Company ($M)	**3,381**	3,329	2,937	2%	15%
Less Preference share dividends ($M)	**(3)**	(3)	(3)	0%	0%
Profit less preference share dividends ($M)	**3,378**	3,326	2,934	2%	15%
Weighted average number of ordinary shares (M)[2]	**2,715.2**	2,714.8	2,704.1	0%	0%
Basic earnings per share (cents)	**124.4**	122.5	108.5	2%	15%
Diluted					
Profit less preference share dividends ($M)	**3,378**	3,326	2,934	2%	15%
Interest on US Trust Securities ($M)[3]	**7**	17	14	-59%	-50%
Interest on ANZ Convertible Preference Shares ($M)[4]	**85**	90	96	-6%	-11%
Interest on ANZ Capital Notes ($M)[5]	**24**	7	-	large	n/a
Profit attributable to shareholders of the Company excluding interest on US Trust Securities, ANZ Convertible Preference Shares and ANZ Capital Notes ($M)	**3,494**	3,440	3,044	2%	15%
Weighted average number of shares on issue (M)[2]	**2,715.2**	2,714.8	2,704.1	0%	0%
Weighted average number of convertible options (M)	**5.0**	4.8	5.3	4%	-6%
Weighted average number of convertible US Trust Securities (M)[3]	**16.8**	27.5	26.5	-39%	-37%
Weighted average number of ANZ Convertible Preference Shares (M)[4]	**134.5**	144.6	156.0	-7%	-14%
Weighted average number of convertible ANZ Capital Notes (M)[5]	**34.5**	11.0	-	large	n/a
Adjusted weighted average number of shares - diluted (M)[6]	**2,906.0**	2,902.7	2,891.9	0%	0%
Diluted earnings per share (cents)	**120.2**	118.5	105.3	1%	14%

1. *Number of fully paid ordinary shares on issue includes Treasury shares of 26.9 million at 31 March 2014 (Sep 13: 28.4 million; Mar 13: 28.7 million), comprised of 12.6 million Treasury shares held in Global Wealth (Sep 13: 12.6 million; Mar 13: 12.1 million) and 14.3 million in ANZEST Pty Ltd (Sep 13: 15.8 million; Mar 13: 16.6 million).*
2. *Weighted average number of ordinary shares excludes 12.8 million weighted average number of ordinary Treasury shares held in Global Wealth (Sep 13: 12.7 million; Mar 13: 12.5 million) and 15.0 million weighted average number of ordinary Treasury shares held in ANZEST Pty Ltd (Sep 13: 16.4 million; Mar 13: 16.6 million) for the group employee share acquisition scheme.*
3. *The US Trust Securities (issued on 27 November 2003) were due to convert to ANZ ordinary shares in 2053 at the market price of ANZ ordinary shares less 5% unless redeemed or bought back prior to that date. The US Trust Securities were redeemed by ANZ for cash at face value on 16 December 2013.*
4. *There are three "tranches" of convertible preference shares. The first are convertible preference shares (CPS1) issued on 30 September 2008 which convert to ordinary shares on 16 June 2014 at the market price of ANZ ordinary shares less 2.5% (subject to certain conversion conditions). On 31 March 2014, 6.3 million CPS1 were cancelled and re-invested in ANZ Capital Notes 2 (CN2) issued on that date. The second are convertible preference shares (CPS2) issued on 17 December 2009 and convert to ordinary shares on 15 December 2016 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions). The third are convertible preference shares (CPS3) issued on 28 September 2011 that convert to ordinary shares on 1 September 2019 at the market price of ANZ ordinary shares less 1% (subject to certain conversion conditions).*
5. *There are two "tranches" of ANZ Capital Notes. The first are ANZ Capital Notes (CN1) issued on 7 August 2013 which convert to ANZ ordinary shares on 1 September 2023 at the market price of ANZ ordinary shares less 1.0% (subject to certain market conditions). The second are ANZ Capital Notes 2 (CN2) issued on 31 March 2014 which convert to ANZ ordinary shares on 24 March 2024 at the market price of ANZ ordinary shares less 1.0% (subject to certain market conditions).*
6. *The earnings per share calculation excludes the Euro Trust Securities (Preference Shares).*

7. Net loans and advances

	As at ($M)			Movement	
	Mar 14	Sep 13	Mar 13	Mar 14 v. Sep 13	Mar 14 v. Mar 13
Australia					
Overdrafts	**5,756**	6,400	5,779	-10%	0%
Credit card outstandings	**8,852**	8,847	8,761	0%	1%
Commercial bills outstanding	**12,224**	13,855	16,388	-12%	-25%
Term loans - housing	**201,396**	194,755	187,708	3%	7%
Term loans - non-housing	**106,967**	99,162	93,948	8%	14%
Lease receivables	**1,563**	1,597	1,560	-2%	0%
Hire purchase	**1,764**	2,118	2,388	-17%	-26%
Other	**490**	79	704	large	-30%
	339,012	326,813	317,236	4%	7%
Asia Pacific, Europe & America					
Overdrafts	**1,456**	1,239	1,077	18%	35%
Credit card outstandings	**1,135**	1,103	994	3%	14%
Commercial bills outstanding	**2,431**	2,681	1,539	-9%	58%
Term loans - housing	**6,063**	5,737	4,494	6%	35%
Term loans - non-housing	**65,115**	58,927	52,385	11%	24%
Lease receivables	**140**	147	132	-5%	6%
Other	**121**	303	334	-60%	-64%
	76,461	70,137	60,955	9%	25%
New Zealand					
Overdrafts	**1,221**	1,194	987	2%	24%
Credit card outstandings	**1,430**	1,297	1,135	10%	26%
Term loans - housing	**57,254**	52,785	46,080	8%	24%
Term loans - non-housing	**36,110**	33,838	30,422	7%	19%
Lease receivables	**105**	114	119	-8%	-12%
Hire purchase	**720**	642	535	12%	35%
Other	**117**	111	108	5%	8%
	96,957	89,981	79,386	8%	22%
Total gross loans and advances	**512,430**	486,931	457,577	5%	12%
Less: Provision for credit impairment (refer note 8)	**(4,313)**	(4,354)	(4,312)	-1%	0%
Less: Unearned income[1]	**(1,052)**	(1,067)	(1,087)	-1%	-3%
Add: Capitalised brokerage/mortgage origination fees[2]	**1,000**	942	869	6%	15%
Add: Customers' liabilities for acceptances	**1,185**	812	1,269	46%	-7%
	(3,180)	(3,667)	(3,261)	-13%	-2%
Total net loans and advances	**509,250**	483,264	454,316	5%	12%

1. *Includes fees deferred and amortised using the effective interest method of $391 million (Sep 13: $381 million; Mar 13: $362 million).*
2. *Capitalised brokerage/mortgage origination fees are amortised over the term of the loan.*

8. Provision for credit impairment

	Half Year			Movement	
Collective provision	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Balance at start of period	**2,887**	2,769	2,765	4%	4%
Charge/(credit) to income statement	**(74)**	26	4	large	large
Adjustment for exchange rate fluctuations	**30**	92	-	-67%	n/a
Total collective provision[1]	**2,843**	2,887	2,769	-2%	3%
Individual provision					
Balance at start of period	**1,467**	1,543	1,773	-5%	-17%
New and increased provisions	**966**	957	932	1%	4%
Write-backs	**(257)**	(247)	(240)	4%	7%
Adjustment for exchange rate fluctuations	**12**	54	(3)	-78%	large
Discount unwind	**(30)**	(47)	(55)	-36%	-45%
Bad debts written-off	**(688)**	(793)	(864)	-13%	-20%
Total individual provision	**1,470**	1,467	1,543	0%	-5%
Total provision for credit impairment	**4,313**	4,354	4,312	-1%	0%

1. *The collective provision includes amounts for off-balance sheet credit exposures: $597 million at Mar 14 (Sep 13: $595 million; Mar 13: $531 million). The impact on the income statement for the half year ended 31 March 2014 was an $8 million release (Sep 13 half: $35 million charge; Mar 13 half: $2 million charge).*

	Half Year			Movement	
Provision movement analysis	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
New and increased provisions					
Australia	**688**	658	646	5%	7%
Asia Pacific, Europe & America	**152**	143	132	6%	15%
New Zealand	**126**	156	154	-19%	-18%
	966	957	932	1%	4%
Write-backs	**(257)**	(247)	(240)	4%	7%
	709	710	692	0%	2%
Recoveries of amounts previously written-off	**(108)**	(136)	(111)	-21%	-3%
Individual credit impairment charge for loans and advances	**601**	574	581	5%	3%
Impairment on available-for-sale assets	**-**	-	3	n/a	-100%
Collective credit impairment charge/(credit) to income statement	**(74)**	26	4	large	large
Credit impairment charge	**527**	600	588	-12%	-10%

	Half Year			Movement	
Individual provision balance	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Australia	**941**	944	955	0%	-1%
Asia Pacific, Europe & America	**296**	262	275	13%	8%
New Zealand	**233**	261	313	-11%	-26%
Total individual provision	**1,470**	1,467	1,543	0%	-5%

9. Credit quality

Financial Assets maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances, there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the table below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity investments which are primarily subject to market risk. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

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

As at March 2014 **$M**	**Reported**	**Excluded[1]**	**Maximum exposure to credit risk**
Cash	33,651	1,511	32,140
Settlement balances owed to ANZ	16,209	-	16,209
Collateral Paid	6,219	-	6,219
Trading securities	46,170	-	46,170
Derivative financial instruments[2]	43,829	-	43,829
Available-for-sale assets	27,330	37	27,293
Net loans and advances[3]	509,250	-	509,250
Regulatory deposits	2,205	-	2,205
Investments relating to insurance business	33,197	33,197	-
Other financial assets[4]	8,076	-	8,076
On-balance sheet sub total	726,136	34,745	691,391
Undrawn facilities	177,386	-	177,386
Contingent facilities	39,268	-	39,268
Off-balance sheet sub total	216,654	-	216,654
Total	942,790	34,745	908,045
As at September 2013 **$M**			
Cash	25,270	1,318	23,952
Settlement balances owed to ANZ	19,225	-	19,225
Collateral Paid	6,530	-	6,530
Trading securities	41,288	-	41,288
Derivative financial instruments[2]	45,878	-	45,878
Available-for-sale assets	28,277	59	28,218
Net loans and advances[3]	483,264	-	483,264
Regulatory deposits	2,106	-	2,106
Investments relating to insurance business	32,083	32,083	-
Other financial assets[4]	7,038	-	7,038
On-balance sheet sub total	690,959	33,460	657,499
Undrawn facilities	170,670	-	170,670
Contingent facilities	36,532	-	36,532
Off-balance sheet sub total	207,202	-	207,202
Total	898,161	33,460	864,701

1. *Includes bank notes and coins within cash, equity instruments within available-for-sale financial assets and investments relating to the insurance business where the credit risk is passed onto the policy holder.*
2. *Derivative financial instruments are net of credit valuation adjustments.*
3. *Includes individual and collective provisions for credit impairment held in respect of credit related commitments.*
4. *Mainly comprises trade dated assets and accrued interest.*

As at March 2013 **$M**	**Reported**	**Excluded[1]**	**Maximum exposure to credit risk**
Cash	39,779	1,629	38,150
Settlement balances owed to ANZ	15,804	-	15,804
Collateral Paid	6,699	-	6,699
Trading securities	39,569	-	39,569
Derivative financial instruments[2]	41,700	-	41,700
Available-for-sale assets	23,410	65	23,345
Net loans and advances[3]	454,316	-	454,316
Regulatory deposits	1,679	-	1,679
Investments relating to insurance business	31,199	31,087	112
Other financial assets[4]	5,662	-	5,662
On-balance sheet sub total	659,817	32,781	627,036
Undrawn facilities	152,467	-	152,467
Contingent facilities	34,008	-	34,008
Off-balance sheet sub total	186,475	-	186,475
Total	846,292	32,781	813,511

1. *Includes bank notes and coins within cash, equity instruments within available-for-sale financial assets and investments relating to the insurance business where the credit risk is passed onto the policy holder.*
2. *Derivative financial instruments are net of credit valuation adjustments.*
3. *Includes individual and collective provisions for credit impairment held in respect of credit related commitments.*
4. *Mainly comprises trade dated assets and accrued interest.*

9. Credit quality, cont'd

Distribution of financial assets by credit quality

As at March 2014 $M	Neither past due nor impaired	Past due but not impaired	Restructured	Net Impaired	Total
Cash	32,140	-	-	-	32,140
Settlement balances owed to ANZ	16,209	-	-	-	16,209
Collateral Paid	6,219	-	-	-	6,219
Trading securities	46,170	-	-	-	46,170
Derivative financial instruments[1]	43,771	-	-	58	43,829
Available-for-sale assets	27,293	-	-	-	27,293
Net loans and advances[2]	494,860	13,083	60	1,918	509,921
Regulatory deposits	2,205	-	-	-	2,205
Investments backing policy liabilities	-	-	-	-	-
Other financial assets[3]	8,076	-	-	-	8,076
Credit related commitments[4]	215,869	-	-	114	215,983
Total	892,812	13,083	60	2,090	908,045

As at September 2013 $M					
Cash	23,952	-	-	-	23,952
Settlement balances owed to ANZ	19,225	-	-	-	19,225
Collateral Paid	6,530	-	-	-	6,530
Trading securities	41,288	-	-	-	41,288
Derivative financial instruments[1]	45,786	-	25	67	45,878
Available-for-sale assets	28,218	-	-	-	28,218
Net loans and advances[2]	469,496	11,763	316	2,311	483,886
Regulatory deposits	2,106	-	-	-	2,106
Investments backing policy liabilities	-	-	-	-	-
Other financial assets[3]	7,038	-	-	-	7,038
Credit related commitments[4]	206,502	-	-	78	206,580
Total	850,141	11,763	341	2,456	864,701

As at March 2013 $M					
Cash	38,150	-	-	-	38,150
Settlement balances owed to ANZ	15,804	-	-	-	15,804
Collateral Paid	6,699	-	-	-	6,699
Trading securities	39,569	-	-	-	39,569
Derivative financial instruments[1]	41,592	-	25	83	41,700
Available-for-sale assets	23,345	-	-	-	23,345
Net loans and advances[2]	440,076	11,837	499	2,460	454,872
Regulatory deposits	1,679	-	-	-	1,679
Investments backing policy liabilities	112	-	-	-	112
Other financial assets[3]	5,662	-	-	-	5,662
Credit related commitments[4]	185,844	-	-	75	185,919
Total	798,532	11,837	524	2,618	813,511

1. *Derivative assets, considered impaired, are net of credit valuation adjustments.*
2. *Individual and collective provisions for credit impairment held in respect of credit related commitments have been reallocated to credit related commitments in this table.*
3. *Mainly comprises trade dated assets and accrued interest.*
4. *Comprises undrawn commitments and customer contingent liabilities net of collective and individual provisions.*

9. Credit quality, cont'd

Credit quality of financial assets neither past due nor impaired

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

As at March 2014 $M	Strong credit profile[1]	Satisfactory risk[2]	Sub-standard but not past due or impaired[3]	Total
Cash	31,929	211	-	32,140
Settlement balances owed to ANZ	15,345	732	132	16,209
Collateral Paid	6,217	2	-	6,219
Trading securities	46,170	-	-	46,170
Derivative financial instruments	42,841	851	79	43,771
Available-for-sale assets	25,980	1,297	16	27,293
Net loans and advances	377,153	101,346	16,361	494,860
Regulatory deposits	1,611	538	56	2,205
Investments backing policy liabilities	-	-	-	-
Other financial assets[4]	7,724	304	48	8,076
Credit related commitments[5]	183,807	29,851	2,211	215,869
	738,777	135,132	18,903	892,812

As at September 2013 $M				
Cash	23,951	1	-	23,952
Settlement balances owed to ANZ	19,137	77	11	19,225
Collateral Paid	6,528	2	-	6,530
Trading securities	41,288	-	-	41,288
Derivative financial instruments	44,465	1,170	151	45,786
Available-for-sale assets	26,923	1,280	15	28,218
Net loans and advances	350,119	101,783	17,594	469,496
Regulatory deposits	1,132	445	529	2,106
Other financial assets[4]	6,698	289	51	7,038
Credit related commitments[5]	174,565	29,661	2,276	206,502
	694,806	134,708	20,627	850,141

As at March 2013 $M				
Cash	38,054	95	1	38,150
Settlement balances owed to ANZ	15,536	267	1	15,804
Collateral Paid	6,698	1	-	6,699
Trading securities	39,328	240	1	39,569
Derivative financial instruments	40,582	802	208	41,592
Available-for-sale assets	21,819	1,520	6	23,345
Net loans and advances	325,853	96,751	17,472	440,076
Regulatory deposits	810	405	464	1,679
Investments backing policy liabilities	112	-	-	112
Other financial assets[4]	5,276	327	59	5,662
Credit related commitments[5]	154,240	29,379	2,225	185,844
	648,308	129,787	20,437	798,532

1. *Customers that have demonstrated superior stability in their operating and financial performance over the long-term, and whose debt servicing capacity is not significantly vulnerable to foreseeable events. This rating broadly corresponds to ratings "Aaa" to "Baa3" and "AAA" to "BBB-" of Moody's and Standard & Poor's respectively.*
2. *Customers that have consistently demonstrated sound operational and financial stability over the medium to long term, even though some may be susceptible to cyclical trends or variability in earnings. This rating broadly corresponds to ratings "Ba2" to "Ba3" and "BB" to "BB-" of Moody's and Standard & Poor's respectively.*
3. *Customers that have demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term. This rating broadly corresponds to ratings "B1" to "Caa" and "B+" to "CCC" of Moody's and Standard & Poor's respectively.*
4. *Mainly comprises trade dated assets and accrued interest.*
5. *Comprises undrawn commitments and customer contingent liabilities net of collective provisions.*

9. Credit quality, cont'd

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

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

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

March 2014 Half Year $M	1-5 days	6-29 days	30-59 days	60-89 days	> 90 days	Total
Net loans and advances	3,345	4,660	2,037	980	2,061	13,083
Total	3,345	4,660	2,037	980	2,061	13,083

September 2013 Half Year $M	1-5 days	6-29 days	30-59 days	60-89 days	> 90 days	Total
Net loans and advances	3,096	4,416	1,506	927	1,818	11,763
Total	3,096	4,416	1,506	927	1,818	11,763

March 2013 Half Year $M	1-5 days	6-29 days	30-59 days	60-89 days	> 90 days	Total
Net loans and advances	2,088	5,294	1,870	889	1,696	11,837
Total	2,088	5,294	1,870	889	1,696	11,837

Financial assets that are individually impaired

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

As described in the summary of significant accounting policies in the 2013 Annual Financial Statements, provisions are created for financial instruments that are reported on the balance sheet at amortised cost. For instruments reported at fair value, impairment provisions are treated as part of overall change in fair value and directly reduce the reported carrying amounts.

	Impaired instruments			Individual provision balances		
	As at ($M)			As at ($M)		
	Mar 14 $M	Sep 13 $M	Mar 13 $M	Mar 14 $M	Sep 13 $M	Mar 13 $M
Derivative financial instruments[1]	**58**	67	83	**-**	-	-
Net loans and advances	**3,314**	3,751	3,978	**1,396**	1,440	1,518
Credit related commitments[2]	**188**	105	100	**74**	27	25
Total	**3,560**	3,923	4,161	**1,470**	1,467	1,543

1. *Derivative assets, considered impaired, are net of credit valuation adjustments.*
2. *Comprises undrawn commitments and customer contingent liabilities.*

	As at ($M)			Movement	
	Mar 14	Sep 13	Mar 13	Mar 14 v. Sep 13	Mar 14 v. Mar 13
Less than $10 million	**2,204**	2,235	2,246	-1%	-2%
$10 million to $100 million	**897**	1,491	1,659	-40%	-46%
Greater than $100 million	**519**	538	780	-4%	-33%
Gross impaired assets[1]	**3,620**	4,264	4,685	-15%	-23%
Less: Individually assessed provisions for impairment	**(1,470)**	(1,467)	(1,543)	0%	-5%
Net impaired assets	**2,150**	2,797	3,142	-23%	-32%

1. *Includes $60 million restructured items (Sep 13: $341 million; Mar 13: $524 million).*

10. Deposits and other borrowings

	As at ($M)			Movement	
Australia	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Certificates of deposit	**51,217**	51,448	52,231	0%	-2%
Term deposits	**77,900**	80,297	78,515	-3%	-1%
Other deposits bearing interest and other borrowings	**132,331**	121,932	111,895	9%	18%
Deposits not bearing interest	**6,157**	5,701	5,373	8%	15%
Deposits from banks	**13,617**	6,767	8,024	large	70%
Commercial paper	**8,812**	8,015	11,008	10%	-20%
Borrowing corporations' debt	**1**	19	67	-95%	-99%
	290,035	274,179	267,113	6%	9%
Asia Pacific, Europe & America					
Certificates of deposit	**4,986**	4,725	8,030	6%	-38%
Term deposits	**79,586**	76,259	74,601	4%	7%
Other deposits bearing interest and other borrowings	**19,077**	18,308	15,412	4%	24%
Deposits not bearing interest	**3,990**	3,827	3,012	4%	32%
Deposits from banks	**22,449**	20,314	22,214	11%	1%
Commercial paper	**2,166**	-	-	n/a	n/a
	132,254	123,433	123,269	7%	7%
New Zealand					
Certificates of deposit	**1,504**	2,103	1,303	-28%	15%
Term deposits	**32,686**	30,135	27,053	8%	21%
Other deposits bearing interest and other borrowings	**29,841**	26,419	22,735	13%	31%
Deposits not bearing interest	**5,468**	4,918	4,585	11%	19%
Deposits from banks	**30**	160	393	-81%	-92%
Commercial paper	**5,063**	4,240	3,478	19%	46%
Borrowing corporations' debt	**1,437**	1,328	1,176	8%	22%
	76,029	69,303	60,723	10%	25%
Total deposits and other borrowings	**498,318**	466,915	451,105	7%	10%

11. Loan capital

APRA has granted ANZ transitional capital treatment for the ANZ Convertible Preference Shares (CPS) and all outstanding subordinated notes issued prior to 1 January 2013. Transition will apply up until the security's first call date, except in the case of the outstanding USD and NZD Perpetual Subordinated Notes and ANZ CPS3 where the transitional treatment will apply up until the earlier of the end of the transitional period (January 2021) and the first call date when either a step up event (i.e. an increase in credit margin) or a conversion to ordinary shares is to occur.

	Half Year			Movement	
	Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Tier 1					
US Trust Securities[1]	**-**	812	740	-100%	-100%
Convertible Preference Shares (ANZ CPS)					
ANZ CPS1[2]	**454**	1,081	1,080	-58%	-58%
ANZ CPS2[3]	**1,965**	1,963	1,961	0%	0%
ANZ CPS3[4]	**1,331**	1,329	1,327	0%	0%
ANZ Capital Notes 1[5]	**1,107**	1,106	-	0%	n/a
ANZ Capital Notes 2[6]	**1,593**	-	-	n/a	n/a
Tier 2					
Perpetual subordinated notes	**1,108**	1,065	957	4%	16%
Subordinated notes	**5,668**	5,448	5,601	4%	1%
Total Loan Capital	**13,226**	12,804	11,666	3%	13%

1. On 27 November 2003, ANZ issued USD 750 million Trust Securities each comprising an interest paying unsecured note and a preference share which were stapled together. ANZ redeemed the Trust Securities on 16 December 2013. The securities constituted Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

2. On 30 September 2008, ANZ issued convertible preference shares (CPS1) which will convert into ANZ ordinary shares on 16 June 2014 at a 2.5% discount (subject to certain conditions being satisfied). $627 million CPS1 were reinvested in ANZ Capital Notes 2 (CN2) on 31 March 2014 leaving $454 million outstanding. The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

3. On 17 December 2009, ANZ issued convertible preference shares (CPS2) which will convert into ANZ ordinary shares on 15 December 2016 at a 1% discount (subject to certain conditions being satisfied). The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

4. On 28 September 2011, ANZ issued convertible preference shares (CPS3) which will convert into ANZ ordinary shares on 1 September 2019 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125% then the convertible preference shares will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on and from 1 September 2017 the convertible preference shares are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ. The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

5. On 7 August 2013, ANZ issued convertible notes (ANZ Capital Notes or CN1) which will convert into ANZ ordinary shares on 1 September 2023 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on and from 1 September 2021 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ. The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

6. On 31 March 2014, ANZ issued convertible notes (ANZ Capital Notes 2 or CN2) which will convert into ANZ ordinary shares on 24 March 2024 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on and from 24 March 2022 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ. The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.

12. Share capital

Issued and quoted securities

	Number quoted	Issue price per share	Amount paid up per share
Ordinary shares			
As at 31 March 2014	2,744,118,670		
Issued during the half year	16,352,516		
Bought back during half year[1]	15,889,156		
Preference shares			
As at 31 March 2014			
Euro Trust Securities[2,3]	500,000	€1,000	€1,000

1. *Following the issue of 16.2 million ordinary shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2013 final dividend, the Company repurchased $500 million of ordinary shares via an on-market share buy-back resulting in 15.9 million ordinary shares being cancelled.*
2. *On 13 December 2004, ANZ issued €500 million Trust Securities each comprising subordinated floating rate notes due 2053 stapled to a preference share. Subject to certain conditions, the securities are redeemable by the issuer on 16 December 2014. The securities constitute Additional Tier 1 capital as defined by APRA for capital adequacy purposes.*
3. *APRA has granted ANZ transitional capital treatment for the Euro Trust Securities (preference shares) until their first call date on 16 December 2014.*

13. Shareholders' equity

	Half Year			Movement	
	Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Share capital					
Balance at start of period	**24,512**	24,460	23,941	0%	2%
Ordinary share capital					
Dividend reinvestment plan	**476**	392	451	21%	6%
Group employee share acquisition scheme[1]	**(88)**	96	20	large	large
Treasury shares in Global Wealth[2]	**(2)**	(20)	27	-90%	large
Group share option scheme	**2**	9	21	-78%	-90%
Group share buyback[3]	**(500)**	(425)	-	18%	n/a
Total share capital	**24,400**	24,512	24,460	0%	0%
Foreign currency translation reserve					
Balance at start of period	**(1,125)**	(2,826)	(2,831)	-60%	-60%
Transfer to the income statement	**(11)**	-	-	n/a	n/a
Currency translation adjustments net of hedges after tax	**570**	1,701	5	-66%	large
Total foreign currency translation reserve	**(566)**	(1,125)	(2,826)	-50%	-80%
Share option reserve[4]					
Balance at start of period	**55**	53	54	4%	2%
Share based payments/(exercises)	**5**	3	-	67%	n/a
Transfer of options/rights lapsed to retained earnings	**(8)**	(1)	(1)	large	large
Total share option reserve	**52**	55	53	-5%	-2%

1. *As at 31 March 2014, there were 14.3 million ANZEST Treasury shares outstanding (Sep 13: 15.8 million, Mar 13: 16.6 million). Shares in the Company which are purchased on-market by ANZEST Pty Ltd (trustee of ANZ employee share and option plans) or issued by the Company to ANZEST Pty Ltd are classified as Treasury shares (to the extent that they relate to unvested employee share-based awards).*
2. *As at 31 March 2014, there were 12.6 million Global Wealth Treasury shares outstanding (Sep 13: 12.6 million, Mar 13: 12.1 million). Global Wealth purchases and holds shares in the Company to back policy liabilities in the life insurance statutory funds. These shares are classified as Treasury shares.*
3. *Following the issue of 16.2 million ordinary shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2013 final dividend, the Company repurchased $500 million of ordinary shares via an on-market share buy-back resulting in 15.9 million ordinary shares being cancelled.*
4. *The share option reserve arises on the grant of share options/deferred share rights/performance rights ("options and rights") to selected employees under the ANZ Share Option Plan. Amounts are transferred from the share option reserve to other equity accounts when the options and rights are exercised and to retained earnings when lapsed or forfeited after vesting. Forfeited options and rights due to termination prior to vesting are credited to the income statement.*

13. Shareholders' equity, cont'd

	Half Year			Movement	
	Mar 14 $M	Sep 13 $M	Mar 13 $M	Mar 14 v. Sep 13	Mar 14 v. Mar 13
Available-for-sale revaluation reserve[5]					
Balance at start of period	**121**	138	94	-12%	29%
Gain/(loss) recognised after tax	**62**	(21)	15	large	large
Transferred to income statement	**(32)**	4	29	large	large
Total available-for-sale revaluation reserve	**151**	121	138	25%	9%
Hedging reserve[6]					
Balance at start of period	**75**	130	208	-42%	-64%
Gain/(loss) recognised after tax	**-**	(52)	(81)	-100%	-100%
Transferred to income statement	**(13)**	(3)	3	large	large
Total hedging reserve	**62**	75	130	-17%	-52%
Transactions with non-controlling interests reserve					
Balance at start of period	**(33)**	(23)	(23)	43%	43%
Transactions with non-controlling interests	**-**	(10)	-	-100%	n/a
Total transactions with non-controlling interests reserve	**(33)**	(33)	(23)	0%	43%
Total reserves	**(334)**	(907)	(2,528)	-63%	-87%
Retained earnings					
Balance at start of period	**21,936**	20,518	19,728	7%	11%
Restatement (refer Note 1)	**-**	-	(17)	n/a	-100%
Restated balance at beginning of period	**21,936**	20,518	19,711	7%	11%
Profit attributable to shareholders of the Company	**3,381**	3,329	2,937	2%	15%
Transfer of options/rights lapsed from share option reserve	**8**	1	1	large	large
Total available for appropriation	**25,325**	23,848	22,649	6%	12%
Remeasurement gain/(loss) on defined benefit plans after tax	**26**	48	(23)	-46%	large
Ordinary share dividends paid	**(2,455)**	(1,967)	(2,115)	25%	16%
Dividend income on Treasury shares held within the Group's life insurance statutory funds	**12**	10	10	20%	20%
Preference share dividends paid	**(3)**	(3)	(3)	0%	0%
Retained earnings at end of period	**22,905**	21,936	20,518	4%	12%
Share capital and reserves attributable to shareholders of the Company	**46,971**	45,541	42,450	3%	11%
Non-controlling interests	**67**	62	53	8%	26%
Total shareholders' equity	**47,038**	45,603	42,503	3%	11%

5. *The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold or impaired, that portion of the reserve which relates to that financial asset is recognised in the income statement.*

6. *The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts profit or loss.*

14. Fair Value Measurement

A significant number of financial instruments are carried on balance sheet at fair value. The following disclosures set out the Group's fair value measurements, various levels within which the fair value measurements are categorised, valuation methodologies and, techniques and inputs used.

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

Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is at fair value or considered a reasonable approximation of fair value:

	Carrying amount in the balance sheet			Fair Value
	At amortised cost	At fair value	Total	
	Mar 14 $M	Mar 14 $M	Mar 14 $M	Mar 14 $M
Financial assets				
Net loans and advances[1]	509,012	238	509,250	509,536
	509,012	238	509,250	509,536
Financial liabilities				
Deposits and other borrowings	493,255	5,063	498,318	498,423
Bonds and notes[1]	70,871	2,681	73,552	74,506
Loan capital[1]	13,226	-	13,226	13,424
	577,352	7,744	585,096	586,353

1. *Fair value hedging is applied to certain financial instruments within these categories. The resulting fair value adjustments mean that the carrying value differs from the amortised cost.*

(ii) Financial assets and financial liabilities measured at fair value in the balance sheet

(a) Valuation methodologies

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

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

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

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

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

(b) Valuation techniques and inputs used

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

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

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

- For instruments classified as Trading security assets and Trading liabilities, Derivative financial assets and liabilities, Available-for-sale financial assets, and Investments backing policy liabilities, fair value measurements are derived by using modelled valuations techniques (including discounted cash flow models) that incorporate market prices/yields for securities with similar credit risk, maturity and yield characteristics; and/or current market yields for similar instruments.
- For Net loans and advances, Deposits and other borrowings and Bonds and notes, discounted cash flow techniques are used where contractual future cash flows of the instrument are discounted using discount rates incorporating changes in wholesale market rates or market borrowing rates of debt with similar maturities or a yield curve appropriate for the remaining term to maturity.
- The fair value of External unit holder liabilities (life insurance funds) represents the unitholder's share of net assets within the fund, which are carried at fair value in the fund. The fair value of Policy liabilities being liabilities of the insurance business is directly linked to the performance and value of the assets backing the liabilities. These assets are carried at fair value using modelled valuations.

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

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

(c) Fair value measurements

The table below provides an analysis of financial instruments carried at fair value at reporting date categorised according to the lowest level input into a valuation model or a valuation component that is significant to the reported fair value. The fair value has been allocated in full to the category in the fair value hierarchy which most appropriately reflects the determination of the fair value.

	Fair value measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
	Mar 14 $M	**Mar 14 $M**	**Mar 14 $M**	**Mar 14 $M**
Financial assets				
Trading securities	42,467	3,703	-	46,170
Derivative financial instruments	611	43,083	135	43,829
Available for sale financial assets	23,099	4,195	36	27,330
Investments backing policy liabilities	19,390	13,721	86	33,197
Loans and advances (designated at fair value)	-	238	-	238
Total	**85,567**	**64,940**	**257**	**150,764**
Financial liabilities				
Payables and other liabilities[1]	3,212	76	-	3,288
Derivative financial instruments	636	45,098	142	45,876
Deposits and other borrowings (designated at fair value)	-	5,063	-	5,063
Bonds and notes	-	2,681	-	2,681
Policy liabilities[2]	-	32,888	-	32,888
External unit holder liabilities (life insurance funds)	-	3,334	-	3,334
Total	**3,848**	**89,140**	**142**	**93,130**

1. *Represents trading liabilities.*
2. *Policy liabilities relate to life investment contract liabilities only as these are designated at fair value through profit and loss.*

There are no assets or liabilities measured at fair value on a non-recurring basis.

The Group recognises transfers between Level 1 and Level 2 as of the beginning of the reporting period during which the transfer has occurred. There have been no significant transfers between Level 1 and Level 2 during the period.

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

(a) Composition of Level 3 fair value measurements

The following table presents the composition of financial instruments measured at fair value with significant unobservable inputs (Level 3 fair value measurements).

	Financial assets			Financial liabilities
	Derivatives	Available-for-sale	Investments backing policy liabilities	Derivatives
	Mar 14 $M	Mar 14 $M	Mar 14 $M	Mar 14 $M
Asset backed securities	-	2	2	-
Illiquid corporate bonds	-	8	-	-
Structured credit products	102	-	-	(127)
Managed funds (suspended)	-	-	23	-
Alternative assets	-	26	61	-
Other derivatives	33	-	-	(15)
Total	**135**	**36**	**86**	**(142)**

Structured credit products comprise the structured credit intermediation trades that the Group entered into from 2004 to 2007 whereby it sold protection using credit default swaps over certain structures, and mitigated risk by purchasing protection via credit default swaps from US financial guarantors over the same structures. These trades are valued using complex models with certain inputs relating to the reference assets and derivative counterparties not being observable in the market. Such unobservable inputs include credit spreads and default probabilities contributing from 12% to 57% of the valuation. The assets underlying the structured credit products are diverse instruments with a wide range of credit spreads and default probabilities relevant to the valuation.

The remaining Level 3 balances include Asset backed securities and Illiquid corporate bonds where the effect on fair value of issuer credit cannot be directly or indirectly observed in the market; Managed funds (suspended) comprising of fixed income and mortgage investments in managed funds that are illiquid and are not currently redeemable; Alternative assets that largely comprise various investments in unlisted equity securities for which no active market exists; and Other derivatives which include reverse mortgage swaps where the mortality rate cannot be observed and long dated oil swaps where market data for the full tenor is unobservable. These Level 3 balances are not considered material.

(b) Movements in Level 3 fair value measurements

The following table sets out movements in Level 3 fair value measurements. Derivatives are categorised on a portfolio basis and classified as either financial assets or financial liabilities based on whether the closing balance is an unrealised gain or loss. This could be different to the opening balance.

	Financial assets			Financial liabilities
	Derivatives	Available-for-sale	Investments backing policy liabilities	Derivatives
	Mar 14 $M	Mar 14 $M	Mar 14 $M	Mar 14 $M
Opening balance	200	36	105	(437)
New purchases	-	4	-	n/a
Disposals (sales)	-	(4)	(15)	n/a
Cash settlements	n/a	n/a	n/a	1
Transfers:				
Transfers into Level 3 category	-	1	-	-
Transfers out of Level 3 category	(31)	-	-	254
Fair value gain/(loss) recorded in other operating income in the income statement[1]	(34)	-	(4)	40
Fair value gain/(loss) recognised in reserves in equity	-	(1)	-	-
Closing balance	**135**	**36**	**86**	**(142)**

1. *Relating to assets and liabilities that are held at the end of the period.*

Transfers out of Level 3 relate principally to interest rate swaptions containing multi-callable features. The trade characteristics of the portfolio are such that inputs significant to the valuation are now observable.

Transfers into and out of Level 3 are deemed to have occurred as of the beginning of the reporting period in which the transfer occurred.

(c) Sensitivity to Level 3 data inputs

Where valuation techniques use assumptions due to significant data inputs not being directly observed in the market place (Level 3 inputs), changing these assumptions changes the resultant estimate of fair value. The majority of transactions in this category are ‘back-to-back’ in nature where ANZ either acts as a financial intermediary or hedges the market risks. Similarly, the performance of Investments backing policy liabilities directly impacts the associated life investment contracts they relate to. In these circumstances, changes in the assumptions generally have minimal impact on the income statement and net assets of ANZ. An exception to this is the ‘back-to-back’ structured credit intermediation trades which create significant exposure to market risk and/or credit risk.

Principal inputs used in the determination of fair value of financial instruments included in the structured credit portfolio include counterparty credit spreads, market-quoted CDS prices, recovery rates, default probabilities, correlation curves and other inputs, some of which may not be directly observable in the market. The potential effect of changing prevailing unobservable inputs to reasonably possible alternative assumptions for valuing those financial instruments could result in less than a (+ / -) $10 million impact on profit. The ranges of reasonably possible alternative assumptions are established by application of professional judgement and analysis of the data available to support each assumption.

(d) Deferred fair value gains and losses

Where the fair value of a financial instrument is determined using unobservable data that is significant to the valuation of the instrument, any difference between the transaction price and the amount determined based on the valuation technique on initial recognition of the financial instrument (day-one gain or loss) is deferred on the balance sheet. Subsequently, the day-one gain or loss is recognised in the income statement only to the extent that it arises from a change in factors (including time) that a market participant would consider in setting the price for the instrument.

The table below summarises the movement of the aggregate amount of day-one gains not recognised in the income statement on the initial recognition of the financial instrument where not all inputs to the valuation technique are observable in the market.

	Mar 14 $M
Opening balance	4
Deferral on new transactions	1
Amounts recognised in income statement during the period	(2)
Closing balance	3

The closing balance of unrecognised gains is predominantly related to derivative financial instruments.

15. Segment analysis

(i) Description of segments

The Group operates on a divisional structure with Australia, International and Institutional Banking (IIB), New Zealand, and Global Wealth being the major operating divisions. The IIB and Global Wealth divisions are coordinated globally. GTSO and Group Centre provide support to the operating divisions, including technology, operations, risk management, financial management, strategy and marketing, human resources and corporate affairs. Additionally, Group Centre includes Group Treasury, Shareholder Functions and Discontinued Businesses.

There have been no major structural changes to Divisional segments since 30 September 2013; however certain amounts in the comparatives have been reclassified to conform with current period financial statement presentations.

(ii) Operating segments

Transactions between business units across segments within ANZ are conducted on an arms length basis.

	Half Year			Movement	
Segment Revenue	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Australia	**4,017**	3,991	3,869	1%	4%
International and Institutional Banking	**3,592**	3,315	3,287	8%	9%
New Zealand	**1,239**	1,159	1,053	7%	18%
Global Wealth	**806**	780	744	3%	8%
GTSO and Group Centre	**14**	54	139	-74%	-90%
Subtotal	**9,668**	9,299	9,092	4%	6%
Other[1]	**(150)**	224	(156)	large	-4%
Group total	**9,518**	**9,523**	**8,936**	**0%**	**7%**

	Half Year			Movement	
Segment Profit	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Australia	**1,479**	1,449	1,409	2%	5%
International and Institutional Banking	**1,372**	1,244	1,208	10%	14%
New Zealand	**546**	482	396	13%	38%
Global Wealth	**226**	268	204	-16%	11%
GTSO and Group Centre	**(108)**	(130)	(38)	-17%	large
Subtotal	**3,515**	3,313	3,179	6%	11%
Other[1]	**(134)**	16	(242)	large	-45%
Group total	**3,381**	**3,329**	**2,937**	**2%**	**15%**

	Half Year			Movement	
Segment Assets	**Mar 14 $M**	**Sep 13 $M**	**Mar 13 $M**	**Mar 14 v. Sep 13**	**Mar 14 v. Mar 13**
Australia	**281,191**	274,325	264,951	3%	6%
International and Institutional Banking	**315,013**	296,522	285,443	6%	10%
New Zealand	**92,066**	85,015	74,763	8%	23%
Global Wealth	**49,800**	49,010	47,342	2%	5%
GTSO and Group Centre	**21**	(1,685)	325	large	-94%
Subtotal	**738,091**	703,187	672,824	5%	10%
Other[1]	**(276)**	(192)	(194)	44%	42%
Group total	**737,815**	**702,995**	**672,630**	**5%**	**10%**

1. *In evaluating the performance of the operating segments, certain items are removed from the operating segment results where they are not considered integral to the ongoing performance of the segment and are evaluated separately. These items are set out in part (iii) of this note (refer pages 83 to 92 for further analysis).*

15. Segment analysis, cont'd

(iii) Other items

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

		Half Year		
		Mar 14 $M	**Sep 13 $M**	**Mar 13 $M**
Item gains/(losses)	**Related segment**			
Treasury shares adjustment	Global Wealth	**37**	31	53
Revaluation of policy liabilities	Global Wealth	**(3)**	27	19
Economic hedging	IIB	**89**	(205)	192
Revenue and net investment hedges	GTSO and Group Centre	**18**	143	16
Structured credit intermediation trades	IIB	**(7)**	(12)	(38)
Total profit after tax		**134**	(16)	242

16. Note to the Cash Flow Statement

Reconciliation of cash and cash equivalents

	Half Year		
	Mar 14 Inflows (Outflows) $M	**Sep 13[1] Inflows (Outflows) $M**	**Mar 13[1] Inflows (Outflows) $M**
Profit after income tax	**3,381**	3,329	2,937
Adjustments to reconcile to net cash provided by/(used in) operating activities			
Provision for credit impairment	**527**	600	588
Impairment on available for sale assets transferred to profit and loss	**-**	-	3
Depreciation and amortisation	**410**	397	384
(Profit)/loss on sale of businesses	**-**	(14)	(6)
(Profit)/loss on sale of premises and equipment	**9**	(31)	33
Equity settled share-based payments expense	**(78)**	99	20
Net derivatives/foreign exchange adjustment	**250**	5,030	784
Other non cash movements	**(299)**	(105)	(192)
Net (increase)/decrease in operating assets:			
Trading securities	**(4,990)**	(1,624)	2,392
Collateral paid	**396**	169	179
Loans and advances	**(16,357)**	(13,088)	(15,610)
Investments backing policy liabilities	**(1,238)**	(1,509)	(1,893)
Interest receivable	**(121)**	151	(18)
Accrued income	**(36)**	60	(85)
Net tax assets	**(474)**	174	72
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**27,397**	(3,816)	31,357
Settlement balances owed by ANZ	**(624)**	(4,678)	7,957
Collateral received	**(70)**	1,045	346
Payables and other liabilities	**347**	(2)	(1,023)
Life insurance contract policy liabilities	**1,020**	1,677	1,992
Interest payable	**263**	(340)	(124)
Accrued expenses	**(136)**	86	(103)
Other	**(127)**	112	(106)
Net cash provided by/(used in) operating activities	**9,450**	(12,278)	29,884

1. *Comparative amounts have changed as a result of the changes referred to in Note 21.*

16. Note to the cash flow statement, cont'd

Reconciliation of cash and cash equivalents	Half Year Mar 14 Inflows (Outflows) $M	Sep 13 Inflows (Outflows) $M	Mar 13 Inflows (Outflows) $M
Cash and cash equivalents at the end of the period as shown in the cash flow statement are reflected in the related items in the balance sheet as follows			
Cash	**33,651**	25,270	39,779
Cash equivalents [1]	**24,841**	23,753	20,998
	58,492	49,023	60,777
Non-cash financing activities			
Dividends satisfied by share issue	**476**	392	451
Dividends satisfied by bonus share issue	**42**	36	35
	518	428	486

1. *Cash equivalents include settlement balances and loans and advances with financial institution counterparties that have original maturities of less than 90 days.*

17. Changes in composition of the Group

There were no material entities acquired or disposed during the half year ended 31 March 2014.

18. Investments in Associates

	Half Year Mar 14 $M	Sep 13 $M	Mar 13 $M
Profit after income tax	**247**	271	211

Contributions to profit[1]

Associates	Contribution to Group post-tax profit – Half Year Mar 14 $M	Sep 13 $M	Mar 13 $M	Ownership interest held by Group – As at Mar 14 %	Sep 13 %	Mar 13 %
P.T. Bank Pan Indonesia	**40**	46	38	**39**	39	39
Metrobank Card Corporation Inc	**10**	10	9	**40**	40	40
Bank of Tianjin[2,3]	**56**	49	44	**14**	18	18
AMMB Holdings Berhad	**67**	79	54	**24**	24	24
Shanghai Rural Commercial Bank	**68**	80	63	**20**	20	20
Saigon Securities Inc.[2]	**-**	-	-	**18**	18	18
Other associates	**6**	7	3	**n/a**	n/a	n/a
Profit after income tax	**247**	271	211			

1. *The results differ from the published results of these entities due to the application of IFRS, Group Accounting Policies and acquisition adjustments. This amounted to a nil increase for the March 2014 half (Sep 13 half: $5 million increase; Mar 13 half: $1 million increase). Excludes gains or losses on disposal or valuation adjustments.*
2. *Significant influence was established via representation on the Board of Directors.*
3. *During the period the Group did not participate in a rights issue and as a result the Group's interest was reduced to 14%.*

19. Contingent liabilities and contingent assets

There are outstanding court proceedings, claims and possible claims for and against the Group, the aggregate amount of which cannot reasonably be quantified. 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 as this may prejudice the interests of the Group.

Refer to Note 43 of the 2013 ANZ Annual Financial Statements for a description of contingent liabilities and contingent assets.

– **Bank fees litigation**

Litigation Funder Bentham IMF Limited commenced a class action against ANZ in 2010, followed by a second similar class action in March 2013. Together the class actions are claimed to be on behalf of more than 40,000 ANZ customers.

On 5 February 2014, the Federal Court delivered reasons for judgment in the second class action. The first class action is in abeyance. The customers currently involved in these class actions are only part of ANZ's customer base for credit cards and transaction accounts.

The applicants contended that the relevant exception fees were unenforceable penalties (at law and in equity) and that various of the fees were also unenforceable under statutory provisions governing unconscionable conduct, unfair contract terms and unjust transactions. On the penalties claims, the Court found in ANZ's favour in relation to all but one of the fee types that were in issue in the case, namely honour fees (retail and business), dishonour fees (business), overlimit and non-payment fees. The Court found against ANZ in respect of late payment fees on the basis that they were unenforceable penalties. All of the applicants' statutory claims were dismissed. Both ANZ and the applicants have appealed the Court's decision. The appeal hearing is likely to take place in the second half of 2014 calendar year. Given the complexity of the issues involved, and the appeal by each side, the implications of the Court's decision of 5 February 2014 are uncertain and may not be known for some time.

In June 2013, litigation funder Litigation Lending Services (NZ) commenced a representative action against ANZ for certain fees charged to New Zealand customers since 2007. There is a risk that further claims could emerge in Australia, New Zealand or elsewhere.

– **Security recovery actions**

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

20. Related party disclosure

There have been no significant changes to the arrangements with related parties. Refer to Notes 46 and 47 of the 2013 Annual Financial Statements.

21. Changes to comparatives

Certain amounts reported as comparative information have changed either as a result of the adoption of AASB 119 Employee Benefits ("AASB 119") or being reclassified to conform with current period financial statement presentations.

The following changes have been made to either the Income Statement and/or Balance Sheet:

Balance sheet reclassification

During the period, the classification of the balance sheet has changed to more consistently reflect the nature of the financial assets and liabilities. Prior to this reclassification, the balance sheet was classified according to both nature and counterparty. The key changes include:

Assets

- Securities purchased under agreements to resell in less than three months previously reported in Liquid assets are now classified as Cash.
- Money at call, bills receivable and remittances in transit previously reported in Liquid assets are now classified as either Cash, Settlement balances owed to ANZ or Net loans and advances depending on the nature of the asset.
- Loans to other banks previously reported in Due from other financial institutions are now classified as Net Loans and Advances.
- Collateral paid previously reported in Due from other financial institutions is now classified separately.
- Issued security settlements previously reported in Other assets are now classified as Settlement balances owed to ANZ.

Liabilities

- Loans from other banks previously reported in Due to other financial institutions are now classified as Deposits and other borrowings.
- Collateral received previously reported in Due to other financial institutions is now classified separately.
- Issued security settlements previously reported in Other liabilities is now classified as Settlement balances owed by ANZ.

Employee benefits

The adoption of AASB 119 has resulted in changes to the measurement of the Group's defined benefit obligations. This has resulted in a restatement to comparatives in the Income Statement and Balance Sheet.

Business taxes reported in Asia

During the period business taxes which were previously reported as a contra to revenue were classified as expenses to better reflect the nature of the transaction. Comparative information has been reclassified accordingly.

	As at $M			
	September 2013			
Assets	**Previously reported**	**Balance sheet reclassification**	**Employee benefits**	**Currently reported**
Liquid assets	39,737	(39,737)	-	-
Due from other financial institutions	22,177	(22,177)	-	-
Cash	-	25,270	-	25,270
Settlement balances owed to ANZ	-	19,225	-	19,225
Collateral paid	-	6,530	-	6,530
Available-for-sale assets	28,135	142	-	28,277
Net loans and advances	469,295	13,969	-	483,264
Deferred tax assets	721	-	4	725
Other assets	7,574	(3,222)	-	4,352
All other assets	135,352	-	-	135,352
Total assets	**702,991**	**-**	**4**	**702,995**
Liabilities				
Due to other financial institutions	36,306	(36,306)	-	-
Settlement balances owed by ANZ	-	8,695	-	8,695
Collateral received	-	3,921	-	3,921
Deposits and other borrowings	439,674	27,241	-	466,915
Payables and other liabilities	12,594	(3,551)	16	9,059
All other liabilities	168,802	-	-	168,802
Total liabilities	**657,376**	**-**	**16**	**657,392**
Net Assets	45,615	-	(12)	45,603
Retained earnings	21,948	-	(12)	21,936
All other equity	23,667	-	-	23,667
Total shareholders' equity	**45,615**	**-**	**(12)**	**45,603**

	Half Year ($M)			
	September 2013			
	Previously reported	**Business tax restatement**	**Employee benefits**	**Currently reported**
Net interest income	6,558	-	-	6,558
Other operating income	2,958	7	-	2,965
Operating income	9,516	7	-	9,523
Operating expenses	(4,202)	(7)	(4)	(4,213)
Profit before credit impairment and income tax	5,314	-	(4)	5,310
Provision for credit impairment	(600)	-	-	(600)
Profit before income tax	4,714	-	(4)	4,710
Income tax expense and non-controlling interests	(1,382)	-	1	(1,381)
Profit attributable to shareholders of the Company	**3,332**	**-**	**(3)**	**3,329**
Other comprehensive income net of tax	1,670	**-**	7	1,677
Total comprehensive income attributable to shareholders of the Company	**5,002**	**-**	**4**	**5,006**

	As at $M March 2013			
Assets	**Previously reported**	**Balance sheet reclassification**	**Employee benefits**	**Currently reported**
Liquid assets	53,077	(53,077)	-	-
Due from other financial institutions	20,781	(20,781)	-	-
Cash	-	39,779	-	39,779
Settlement balances owed to ANZ	-	15,804	-	15,804
Collateral paid	-	6,699	-	6,699
Available-for-sale assets	23,282	128	-	23,410
Net loans and advances	441,980	12,336	-	454,316
Deferred tax assets	654	-	5	659
Other assets	5,709	(888)	-	4,821
All other assets	127,142	-	-	127,142
Total assets	**672,625**	**-**	**5**	**672,630**
Liabilities				
Due to other financial institutions	43,345	(43,345)	-	-
Settlement balances owed by ANZ	-	13,373	-	13,373
Collateral received	-	2,877	-	2,877
Deposits and other borrowings	420,474	30,631	-	451,105
Payables and other liabilities	12,589	(3,536)	21	9,074
All other liabilities	153,698	-	-	153,698
Total liabilities	**630,106**	**-**	**21**	**630,127**
Net Assets	42,519	-	(16)	42,503
Retained earnings	20,534	-	(16)	20,518
All other equity	21,985	-	-	21,985
Total shareholders' equity	**42,519**	**-**	**(16)**	**42,503**

	Half Year ($M) March 2013			
	Previously reported	**Business tax restatement**	**Employee benefits**	**Currently reported**
Net interest income	6,200	-	-	6,200
Other operating income	2,730	6	-	2,736
Operating income	8,930	6	-	8,936
Operating expenses	(4,034)	(6)	(4)	(4,044)
Profit before credit impairment and income tax	4,896	-	(4)	4,892
Provision for credit impairment	(588)	-	-	(588)
Profit before income tax	4,308	-	(4)	4,304
Income tax expense and non-controlling interests	(1,368)	-	1	(1,367)
Profit attributable to shareholders of the Company	**2,940**	**-**	**(3)**	**2,937**
Other comprehensive income net of tax	(56)	**-**	4	(52)
Total comprehensive income attributable to shareholders of the Company	**2,884**	**-**	**1**	**2,885**

Assets	Previously reported	Balance sheet reclassification	Employee benefits	Currently reported
	As at $M 1 October 2012			
Liquid assets	36,578	(36,578)	-	-
Due from other financial institutions	17,103	(17,103)	-	-
Cash	-	25,143	-	25,143
Settlement balances owed to ANZ	-	14,016	-	14,016
Collateral paid	-	6,878	-	6,878
Available-for-sale assets	20,562	79	-	20,641
Net loans and advances	427,823	8,804	-	436,627
Deferred tax assets	785	-	7	792
Other assets	5,623	(1,239)	-	4,384
All other assets	133,653	-	-	133,653
Total assets	**642,127**	**-**	**7**	**642,134**
Liabilities				
Due to other financial institutions	30,538	(30,538)	-	-
Settlement balances owed by ANZ	-	5,416	-	5,416
Collateral received	-	2,531	-	2,531
Deposits and other borrowings	397,123	23,690	-	420,813
Payables and other liabilities	10,109	(1,099)	24	9,034
All other liabilities	163,137	-	-	163,137
Total liabilities	**600,907**	**-**	**24**	**600,931**
Net Assets	41,220	-	(17)	41,203
Retained earnings	19,728	-	(17)	19,711
All other equity	21,492	-	-	21,492
Total shareholders' equity	**41,220**	**-**	**(17)**	**41,203**

22. Significant events since balance date

On 10 April 2014, ANZ announced the sale of ANZ Trustees to Equity Trustees Limited for $150 million. The transaction is expected to be completed in July 2014 subject to regulatory approval. The gain on sale will be recognised in the second half of the 2014 financial year.

Other than the matter described above, there have no significant events from 31 March 2014 to the date of signing of this report.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the Corporations Act 2001, including:
   - section 304, that they comply with the Australian Accounting Standards and any further requirements of 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 2014 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.

John Morschel
Chairman

Michael R P Smith, OBE
Director

30 April 2014

Responsibility statement of the Directors in accordance with the Disclosure and Transparency Rule 4.2.10(3)(b) of the United Kingdom Financial Conduct Authority

The Directors of Australia and New Zealand Banking Group Limited confirm to the best of their knowledge that:

the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements for the half year ended 31 March 2014 and Directors' Report (including matters included by reference) and Directors' Declaration as set out on pages 94 to 128 as well as the additional information on page 144 includes a fair review of:

(i) the important events that have occurred during the first six months of the financial year, and their impact on the Condensed Consolidated Financial Statements; and

(ii) a description of the principal risks and uncertainties for the remaining six months of the financial year.

Signed in accordance with a resolution of the Directors.

John Morschel
Chairman

Michael R P Smith, OBE
Director

30 April 2014

Independent auditor's review report to the members of Australia and New Zealand Banking Group Limited

Report on the condensed consolidated financial statements

We have reviewed the accompanying half year condensed consolidated financial statements of Australia and New Zealand Banking Group Limited (the "Company") which comprises the condensed consolidated balance sheet as at 31 March 2014, condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half year ended on that date, notes 1 to 22 comprising a basis of preparation and other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the half year condensed consolidated financial statements

The directors of the Company are responsible for the preparation of the half year condensed consolidated financial statements that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half year condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the half year condensed consolidated financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year condensed consolidated financial statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2014 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 report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year condensed consolidated financial statements of Australia and New Zealand Banking Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2014 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Melbourne

Andrew Yates
Partner

30 April 2014

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 for the half year ended 31 March 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Melbourne

Andrew Yates
Partner

30 April 2014