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

Directors

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

Mr DM Gonski, AC	Chairman
Mr SC Elliott	Director and Chief Executive Officer
Ms IR Atlas	Director
Ms PJ Dwyer	Director
Ms SJ Halton, AO PSM	Director
Mr Lee Hsien Yang	Director, retired on 19 December 2018
Mr GR Liebelt	Director
Rt Hon Sir JP Key, GNZM AC	Director
Mr JT MacFarlane	Director

Result

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

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the Group Results on pages 21 to 47 which forms part of this report.

Lead auditor's independence declaration

The lead auditor's independence declaration given under section 307C of the *Corporations Act 2001* (as amended) is set out on page 121 which forms part of this report.

Rounding of amounts

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

Significant events since balance date

There have been no significant events from 31 March 2019 to the date of signing of this report.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

30 April 2019

Australia and New Zealand Banking Group Limited

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

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

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

Australia and New Zealand Banking Group Limited

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

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

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

Australia and New Zealand Banking Group Limited

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

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

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

Australia and New Zealand Banking Group Limited

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

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

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

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

Australia and New Zealand Banking Group Limited

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

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

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

1. Basis of preparation

These Condensed Consolidated Financial Statements:

- have been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (AASs);
- should be read in conjunction with ANZ's Annual Financial Statements for the year ended 30 September 2018 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2019 in accordance with the continuous disclosure obligations under the *Corporations Act 2001* and the *ASX Listing Rules*;
- do not include all notes of the type normally included in ANZ's Annual Financial Report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 30 April 2019.

i) Statement of Compliance

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

ii) Accounting policies

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

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

New standards adopted during the period

AASB 9 *Financial Instruments* (AASB 9)

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

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

Impairment

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

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

Expected credit loss impairment model

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

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

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

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

Significant increase in credit risk (SICR)

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

i. Internal credit rating grade

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

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

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

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

ii. Backstop criteria

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

Measurement of expected credit loss

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

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

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

Forward looking information

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

(i) Base case scenario

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

(ii) Upside and (iii) Downside scenarios

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

(iv) Severe downside scenario

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

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

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

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

Expected Life

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

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

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

Definition of default, credit impaired and write-offs

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

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

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

Modified financial assets

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

Classification and measurement

Financial assets - general

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

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

The resultant financial asset classifications are as follows:

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

Fair Value Option for Financial Assets

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

Financial assets - equity instruments

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

Financial liabilities

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

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

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

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

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

General hedge accounting

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

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

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

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

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

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

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

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

iii) Basis of measurement

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

- derivative financial instruments as well as, in the case of fair value hedging, the fair value adjustment on the underlying hedged exposure;
- financial assets and liabilities held for trading;
- financial assets and liabilities designed at fair value through profit and loss;
- available-for-sale financial assets (applicable prior to 1 October 2018);
- financial assets at fair value through other comprehensive income (applicable from 1 October 2018);
- assets and liabilities held for sale (except those at carrying value as per Note 11).

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

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

iv) Use of estimates, assumptions and judgements

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

Investments in associates

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

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

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

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

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

Customer remediation provision

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

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

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

Assets and liabilities held for sale

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

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

Useful lives of software

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

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

iv) Rounding of amounts

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

v) Future accounting developments

General hedge accounting

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

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

AASB 16 *Leases* (AASB 16)

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

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

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

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

AASB 17 *Insurance Contracts* (AASB 17)

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

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

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

2. Income

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

1. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*
2. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
3. *Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit and loss.*
4. *Other income includes external dividend income of nil (Sep 18 half: $39 million; Mar 18 half: nil).*
5. *Includes charges associated with customer remediation of $64 million for the March 2019 half (Sep 18 half: $196 million; Mar 18 half: $32 million).*

3. Operating expenses

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

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

4. Income tax expense

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

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

5. Dividends

Dividend per ordinary share (cents) - including discontinued operations	Half Year			Movement	
	Mar 19	**Sep 18**	**Mar 18**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Interim (fully franked)	**80**	-	80	n/a	0%
Final (fully franked)	**-**	80	-	n/a	n/a
Total	**80**	80	80	0%	0%
Ordinary share dividend ($M)[1]					
Interim dividend	**-**	2,317	-	n/a	n/a
Final dividend	**2,295**	-	2,350	n/a	-2%
Bonus option plan adjustment	**(41)**	(40)	(42)	3%	-2%
Total	**2,254**	2,277	2,308	-1%	-2%
Ordinary share dividend payout ratio (%)[2]	**71.4%**	74.6%	69.7%		

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

Ordinary Shares

The Directors propose that an interim dividend of 80 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2019. The proposed 2019 interim dividend will be fully franked for Australian tax purposes. New Zealand imputation credits of NZ 9 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2019 interim dividend.

6. Earnings per share

	Half Year			Movement	
	Mar 19	Sep 18	Mar 18	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Earnings Per Share (EPS) - Basic					
Earnings Per Share (cents)	**111.7**	107.3	114.2	4%	-2%
Earnings Per Share (cents) from continuing operations[1]	**114.1**	110.6	134.8	3%	-15%
Earnings Per Share (cents) from discontinued operations	**(2.4)**	(3.3)	(20.6)	-27%	-88%
Earnings Per Share (EPS) - Diluted					
Earnings Per Share (cents)	**106.4**	103.2	108.6	3%	-2%
Earnings Per Share (cents) from continuing operations[1]	**108.7**	106.2	127.4	2%	-15%
Earnings Per Share (cents) from discontinued operations	**(2.3)**	(3.0)	(18.8)	-23%	-88%
Reconciliation of earnings used in earnings per share calculations					
Basic:					
Profit for the period ($M)	**3,182**	3,086	3,330	3%	-4%
Less: Profit attributable to non-controlling interests ($M)	**9**	9	7	0%	29%
Earnings used in calculating basic earnings per share ($M)	**3,173**	3,077	3,323	3%	-5%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(70)**	(95)	(600)	-26%	-88%
Earnings used in calculating basic earnings per share from continuing operations ($M)	**3,243**	3,172	3,923	2%	-17%
Diluted:					
Earnings used in calculating basic earnings per share ($M)	**3,173**	3,077	3,323	3%	-5%
Add: Interest on convertible subordinated debt ($M)	**137**	138	141	-1%	-3%
Earnings used in calculating diluted earnings per share ($M)	**3,310**	3,215	3,464	3%	-4%
Less: Profit/(Loss) after tax from discontinued operations ($M)	**(70)**	(95)	(600)	-26%	-88%
Earnings used in calculating diluted earnings per share from continuing operations ($M)	**3,380**	3,310	4,064	2%	-17%
Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1,2]					
WANOS used in calculating basic earnings per share (M)	**2,841.3**	2,867.1	2,909.6	-1%	-2%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**260.5**	240.6	269.7	8%	-3%
Share based payments (options, rights and deferred shares) (M)	**8.4**	9.5	10.0	-12%	-16%
WANOS used in calculating diluated earnings per share (M)	**3,110.2**	3,117.2	3,189.3	0%	-2%

[1] *Post completion of the successor funds transfer performed in preparation for the sales of the Group's wealth businesses to Zurich and IOOF (see Note 11), Treasury shares held in Wealth Australia will cease to be eliminated in the Group's consolidated financial statements and will be included in the denominator used in calculating earnings per share. If the weighted average number of Treasury shares held in Wealth Australia was included in the denominator used in calculating earnings per share from continuing operations for the half year ended 31 March 2019, basic earnings per share from continuing operations would have been 113.5 cents (Sep 18 half: 110.1 cents; Mar 18 half: 134.1 cents) and diluted earnings per share from continuing operations would have been 108.1 cents (Sep 18 half: 105.7 cents; Mar 18 half: 126.8 cents).*

[2] *Weighted average number of ordinary shares excludes the weighted average number of Treasury shares held in ANZEST and Wealth Australia as summarised in the table below:*

	Mar 19 half (Million)	*Sep 18 half (Million)*	*Mar 18 half (Million)*
ANZEST Pty Ltd	*4.9*	*5.5*	*6.3*
Wealth Australia	*15.6*	*15.1*	*15.0*
Total Treasury shares	***20.5***	***20.6***	***21.3***

7. Segment analysis

i) Description of segments

The Group operates on a divisional structure with six continuing divisions: Australia, New Zealand, Institutional, Pacific, Wealth Australia, and TSO and Group Centre. For further information on the composition of divisions refer to the Definitions on page 137.

The presentation of divisional results has been impacted by a number of methodology and structural changes during the period. Prior period comparatives have been restated as follows:

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

The divisional results were also impacted by the adoption of two new accounting standards:

- AASB 9 - the Group implemented an expected credit loss methodology for impairment of financial assets, and revised the classification and measurement of certain financial assets from 1 October 2018. Consequently, the Group increased its provision for credit impairment by $813 million through opening retained earnings. Comparative information has not been restated.
- AASB 15 - the main impact of adoption is that certain items previously netted are now presented gross in operating income and operating expenses. Comparative information has been restated which increased total operating income for the September 2018 half by $91 million (Mar 18 half: $62 million) and increased total operating expenses by the same amount.

Other than those described above, there have been no other significant changes. The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

ii) Operating segments

ANZ measures the performance of continuing segments on a cash profit basis. To calculate cash profit, certain non-core items are removed from statutory profit. Details of these items are included in the 'Other items' section of this note. Transactions between divisions across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

For information on discontinued operations please refer to Note 11.

	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
March 2019 Half Year								
Net interest income	4,091	1,579	1,385	1	68	175	-	7,299
Net fee and commission income								
- Lending fees	144	144	8	-	7	-	-	303
- Non-lending fees	708	435	354	-	20	(10)	-	1,507
- Commissions	22	-	21	18	-	(13)	-	48
- Funds management income	2	1	120	8	-	(3)	-	128
- Fee and commission expense	(322)	(168)	(227)	-	(4)	-	-	(721)
Net income from insurance business	52	-	18	-	-	-	7	77
Other income	18	714	4	-	27	218	(460)	521
Share of associates' profit	1	-	4	-	-	126	-	131
Operating income[2]	4,716	2,705	1,687	27	118	493	(453)	9,293
Profit after tax from continuing operations	1,733	1,012	753	(30)	33	63	(321)	3,243
Profit/(Loss) after tax from discontinued operations	-	-	-	(17)	-	(33)	(20)	(70)
Profit after tax attributable to shareholders	1,733	1,012	753	(47)	33	30	(341)	3,173

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment and are evaluated separately.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*

	Australia $M	Institutional $M	New Zealand $M	Wealth Australia $M	Pacific $M	TSO and Group Centre $M	Other items[1] $M	Group Total $M
September 2018 Half Year								
Net interest income	4,122	1,513	1,342	1	66	120	-	7,164
Net fee and commission income								
- Lending fees	158	136	8	-	7	-	-	309
- Non-lending fees	768	409	326	-	20	6	-	1,529
- Commissions	18	-	23	21	-	(16)	-	46
- Funds management income	-	2	118	(8)	-	(4)	-	108
- Fee and commission expense	(300)	(147)	(210)	-	(4)	(2)	-	(663)
Net income from insurance business	70	1	57	-	-	-	5	133
Other income	9	634	2	(1)	30	107	245	1,026
Share of associates' profit	(1)	-	4	-	-	92	-	95
Operating income[2]	4,844	2,548	1,670	13	119	303	250	9,747
Profit after tax from continuing operations	1,726	713	772	(57)	39	(199)	178	3,172
Profit/(Loss) after tax from discontinued operations	-	-	-	(51)	-	(14)	(30)	(95)
Profit after tax attributable to shareholders	1,726	713	772	(108)	39	(213)	148	3,077
March 2018 Half Year								
Net interest income	4,325	1,480	1,309	1	65	170	-	7,350
Net fee and commission income								
- Lending fees	195	133	7	-	7	1	-	343
- Non-lending fees	726	423	331	-	19	26	-	1,525
- Commissions	21	-	19	23	-	(17)	-	46
- Funds management income	6	3	112	24	-	(5)	-	140
- Fee and commission expense	(309)	(142)	(207)	-	(4)	(11)	-	(673)
Net income from insurance business	57	-	60	(1)	-	10	14	140
Other income	32	614	20	2	25	232	353	1,278
Share of associates' profit	-	-	1	-	-	87	-	88
Operating income[2]	5,053	2,511	1,652	49	112	493	367	10,237
Profit after tax from continuing operations	1,983	767	749	(26)	33	(13)	430	3,923
Profit/(Loss) after tax from discontinued operations	-	-	-	(585)	-	(32)	17	(600)
Profit after tax attributable to shareholders	1,983	767	749	(611)	33	(45)	447	3,323

1. *In evaluating the performance of the operating segments, certain items are removed from statutory profit where they are not considered integral to the ongoing performance of the segment and are evaluated separately.*
2. *On adoption of AASB 15, the Group reclassified certain items previously netted which are now presented gross in operating income and operating expenses. Comparative information has been restated accordingly which increased total operating income by $91 million for the September 2018 half and $62 million for the March 2018 half.*

iii) Other items

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

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Revaluation of policy liabilities	New Zealand, TSO and Group Centre	**(77)**	4	10	large	large
Economic hedges	Institutional, TSO and Group Centre	**(185)**	124	124	large	large
Revenue and expense hedges	TSO and Group Centre	**(60)**	49	(40)	large	51%
Structured credit intermediation trades	Institutional	**1**	1	3	0%	-67%
Sale of SRCB	TSO and Group Centre	**-**	-	333	n/a	-100%
Total profit after tax from continuing operations		**(321)**	178	430	large	large
Treasury shares adjustment	Wealth Australia	**18**	(30)	23	large	-22%
Revaluation of policy liabilities	Wealth Australia	**(38)**	-	(6)	n/a	large
Total profit after tax from discontinued operations		**(20)**	(30)	17	-33%	large
Total profit after tax		**(341)**	148	447	large	large

8. Net loans and advances

	As at			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Australia					
Overdrafts	**5,832**	5,741	5,843	2%	0%
Credit cards outstanding	**8,168**	8,372	8,629	-2%	-5%
Commercial bills outstanding	**6,441**	6,861	7,467	-6%	-14%
Term loans - housing	**268,766**	271,554	270,631	-1%	-1%
Term loans - non-housing	**132,733**	134,503	125,901	-1%	5%
Lease receivables	**966**	1,059	1,080	-9%	-11%
Hire purchase contracts	**561**	548	893	2%	-37%
Total Australia	**423,467**	428,638	420,444	-1%	1%
Asia, Pacific, Europe & America					
Overdrafts	**611**	491	538	24%	14%
Credit cards outstanding	**12**	12	13	0%	-8%
Term loans - housing	**770**	767	729	0%	6%
Term loans - non-housing	**61,405**	59,446	53,971	3%	14%
Lease receivables	**305**	180	210	69%	45%
Other	**13**	14	17	-7%	-24%
Total Asia, Pacific, Europe & America	**63,116**	60,910	55,478	4%	14%
New Zealand					
Overdrafts	**1,040**	829	809	25%	29%
Credit cards outstanding	**1,552**	1,506	1,558	3%	0%
Term loans - housing	**79,410**	73,833	73,751	8%	8%
Term loans - non-housing	**42,930**	40,456	41,306	6%	4%
Lease receivables	**162**	168	182	-4%	-11%
Hire purchase contracts	**1,592**	1,473	1,411	8%	13%
Total New Zealand	**126,686**	118,265	119,017	7%	6%
Sub-total	**613,269**	607,813	594,939	1%	3%
Unearned income	**(446)**	(430)	(441)	4%	1%
Capitalised brokerage/mortgage origination fees[1]	**947**	997	1,044	-5%	-9%
Gross loans and advances (including assets reclassified as held for sale)	**613,770**	608,380	595,542	1%	3%
Allowance for expected credit losses (refer to Note 9)[2,3,4]	**(3,627)**	(2,943)	(3,073)	23%	18%
Net loans and advances (including assets reclassified as held for sale)	**610,143**	605,437	592,469	1%	3%
Net loans and advances held for sale (refer to Note 11)	**(888)**	(999)	(3,001)	-11%	-70%
Net loans and advances	**609,255**	604,438	589,468	1%	3%

1. *Capitalised brokerage/mortgage origination fees are amortised over the expected life of the loan.*
2. *On adoption of AASB 9 on 1 October 2018, the Group increased the collectively assessed provision by $813 million. Comparative information has not been restated. Refer to Note 21 for further details.*
3. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*
4. *Provision for credit impairment includes individually assessed provisions against off balance-sheet credit exposures of $26 million as at 31 March 2019 (Sep 18: $26 million; Mar 18: $26 million).*

9. Allowance for expected credit losses

As described in Note 1, the Group adopted AASB 9 effective from 1 October 2018 which resulted in the application of an expected credit loss (ECL) model for measuring impairment of financial assets and amendments to the presentation of credit impairment information for the March 2019 half. Comparative information has not been restated.

The following tables present the movement in the allowance for ECL (including allowance for ECL reclassified as held for sale) for the March 2019 half.

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2018	920	1,391	359	894	**3,564**
Transfer between stages	133	(228)	(53)	148	**-**
New and increased provisions (net of releases)	(124)	244	74	475	**669**
Write-backs	-	-	-	(152)	**(152)**
Bad debts written off (excluding recoveries)	-	-	-	(498)	**(498)**
Foreign currency translaton and other movements	11	8	1	(2)	**18**
As at 31 March 2019	**940**	**1,415**	**381**	**865**	**3,601**

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2018	9	2	-	-	11
Transfer between stages	-	-	-	-	-
New and increased provisions (net of releases)	2	(1)	-	-	1
Write-backs	-	-	-	-	-
Bad debts written off (excluding recoveries)	-	-	-	-	-
Foreign currency translation and other movements	-	-	-	-	-
As at 31 March 2019	**11**	**1**	**-**	**-**	**12**

Investment securities - debt securities at FVOCI

Allowance for ECL does not change the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI), with a corresponding charge to profit or loss.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2018	14	-	-	-	14
Transfer between stages	-	-	-	-	-
New and increased provisions (net of releases)	(3)	-	-	-	(3)
Write-backs	-	-	-	-	-
Bad debts written off (excluding recoveries)	-	-	-	-	-
Foreign currency translation and other movements	-	-	-	-	-
As at 31 March 2019	**11**	**-**	**-**	**-**	**11**

Off-balance sheet commitments - undrawn and contingent facilities

The collectively assessed allowance for ECL is included in Provisions. The individually assessed allowance for ECL is included in Net loans and advances.

	Stage 1 $M	Stage 2 $M	Stage 3 Collectively assessed $M	Stage 3 Individually assessed $M	Total $M
As at 1 October 2018	474	166	15	26	**681**
Transfer between stages	19	(19)	-	-	**-**
New and increased provisions (net of releases)	(34)	3	(1)	1	**(31)**
Write-backs	-	-	-	-	**-**
Bad debts written off (excluding recoveries)	-	-	-	-	**-**
Foreign currency translation and other movements	5	2	-	(1)	6
As at 31 March 2019	**464**	**152**	**14**	**26**	**656**

9. Allowance for expected credit losses, cont'd

2018 Provision for credit impairment disclosures under AASB 139

The below disclosure does not reflect the adoption of AASB 9 and are prepared under the requirements of the previous AASB 139.

	Half Year	
	Sep 18 $M	Mar 18 $M
Individually assessed provision		
Balance at start of period	1,016	1,136
New and increased provisions	716	728
Write-backs	(234)	(191)
Adjustment for foreign currency translation movements and transfers	5	1
Discount unwind	(10)	(7)
Bad debts written-off	(573)	(651)
Total individually assessed provision	920	1,016
Collectively assessed provision		
Balance at start of period	2,579	2,662
Charge/(release) to Income Statement	(63)	(22)
Adjustment for foreign currency translation movements and transfers	7	18
Asia Retail and Wealth businesses divestment	-	(79)
Total collectively assessed provision	2,523	2,579
Unfunded portion reclassified to provisions[1]	(500)	(522)
Total collectively assessed provision	2,023	2,057
Total provision for credit impairment	2,943	3,073

1. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*

Credit impairment charge/(release) analysis under AASB 9	Half Year
	Mar 19 $M
New and increased provisions (net of releases)	
- Collectively assessed	12
- Individually assessed	624
Write-backs	(152)
Recoveries of amounts previously written off	(93)
Total credit impairment charge	391
Less: credit impairment charge/(release) from discontinued operations	(1)
Total credit impairment charge from continuing operations	**392**

2018 Credit impairment charge/(release) analysis under AASB 139

The below disclosures do not reflect the adoption of AASB 9 and are prepared under the requirements of the previous AASB 139.

	Half Year	
	Sep 18 $M	Mar 18 $M
New and increased individual provisions	716	728
Write-backs	(234)	(191)
Recoveries of amounts previously written off	(139)	(107)
Individually assessed credit impairment charge	343	430
Collectively assessed credit impairment charge/(release)	(63)	(22)
Credit impairment charge	280	408

10. Deposits and other borrowings

	As at			Movement	
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Australia					
Certificates of deposit	**39,481**	39,671	43,157	0%	-9%
Term deposits	**77,714**	75,551	75,116	3%	3%
On demand and short term deposits	**180,863**	189,287	190,473	-4%	-5%
Deposits not bearing interest	**12,202**	11,931	11,303	2%	8%
Deposits from banks and securities sold under repurchase agreements	**49,964**	41,480	37,718	20%	32%
Commercial paper	**12,530**	14,742	21,658	-15%	-42%
Total Australia	**372,754**	372,662	379,425	0%	-2%
Asia, Pacific, Europe & America					
Certificates of deposit	**3,215**	2,242	5,234	43%	-39%
Term deposits	**94,396**	92,145	77,335	2%	22%
On demand and short term deposits	**19,930**	18,056	19,557	10%	2%
Deposits not bearing interest	**5,234**	4,993	4,362	5%	20%
Deposits from banks and securities sold under repurchase agreements	**34,705**	30,738	30,756	13%	13%
Total Asia, Pacific, Europe & America	**157,480**	148,174	137,244	6%	15%
New Zealand					
Certificates of deposit	**874**	833	1,897	5%	-54%
Term deposits	**50,890**	46,986	44,810	8%	14%
On demand and short term deposits	**41,011**	38,106	39,580	8%	4%
Deposits not bearing interest	**10,383**	9,365	9,334	11%	11%
Deposits from banks and securities sold under repurchase agreements	**245**	473	1,543	-48%	-84%
Commercial paper and other borrowings	**2,896**	3,130	3,297	-7%	-12%
Total New Zealand	**106,299**	98,893	100,461	7%	6%
Total deposits and other borrowings (including liabilities reclassified as held for sale)	**636,533**	619,729	617,130	3%	3%
Deposits and other borrowings held for sale (refer to Note 11)	**(1,544)**	(1,579)	(900)	-2%	72%
Total deposits and other borrowings	**634,989**	618,150	616,230	3%	3%

11. Discontinued operations and assets and liabilities held for sale

i) Discontinued operations

On 17 October 2017, the Group announced it had agreed to sell its OnePath pensions and investments (OnePath P&I) business and aligned dealer groups (ADG) businesses to IOOF Holdings Limited (IOOF). The sale of the aligned dealer groups business completed on 1 October 2018. The completion of the remaining OnePath P&I business, which is dependent on the receipt of all necessary approvals, is expected to occur before the end of the March 2020 half.

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

As a result of the sale transactions outlined above, the financial results of the businesses to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a reporting perspective. This impacts the current and comparative financial information for Wealth Australia and TSO and Group Centre divisions.

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

Income Statement

	Half Year			Movement	
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Net interest income	**(57)**	-	-	n/a	n/a
Other operating income[1,2]	**199**	310	(229)	-36%	large
Operating income	**142**	310	(229)	-54%	large
Operating expenses[2]	**(221)**	(301)	(243)	-27%	-9%
Profit/(Loss) before credit impairment and income tax	**(79)**	9	(472)	large	-83%
Credit impairment (charge)/release	**1**	-	-	n/a	n/a
Profit/(Loss) before income tax	**(78)**	9	(472)	large	-83%
Income tax expense [2]	**8**	(104)	(128)	large	large
Profit/(Loss) for the period attributable to shareholders of the Company[2]	**(70)**	(95)	(600)	-26%	-88%

1. *Includes a $632 million loss recognised on the reclassification of Wealth Australia businesses to held for sale in the March 2018 half.*
2. *Includes customer remediation of $53 million post-tax recognised in the March 2019 half (Sep 18 half: $127 million; Mar 18 half: nil) comprising $55 million of customer remediation recognised in other operating income (Sep 18 half: $106 million; Mar 18 half: nil), $20 million of remediation costs recognised in operating expenses (Sep 18 half: $75 million; Mar 18 half: nil), and a $22 million benefit in income tax expense (Sep 18 half: $54 million; Mar 18 half: nil).*

Cash Flow Statement

	Half Year			Movement	
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Net cash provided by/(used in) operating activities	(589)	2,065	924	large	large
Net cash provided by/(used in) investing activities	803	(1,311)	(1,133)	large	large
Net cash provided by/(used in) financing activities	(219)	(754)	179	-71%	large
Net increase/(decrease) in cash and cash equivalents	**(5)**	-	(30)	n/a	-83%

ii) Assets and liabilities held for sale

At 31 March 2019, assets and liabilities held for sale were re-measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement and continue to be recognised at their existing carrying value.

In addition to the assets and liabilities associated with the Group's discontinued operations, assets and liabilities held for sale contain the assets and liabilities of other assets or disposal groups, subject to sale, which do not meet the criteria to classify as a discontinued operation under the accounting standards.

Assets and liabilities held for sale[1]

	As at 31 March 2019				As at 30 September 2018					As at 31 March 2018			
	Discontinued operations $M	Cambodia JV $M	PNG Retail, Commercial & SME $M	Total $M	Discontinued operations $M	Cambodia JV $M	OPL NZ $M	PNG Retail, Commercial & SME $M	Total $M	Discontinued operations $M	UDC and Paymark $M	Metrobank Card Corporation $M	Total $M
Cash and cash equivalents	-	267	-	267	5	323	-	-	328	5	-	-	5
Derivative financial instruments	-	1	-	1	-	3	-	-	3	1	-	-	1
Available-for-sale assets	-	-	-	-	1,079	-	-	-	1,079	1,040	-	-	1,040
Investment securities	1,167	-	-	1,167	-	-	-	-	-	-	-	-	-
Net loans and advances	43	700	145	888	46	806	-	147	999	118	2,883	-	3,001
Regulatory deposits	-	145	-	145	-	146	-	-	146	-	-	-	-
Investment in associates	-	-	-	-	1	1	-	-	2	1	7	60	68
Deferred tax assets	97	2	-	99	102	2	-	-	104	72	-	-	72
Goodwill and other intangible assets	1,138	-	-	1,138	1,155	-	93	-	1,248	946	124	-	1,070
Investments backing policy liabilities[2]	39,191	-	-	39,191	40,054	-	-	-	40,054	38,803	-	-	38,803
Premises and equipment	2	5	6	13	4	6	-	6	16	5	-	-	5
Other assets	590	50	-	640	450	92	727	-	1,269	1,198	15	-	1,213
Total assets held for sale	**42,228**	**1,170**	**151**	**43,549**	**42,896**	**1,379**	**820**	**153**	**45,248**	**42,189**	**3,029**	**60**	**45,278**
Deposits and other borrowings	-	1,064	480	1,544	-	1,067	-	512	1,579	-	900	-	900
Derivative financial instruments	-	-	-	-	-	1	-	-	1	-	-	-	-
Current tax liabilities	(192)	4	-	(188)	(33)	8	15	-	(10)	(158)	36	-	(122)
Deferred tax liabilities	338	1	-	339	160	1	160	-	321	387	(9)	-	378
Policy liabilities[2]	38,787	-	-	38,787	39,607	-	-	-	39,607	38,381	-	-	38,381
External unit holder liabilities[2]	4,590	-	-	4,590	4,712	-	-	-	4,712	4,618	-	-	4,618
Payables and other liabilities	1,349	53	-	1,402	644	98	130	-	872	560	28	-	588
Provisions	35	42	4	81	28	43	-	6	77	29	1	-	30
Total liabilities held for sale	**44,907**	**1,164**	**484**	**46,555**	**45,118**	**1,218**	**305**	**518**	**47,159**	**43,817**	**956**	**-**	**44,773**

1. *Amounts in the table above are shown net of intercompany balances.*

2. *The Group completed the Successor Fund Transfer (SFT) on 13 April 2019 which separated the Life Insurance and Pensions and Investments businesses. On completion of the SFT, the Group reduced external unit holders liabilities by circa $4.6 billion, policy liabilities by circa $36.1 billion and investments backing policy liabilities by circa $37.1 billion within assets and liabilities held for sale. The Group also ceased elimination of intercompany balances increasing liabilities and equity not held for sale by circa $3.2 billion and circa $0.4 billion respectively.*

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

Other strategic divestments not classified as discontinued operations but have been presented as held for sale:

- **UDC Finance and Paymark Limited (UDC and Paymark) – New Zealand division**

  On 11 January 2017, the Group announced that it had entered into a conditional agreement to sell UDC to HNA Group (HNA). On 21 December 2017, the Group announced that it had been informed that New Zealand's Overseas Investment Office had declined HNA's application to acquire UDC and the agreement with HNA was terminated in January 2018. The assets and liabilities of UDC were no longer classified as held for sale at September 2018.

  On 17 January 2018, the Group entered into an agreement to sell its 25% shareholding in Paymark to Ingenico Group. The transaction was completed on 11 January 2019.

- **Metrobank Card Corporation (MCC) – TSO and Group Centre division**

  On 18 October 2017, the Group announced it had entered into a sale agreement with its joint venture partner Metropolitan Bank & Trust Company (Metrobank) in relation to its 40% stake in the Philippines based Metrobank Card Corporation (MCC). The Group sold its 40% stake in two equal tranches in January and September 2018.

- **ANZ Royal Bank (Cambodia) Ltd (Cambodia JV) – Institutional division**

  On 17 May 2018, the Group announced it had reached an agreement to sell its 55% stake in Cambodia JV ANZ Royal Bank to J Trust, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange. The transaction is subject to closing conditions and regulatory approval and ANZ expects it to close in the 2019 financial year.

- **OnePath Life (NZ) Ltd (OPL NZ) – New Zealand division**

  On 30 May 2018, the Group announced that it had agreed to sell OPL NZ to Cigna Corporation and the final regulatory approval was obtained on 29 October 2018. The transaction was completed on 30 November 2018.

- **Papua New Guinea Retail, Commercial and Small-Medium Sized Enterprise businesses (PNG Retail, Commercial & SME) – Institutional division**

  On 25 June 2018, the Group announced it had entered into an agreement to sell its Retail, Commercial and Small-Medium Sized Enterprise (SME) banking businesses in Papua New Guinea to Kina Bank. The transaction is subject to closing conditions and ANZ expects it to close by late 2019 calendar year.

Income Statement impact relating to assets and liabilities held for sale

During the March 2019 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $69 million gain after tax relating to the sale of the OPL NZ business, comprising a $56 million gain on sale, a $26 million release from the foreign currency translation reserve and a $13 million income tax expense. The gain was recognised in continuing operations.
- $37 million gain after tax relating to the sale of the Paymark. The gain was recognised in continuing operations.

During the September 2018 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $42 million loss after tax relating to the reclassification of the Cambodia JV to held for sale, comprising a $27 million impairment and $15 million of costs associated with the sale. The loss was recognised in continuing operations.
- $21 million loss after tax relating to the reclassification of the PNG Retail, Commercial and SME businesses to held for sale, comprising a $12 million impairment of goodwill, $7 million costs associated with the sale and a $2 million tax expense. The loss was recognised in continuing operations.
- $3 million loss after tax relating to OPL NZ transaction costs. The loss was recognised in continuing operations.
- $126 million gain after tax relating to MCC comprising a $138 million gain on sale of the second 20% stake, $14 million of foreign exchange losses, $3 million loss on release of reserves and a $5 million tax benefit. This gain was recognised in continuing operations.

During the March 2018 half, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $632 million loss after tax recognised on the reclassification of the Wealth Australia businesses to held for sale. This loss was recognised in discontinued operations.
- $85 million gain after tax comprising $99 million relating to the sale of the remaining Asia Retail and Wealth businesses, net of costs associated with the sale and a $14 million tax expense. This gain was recognised in continuing operations.
- $18 million gain after tax relating to UDC comprising a cost recovery in respect of the terminated transaction process. This gain was recognised in continuing operations.
- $247 million gain after tax relating to SRCB comprising a $289 million gain on release of reserves, $56 million of foreign exchange losses and other costs, and a $14 million tax benefit. This gain was recognised in continuing operations.
- $121 million gain after tax relating to MCC comprising a $121 million gain on sale of the first 20% stake, $1 million of foreign exchange gains, $3 million loss on release of reserves, and a $2 million tax benefit. This gain was recognised in continuing operations.

The impacts on continuing operations are shown in the relevant Income Statement categories and items relating to discontinued operations are included in Profit/(Loss) after tax from discontinued operations.

12. Debt issuances

	Half Year			Movement	
	Mar 19 $M	Sep 18 $M	Mar 18 $M	Mar 19 v. Sep 18	Mar 19 v. Mar 18
Total unsubordinated debt	**113,424**	105,271	97,576	8%	16%
Additional Tier 1 Capital (perpetual subordinated securities)[1]					
ANZ Capital Notes (ANZ CN)[2]					
ANZ CN1	**1,118**	1,117	1,117	0%	0%
ANZ CN2	**1,606**	1,605	1,604	0%	0%
ANZ CN3	**965**	965	961	0%	0%
ANZ CN4	**1,611**	1,610	1,609	0%	0%
ANZ CN5	**925**	924	924	0%	0%
ANZ Capital Securities[3]	**1,336**	1,240	1,188	8%	12%
ANZ NZ Capital Notes[4]	**478**	456	467	5%	2%
Tier 2 Capital					
Perpetual subordinated notes[5]	**423**	416	1,174	2%	-64%
Term subordinated notes[6]	**7,806**	7,575	8,216	3%	-5%
Total subordinated debt	**16,268**	15,908	17,260	2%	-6%
Total debt issuances	**129,692**	121,179	114,836	7%	13%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ NZ Capital Notes are Basel 3 compliant instruments.*
2. *Each of the ANZ Capital Notes will convert into a variable number of ANZ ordinary shares on a specified mandatory conversion date at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, the notes are redeemable or convertible to ANZ ordinary shares (on similar terms to mandatory conversion) by ANZ at its discretion on early redemption or conversion date.*

	Issuer	Issue date	Issue Amount $M	Early redemption or conversion date	Mandatory conversion date
CN1	ANZ	7 Aug 2013	1,120	1 Sep 2021	1 Sep 2023
CN2	ANZ	31 Mar 2014	1,610	24 Mar 2022	24 Mar 2024
CN3	ANZ, acting through its New Zealand branch	5 Mar 2015	970	24 Mar 2023	24 Mar 2025
CN4	ANZ	27 Sep 2016	1,622	20 Mar 2024	20 Mar 2026
CN5	ANZ	28 Sep 2017	931	20 Mar 2025	20 Mar 2027

3. *On 15 June 2016, ANZ acting through its London branch issued fully-paid perpetual subordinated contingent convertible securities (ANZ Capital Securities). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the securities will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on the First Reset Date (15 June 2026) and each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.*
4. *On 31 March 2015, ANZ Bank New Zealand Limited (ANZ Bank NZ) issued convertible notes (ANZ NZ Capital Notes) which will convert into ANZ ordinary shares on 25 May 2022 at a 1% discount (subject to certain conditions being satisfied). If ANZ or ANZ Bank NZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, ANZ receives a notice of non-viability from APRA, ANZ Bank NZ receives a direction from RBNZ or a statutory manager is appointed to ANZ Bank NZ and makes a determination, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 25 May 2020 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ Bank NZ.*
5. *The USD 300 million perpetual subordinated notes have been granted Basel 3 transitional capital treatment until the end of the transition period in December 2021.*
6. *All the term subordinated notes are convertible and are Basel 3 compliant instruments, except ANZ's EUR 750 million subordinated notes due in September 2019 which have been granted Basel 3 transitional capital treatment until their maturity. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*

13. Credit risk

The Group has adopted AASB 9 effective from 1 October 2018 which has resulted in changes to the classification and measurement of financial assets, including the impairment of financial assets. The presentation of credit risk information for the March 2019 half has been amended with no restatement of comparatives. For further details on key requirements and impacts of the changes described above refer to Note 1.

Maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the group would have to pay if the instrument is called upon.

The table below shows the maximum exposure to credit risk of on-balance sheet, and off-balance sheet, positions before taking account of any collateral held or other credit enhancements:

	Reported As at			Excluded/Other[1,2] As at			Maximum Exposure to Credit Risk As at		
On-balance sheet positions[3]	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**
Net loans and advances	**610,143**	605,437	592,469	**(26)**	(26)	(26)	**610,169**	605,463	592,495
Investment securities[4]									
- debt securities at amortised cost	**6,176**	-	-	**-**	-	-	**6,176**	-	-
- debt securities at FVOCI	**72,555**	-	-	**-**	-	-	**72,555**	-	-
- equity securities at FVOCI	**1,318**	-	-	**1,318**	-	-	**-**	-	-
Available-for-sale assets	**-**	75,363	71,279	**-**	1,095	1,052	**-**	74,268	70,227
Other financial assets	**276,973**	249,406	258,086	**49,466**	47,434	49,472	**227,507**	201,972	208,614
Total on-balance sheet positions	**967,165**	930,206	921,834	**50,758**	48,503	50,498	**916,407**	881,703	871,336
Off-balance sheet commitments									
Undrawn and contingent facilities[5]	**245,311**	244,608	233,005	**26**	26	26	**245,285**	244,582	232,979
Total	**1,212,476**	1,174,814	1,154,839	**50,784**	48,529	50,524	**1,161,692**	1,126,285	1,104,315

1. *Excluded comprises bank notes and coins and cash at bank within liquid assets, investments relating to the insurance business where the credit risk is passed onto the policy holder. Equity securities and precious metal exposures recognised as trading securities have been excluded as they do not have credit exposure. Equity securities within investment securities – equity securities at FVOCI/available-for-sale financial assets were also excluded as they do not have credit exposure.*
2. *Other relates to the transfer of individual provisions related to off-balance sheet facilities held in net loans and advances. The provisions are transferred for the purposes of showing the maximum exposure to credit risk by relevant facility type in this and the following tables.*
3. *On-balance sheet position includes assets and liabilities reclassified as held for sale.*
4. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details. Comparative information has not been restated.*
5. *Undrawn facilities and contingent facilities includes guarantees, letters of credit and performance related contingencies, net of collectively assessed allowance for expected credit losses.*

13. Credit risk, cont'd

Credit Quality

The Group's internal Customer Credit Rating (CCR) is used to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirement	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long term even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or 'the facility') is classified as defaulted.	N/A	N/A

Net loans and advances

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	444,556	10,273	-	-	454,829
Satisfactory	112,984	19,843	-	-	132,827
Weak	8,808	9,775	-	-	18,583
Defaulted	-	-	4,078	1,961	6,039
Gross loans and advances at amortised cost	**566,348**	**39,891**	**4,078**	**1,961**	**612,278**
Provision for credit impairment	940	1,415	381	865	3,601
Net loans and advances at amortised cost	**565,408**	**38,476**	**3,697**	**1,096**	**608,677**
Coverage ratio	**0.17%**	**3.55%**	**9.34%**	**44.11%**	**0.59%**
Loans and advances at fair value through profit or loss					991
Unearned income					(446)
Capitalised brokerage/mortgage origination fees					947
Net carrying amount					**610,169**

Investment securities - debt securities at amortised cost

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	4,751	-	-	-	4,751
Satisfactory	666	771	-	-	1,437
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	**5,417**	**771**	-	-	**6,188**
Provision for credit impairment	11	1	-	-	**12**
Net investment securities - debt securities at amortised cost	**5,406**	**770**	-	-	**6,176**
Coverage ratio	**0.20%**	**0.13%**	-	-	**0.19%**

13. Credit risk, cont'd

Investment securities - debt securities at FVOCI

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	72,401	-	-	-	**72,401**
Satisfactory	154	-	-	-	**154**
Weak	-	-	-	-	**-**
Defaulted	-	-	-	-	**-**
Investment securities - debt securities at FVOCI	**72,555**	-	-	-	**72,555**
Loss allowances recognised in other comprehensive income	11	-	-	-	**11**
Coverage ratio	**0.02%**	**-**	**-**	**-**	**0.02%**

Other financial assets

	As at Mar 19
	Total $M
Strong	**215,464**
Satisfactory	**11,596**
Weak	**447**
Defaulted	**-**
Total carrying amount	**227,507**

Off-balance sheet commitments - undrawn and contingent facilities

	As at Mar 19				
			Stage 3		
	Stage 1 $M	Stage 2 $M	Collectively assessed $M	Individually assessed $M	Total $M
Strong	158,599	1,977	-	-	**160,576**
Satisfactory	23,519	3,894	-	-	**27,413**
Weak	395	957	-	-	**1,352**
Defaulted	-	-	96	61	**157**
Gross undrawn and contingent facilities subject to ECL	**182,513**	**6,828**	**96**	**61**	**189,498**
Allowance for ECL included in Provisions	464	152	14	26	**656**
Net undrawn and contingent facilities subject to ECL	**182,049**	**6,676**	**82**	**35**	**188,842**
Coverage ratio	**0.25%**	**2.23%**	**14.58%**	**42.62%**	**0.35%**
Undrawn and contingent facilities not subject to ECL[1]					56,443
Net undrawn and contingent facilities					**245,285**

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

13. Credit risk, cont'd

2018 Credit Risk Disclosures

The below disclosures do not reflect the adoption of AASB 9 and have been prepared under the requirements of the previous AASB 139.

Credit Quality

The table below provides an analysis of the credit quality of the maximum exposure to credit risk split by:

- *Neither past due nor impaired assets by credit quality*

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

- *Past due but not impaired assets by ageing*

  Ageing analysis of past due loans is used by the Group to measure and manage emerging credit risks. Financial assets that are past due but not impaired include those which are assessed, approved and managed on a portfolio basis within a centralised environment (for example credit cards and personal loans) that can be held on a productive basis until they are 180 days past due, as well as those which are managed on an individual basis. A large portion of retail credit exposures, such as residential mortgages, are generally well secured. That is, the value of supporting collateral is sufficient to cover amounts outstanding.

- *Restructured and impaired assets presented as gross amounts and net of individually assessed provisions*

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

  As described in the summary of significant accounting policies in the 2018 Annual Financial Report, impairment provisions are created for financial instruments that are reported on the balance sheet at amortised cost. For instruments reported at fair value, impairment provisions are treated as part of overall change in fair value and directly reduce the reported carrying amounts.

	Loan advances As at		Other financial assets As at		Off balance sheet credit related commitments As at		Total As at	
	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M	Sep 18 $M	Mar 18 $M
Neither past due nor impaired								
Strong credit profile	445,997	427,729	272,110	274,815	206,859	194,393	924,966	896,937
Satisfactory risk	127,384	131,229	4,014	3,859	36,037	36,756	167,435	171,844
Sub-standard but not past due or impaired	15,567	16,767	116	167	1,644	1,761	17,327	18,695
Subtotal	588,948	575,725	276,240	278,841	244,540	232,910	1,109,728	1,087,476
Past due but not impaired								
1-29 days	8,958	8,974	-	-	-	-	8,958	8,974
30-59 days	2,240	2,576	-	-	-	-	2,240	2,576
60-89 days	1,268	1,233	-	-	-	-	1,268	1,233
>90 days	2,998	3,038	-	-	-	-	2,998	3,038
Subtotal	15,464	15,821	-	-	-	-	15,464	15,821
Restructured and impaired								
Impaired loans	1,676	1,863	-	-	-	-	1,676	1,863
Restructured items[1]	269	76	-	-	-	-	269	76
Non-performing commitment and contingencies	-	-	-	-	68	95	68	95
Gross impaired financial assets	1,945	1,939	-	-	68	95	2,013	2,034
Individually assessed provisions	(894)	(990)	-	-	(26)	(26)	(920)	(1,016)
Subtotal	1,051	949	-	-	42	69	1,093	1,018
Total	605,463	592,495	276,240	278,841	244,582	232,979	1,126,285	1,104,315

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

14. Fair value measurement

The Group carries a significant number of financial instruments on the balance sheet at fair value. In addition, the Group also holds assets classified as held for sale which are measured at fair value less costs to sell. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

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

a) Valuation

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

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

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

b) Fair value approach and valuation techniques

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market for that asset or liability exists. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - trading securities - securities sold short - derivative financial assets and liabilities - investment securities (under AASB 9) - available-for-sale assets (under AASB 139) - other assets	Valuation techniques are used that incorporate observable market inputs for securities with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - net loans and advances - deposits and other borrowings - debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using discount rates incorporating wholesale market interest rates, or market borrowing rates for debt with similar maturities or with a yield curve appropriate for the remaining term to maturity.
Assets and liabilities held for sale	Valuation based on the agreed sale price before transaction costs.

Details of significant unobservable inputs used in measuring fair values are described in (ii)(a).

c) Fair value hierarchy categorisation

The Group categorises financial assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

d) Fair value hierarchy disclosure

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

14. Fair value measurement, cont'd

	Fair value measurements			
As at March 2019	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Trading securities[1]	35,967	6,890	-	**42,857**
Derivative financial instruments	331	78,991	53	**79,375**
Investment securities[2]	71,001	393	1,312	**72,706**
Net loans and advances (measured at fair value)	-	991	-	**991**
Assets held for sale[3]	-	43,673	-	**43,673**
Total	**107,299**	**130,938**	**1,365**	**239,602**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,169	-	**2,169**
Derivative financial instruments	508	80,320	43	**80,871**
Liabilities held for sale[3]	-	46,538	-	**46,538**
Payables and other liabilities[4]	2,125	42	-	**2,167**
Debt issuances (designated at fair value)	-	2,414	-	**2,414**
Total	**2,633**	**131,483**	**43**	**134,159**
As at September 2018				
Assets				
Trading securities	30,855	6,867	-	37,722
Derivative financial instruments	647	67,717	59	68,423
Available-for-sale assets[2]	69,508	3,695	1,081	74,284
Net loans and advances (measured at fair value)	-	133	-	133
Assets held for sale[3]	-	44,623	-	44,623
Total	101,010	123,035	1,140	225,185
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,332	-	2,332
Derivative financial instruments	1,680	67,952	44	69,676
Liabilities held for sale[3]	-	46,829	-	46,829
Payables and other liabilities[4]	1,159	12	-	1,171
Debt issuances (designated at fair value)	-	1,442	-	1,442
Total	2,839	118,567	44	121,450
As at March 2018				
Assets				
Trading securities	38,517	6,541	-	45,058
Derivative financial instruments	259	70,593	63	70,915
Available-for-sale assets[2]	63,283	5,921	1,035	70,239
Net loans and advances (measured at fair value)	-	145	-	145
Assets held for sale[3]	-	42,544	-	42,544
Other assets	4	139	-	143
Total	102,063	125,883	1,098	229,044
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,470	-	2,470
Derivative financial instruments	1,008	69,570	46	70,624
Liabilities held for sale[3]	-	43,817	-	43,817
Payables and other liabilities[4]	1,884	161	-	2,045
Debt issuances (designated at fair value)	-	1,785	-	1,785
Total	2,892	117,803	46	120,741

1. *During the March 2019 half, there were no material transfers from Level 2 to Level 1 (Sep 18: $200 million, Mar 18: $753 million) in Trading securities. Transfers from Level 1 to Level 2 for March 2019 half and previous periods are immaterial. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.*
2. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets was revised. The available-for-sale classification used in comparative periods no longer exists under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details about the adoption of AASB 9. Comparative information has not been restated.*
3. *The amounts reclassified as assets and liabilities held for sale relate to assets and liabilities measured at fair value less costs to sell in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The amounts presented reflect fair value excluding cost to sell but including intercompany eliminations.*
4. *Payables and other liabilities relates to securities sold short which are classified as held for trading are measured at fair value through profit or loss.*

14. Fair value measurement, cont'd

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

a) Level 3 fair value measurements

The net balance of Level 3 financial instruments is an asset of $1,322 million (Sep 18: $1,096 million; Mar 18: $1,052 million). The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

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

There were no other material transfers in or out of Level 3 during the period.

Bank of Tianjin (BoT)

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

b) Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $121 million increase or decrease to the fair value of the investment (Sep 18: $102 million; Mar 18: $98 million), which would be recognised in shareholders' equity.

Other

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

c) Deferred fair value gains and losses

When fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss over the life of the transaction on a straight line basis or until all inputs become observable.

The day one gains and losses deferred are not material.

iii) Financial assets and liabilities not measured at fair value

The classes of financial assets and liabilities listed in the table below are generally carried at amortised cost on the Group's balance sheet. Whilst this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of these financial assets and liabilities at balance date in the table below.

14. Fair value measurement, cont'd

	Carrying amount in the balance sheet			Fair Value
As at March 2019	**At amortised cost $M**	**At fair value $M**	**Total $M**	**$M**
Financial assets				
Net loans and advances[1]	608,264	1,879	610,143	610,983
Investment securities[1, 2]	6,176	73,873	80,049	80,044
Total	**614,440**	**75,752**	**690,192**	**691,027**
Financial liabilities				
Deposits and other borrowings[1]	632,820	3,713	636,533	637,009
Debt issuances	127,278	2,414	129,692	130,558
Total	**760,098**	**6,127**	**766,225**	**767,567**
As at September 2018				
Financial assets				
Net loans and advances[1]	604,305	1,132	605,437	605,911
Financial liabilities				
Deposits and other borrowings[1]	615,818	3,911	619,729	619,895
Debt issuances	119,737	1,442	121,179	122,060
Total	735,555	5,353	740,908	741,955
As at March 2018				
Financial assets				
Net loans and advances[1]	592,206	263	592,469	592,875
Financial liabilities				
Deposits and other borrowings[1]	614,660	2,470	617,130	617,254
Debt issuances	113,051	1,785	114,836	115,811
Total	727,711	4,255	731,966	733,065

1. *Net loans and advances, investment securities and deposits and other borrowings include amounts reclassified to assets and liabilities held for sale. Refer to Note 11.*
2. *Investment securities under AASB 9 includes securities measured at amortised cost, fair value through other comprehensive income and fair value through P&L. Refer to Note 1.*

15. Shareholders' equity

Issued and quoted securities	Half Year		
Ordinary shares	**Mar 19 No.**	**Sep 18 No.**	**Mar 18 No.**
Closing balance	**2,833,175,579**	2,873,618,118	2,898,758,978
Issued/(Repurchased) during the period[1]	**(40,442,539)**	(25,140,860)	(38,656,349)

1. *The Company issued 1.6 million shares under the Bonus Option Plan (BOP) for the 2018 final dividend (1.4 million shares for the 2018 interim dividend; 1.5 million shares for the 2017 final dividend). No new shares were issued under the Dividend Reinvestment Plan (DRP) for the 2018 final dividend (nil shares for the 2018 interim dividend; nil shares for the 2017 final dividend) as the shares were purchased on-market and provided directly to the shareholders participating in the DRP. On-market purchases for the DRP in the March 2019 half were $199 million (Sep 18 half: $200 million, Mar 18 half: $192 million). The Company has completed its $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million in the March 2019 half (Sep 18 half: $748 million, Mar 18 half: $1,132 million) resulting in 42.0 million ANZ ordinary shares being cancelled in the March 2019 half (Sep 18 half: 26.6 million; Mar 18 half: 40.1 million).*

	Half Year			Movement	
Shareholders' equity	**Mar 19 $M**	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Ordinary share capital	**26,048**	27,205	27,933	-4%	-7%
Reserves					
Foreign currency translation reserve	**846**	12	257	large	large
Share option reserve	**71**	92	70	-23%	1%
Available-for-sale revaluation reserve[1]	**-**	113	119	-100%	-100%
FVOCI reserve[1]	**370**	-	-	n/a	n/a
Cash flow hedge reserve	**444**	127	117	large	large
Transactions with non-controlling interests reserve	**(22)**	(21)	(22)	5%	0%
Total reserves	**1,709**	323	541	large	large
Retained earnings	**32,064**	31,737	30,922	1%	4%
Share capital and reserves attributable to shareholders of the Company	**59,821**	59,265	59,396	1%	1%
Non-controlling interests	**150**	140	126	7%	19%
Total shareholders' equity	**59,971**	59,405	59,522	1%	1%

1. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 for further details. Comparative information has not been restated.*

16. Changes in composition of the Group

The Group disposed of the aligned dealer groups and OnePath Life (NZ) Ltd in the half year ended 31 March 2019. There were no other acquisitions or disposals of material controlled entities during the period.

17. Investments in Associates

	Half Year			Movement	
	Mar 19	**Sep 18**	**Mar 18**	**Mar 19 v. Sep 18**	**Mar 19 v. Mar 18**
Share of associates' profit	**131**	95	88	38%	49%

Contributions to profit[1]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 19 $M	**Sep 18 $M**	**Mar 18 $M**	**Mar 19 %**	**Sep 18 %**	**Mar 18 %**
P.T. Bank Pan Indonesia	**70**	44	45	**39**	39	39
AMMB Holdings Berhad	**56**	48	42	**24**	24	24
Other associates	**5**	3	1	**n/a**	n/a	n/a
Share of associates' profit	**131**	95	88			

1. *Contributions to profit reflect the IFRS equivalent results adjusted to align with the Group's financial year end which may differ from the published results of these entities. Excludes gains or losses on disposal or valuation adjustments.*

18. Related party disclosure

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 September 2018.

19. Contingent liabilities and contingent assets

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

Refer to note 33 of the 2018 ANZ Annual Financial Report for a description of contingent liabilities and contingent assets as at 30 September 2018. A summary of some of those contingent liabilities and new contingent liabilities that have arisen during the current reporting period is set out below.

- **Bank fees litigation**

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

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

- **Benchmark/rate actions**

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

  In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the South African Competition Act in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain. The matter is at an early stage.

- **Capital raising actions**

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

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

- **Franchisee litigation**

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

- **Regulatory and customer exposures**

  In recent years there has been an increase in the number of matters on which ANZ engages with its regulators. There have been significant increases in the nature and scale of regulatory investigations and reviews, civil and criminal enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability and distribution, interest and fees and the entitlement to charge them, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and capital market transactions, reporting and disclosure obligations and product disclosure documentation. ANZ has received various notices and requests for information from its regulators as part of both industry-wide and ANZ-specific reviews and has also made disclosures to its regulators at its own instigation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

- **Royal Commission**

  The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established on 14 December 2017. The Commission's final report was released publicly on 4 February 2019. The Commission may result in additional costs and may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

- **Security recovery actions**

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

- **Warranties and Indemnities**

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

20. Significant Events Since Balance Date

There have been no significant events from 31 March 2019 to the date of signing this report.

21. Adoption of new accounting standards and other changes to comparatives

i) Changes to comparatives including the impact of AASB 15 *Revenue from Contracts with Customers* (AASB 15)

The following table summarises the changes to comparatives resulting from the application of AASB 15, and other reclassification adjustments to enhance comparability with current period presentation.

	Reported as at 30 Sep 18	Impact of application of AASB 15	Other reclassification adjustment	Restated as at 30 Sep 18
	$M	$M	$M	$M
Net loans and advances [1]	603,938	-	500	604,438
Other assets[2]	3,645	32	-	3,677
Other non-impacted balance sheet line items	335,041	-	-	335,041
Total assets	**942,624**	**32**	**500**	**943,156**
Deferred tax liabilities[2]	59	10	-	69
Payables and other liabilities[3]	6,788	106	-	6,894
Provisions[1,3]	1,578	(106)	500	1,972
Other non-impacted balance sheet line items	874,816	-	-	874,816
Total liabilities	**883,241**	**10**	**500**	**883,751**
Retained earnings[2]	31,715	22	-	31,737
Other non-impacted balance sheet line items	27,528	-	-	27,528
Share capital and reserves attributable to shareholders of the Company[2]	**59,243**	**22**	**-**	**59,265**
Non-controlling interests	140	-	-	140
Total shareholders' equity[2]	**59,383**	**22**	**-**	**59,405**

	Reported as at 31 Mar 18	Impact of application of AASB 15	Other reclassification adjustment	Restated as at 31 Mar 18
	$M	$M	$M	$M
Net loans and advances [1]	588,946	-	522	589,468
Other assets[2]	4,914	32	-	4,946
Other non-impacted balance sheet line items	341,256	-	-	341,256
Total assets	**935,116**	**32**	**522**	**935,670**
Deferred tax liabilities[2]	258	10	-	268
Payables and other liabilities[3]	7,442	100		7,542
Provisions[1,3]	1,110	(100)	522	1,532
Other non-impacted balance sheet line items	866,806	-	-	866,806
Total liabilities	**875,616**	**10**	**522**	**876,148**
Retained earnings[2]	30,900	22	-	30,922
Other non-impacted balance sheet line items	28,474	-	-	28,474
Share capital and reserves attributable to shareholders of the Company[2]	**59,374**	**22**	**-**	**59,396**
Non-controlling interests	126	-	-	126
Total shareholders' equity[2]	**59,500**	**22**	**-**	**59,522**

1. *$500 million of collectively assessed provisions for credit impairment attributable to off-balance sheet credit related commitments at 30 September 2018 (Mar 18: $522 million) were reclassified from Net loans and advances at amortised cost to Other provisions to enhance comparability with current period presentation.*
2. *The Group adopted AASB 15 in this reporting period with comparatives restated. This policy change resulted in an adjustment to the opening balance of $32 million to Other assets, $10 million to Deferred tax liabilities and $22 million to Retained earnings as at 1 October 2017 to recognise revenue that qualifies for upfront recognition under AASB 15 but was not previously recognised under AASB 118.*
3. *Upon adoption of AASB 15, certain liabilities associated with credit card loyalty programs have been reclassified from Provisions to Other Liabilities. In addition, certain items previously netted are now presented gross in operating income and operating expenses. Comparative information has been restated which increased total operating income and total operating expenses by $91 million for the September 2018 half and $62 million for the March 2018 half.*

ii) Impact of the transition to AASB 9 *Financial Instruments* (AASB 9)

Allowance for expected credit losses

The table below reconciles the closing provisions for credit impairment for financial assets determined in accordance with AASB 139, and provisions for loan commitments and financial guarantee contracts determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as at 30 September 2018, and the opening provisions for credit impairment determined in accordance with AASB 9 as at 1 October 2018.

	As at 30 Sep 18		As at 1 Oct 18
	Provision for credit impairment under AASB 139 or AASB 137 $M	Incremental allowance for ECL under AASB 9 $M	Allowance for ECL under AASB 9 $M
Loans and advances - at amortised cost	2,943	647	3,590
Investment securities - debt securities at amortised cost	-	11	11
Off-balance sheet commitments - undrawn and contingent facilities[1]	500	155	655
Total provisions for credit impairment	**3,443**	**813**	**4,256**
Loss allowances recognised in other comprehensive income:			
Investment securities - debt securities at FVOCI[2]	-	14	14
Total loss allowance recognised in other comprehensive income	**-**	**14**	**14**

1. *The collectively assessed allowance for ECL is included in Provisions. The individually assessed allowance for ECL is included in Net loans and advances.*
2. *Allowance for ECL does not change the carrying amount which remains at fair value. Instead, the allowance for ECL is recognised in OCI, with a corresponding charge to profit or loss.*

The following table summarises the adjustments arising on adoption of AASB 9.

Consolidated balance sheet reconciliation

	Reference	AASB 139 measurement category	AASB 9 measurement category	Restated as at 30 Sep 18 $M	AASB 9 reclassification impact $M	AASB 9 Remeasurement impact (excl. impairment) $M	AASB 9 credit impairment impact $M	Revised carrying amount as at 1 Oct 18 $M
Trading securities	1,2	FVTPL	FVTPL	37,722	(993)	-	-	36,729
Investment securities:								
- debt securities at amortised cost	2,6,7	N/A	Amortised cost	-	6,158	2	(11)	6,149
- debt securities at FVOCI	1, 2	N/A	FVOCI	-	70,938	-	-	70,938
- equity securities at FVOCI	2	N/A	FVOCI	-	1,087	-	-	1,087
Available-for-sale assets (AFS)	2	AFS	N/A	74,284	(74,284)	-	-	-
Net loans and advances								
- at amortised cost	3,6,7,8	Loans and receivables	Amortised cost	604,305	(4,470)	15	(647)	599,203
- at FVTPL	3,8	FVTPL	FVTPL	133	1,564	(23)	-	1,674
Investment in associates	5	N/A	N/A	2,553	-	-	(65)	2,488
Deferred tax assets	1,2,4,6	N/A	N/A	900	-	15	234	1,149
Other non-impacted balance sheet line items		N/A	N/A	223,259	-	-	-	223,259
Total assets				**943,156**	**-**	**9**	**(489)**	**942,676**
Current tax liabilities	1,3,4	N/A	N/A	300	-	30	-	330
Provisions	6	N/A	N/A	1,972	-	-	155	2,127
Debt issuances:								-
- at amortised cost	4	Amortised cost	Amortised cost	119,737	(879)	-	-	118,858
- at FVTPL	4	FVTPL	FVTPL	1,442	879	(55)	-	2,266
Other non-impacted balance sheet line items		N/A	N/A	760,300	-	-	-	760,300
Total liabilities				**883,751**	**-**	**(25)**	**155**	**883,881**
Ordinary share capital				27,205	-	-	-	27,205
Reserves	1,2,6			323	1	3	10	337
Retained earnings	1,2,3,4,5,6			31,737	(1)	31	(654)	31,113
Share capital and reserves attributable to shareholders of the Company				**59,265**	**-**	**34**	**(644)**	**58,655**
Non-controlling interests				140	-	-	-	140
Total shareholders' equity				**59,405**	**-**	**34**	**(644)**	**58,795**

Reference

1. On initial application of AASB 9, a portfolio of bonds with a fair value of $1,000 million was transferred from Trading securities to Investment securities - debt securities at FVOCI as the applicable business model was held to collect and sell. Cumulative fair value gains/(losses) on this portfolio of $2 million (after tax) were transferred from Retained earnings to the FVOCI reserve. Additionally, the reclassification resulted in a reduction in deferred tax assets and current tax liabilities of $1 million.
2. The Available-for-sale classification is no longer applicable under AASB 9. Accordingly, on transition:
   - $69,938 million of Available-for-sale debt instruments were reclassified to Investment securities – debt securities measured at FVOCI due to the business model being held to collect and sell. There was no re-measurement impact associated with this reclassification;
   - $3,252 million of Available-for-sale debt instruments were reclassified to Investment securities – debt securities at amortised cost due to the business model being held to collect at 1 October 2018. This reclassification resulted in re-measurement of a $2 million increase to the carrying amount arising from reversal of the previous available-for-sale revaluation reserve. Additionally, a deferred tax asset of $1 million associated with the previous available-for-sale revaluation was reversed;
   - the Group made irrevocable elections to designate $1,087 million of non-traded Available-for-sale equity securities as Investment securities - equity securities at FVOCI; and
   - $7 million of Available-for-sale equity securities were reclassified to Trading securities and the related reserve balance of $1 million was reclassified to Retained earnings.
3. Certain loans with contractual cash flow characteristics that are not solely payments of principal and interest were reclassified from Net loans and advances at amortised cost to Net Loans and advances at FVTPL. The loans had an amortised cost carrying amount of $224 million and a fair value of $201 million at 30 September 2018. The associated re-measurement of $23 million was recognised in Retained earnings offset by a decrease in current tax liabilities of $7 million. In addition, one of the loans was previously in a fair value hedge relationship which was discontinued effective 1 October 2018. Accordingly, changes in the fair value due to changes in the hedged risk which were previously recognised as a reduction to the carrying value of the loan amounting to $15 million were written back to Retained earnings offset by an increase in current tax liabilities of $4 million.
4. The Group elected to designate certain financial liabilities (bonds included within Debt issuances) as measured at fair value through profit or loss effective from 1 October 2018 to reduce an accounting mismatch. The bonds had an amortised cost carrying amount of $879 million and a fair value of $824 million at 30 September 2018. The difference of $55 million (comprising a $109 million decrease in fair value before own credit, offset by a $54 million increase in fair value attributable to own credit) offset by a net tax impact of $17 million (increase in deferred tax asset of $17 million and an increase in current tax liability of $34 million) was recognised in Retained earnings.
5. The Group recognised a decrease of $65 million to the carrying value of Investments in associates with a corresponding decrease to Retained earnings reflecting the Group's share of the estimated initial application impact of IFRS 9 (the international equivalent of AASB 9).
6. The initial application of the expected credit loss requirements of AASB 9, resulted in increases in provisions for credit impairment attributable to the following:
   - On-balance sheet loans and advances of $647 million reflected in the Net loans and advances at amortised cost;
   - Investment securities measured at amortised cost of $11 million reflected in the Investment securities – debt securities at amortised cost; and
   - Off-balance sheet credit related commitments of $155 million reflected in the Provisions.

   The total impact of $813 million was recognised as a reduction to Retained earnings, offset by an increase of $234 million related to deferred tax. Additionally, loss allowances of $10 million (after-tax) attributable to Investment securities – debt securities at FVOCI have been recognised in Reserves with a corresponding adjustment to Retained earnings. The debt securities remain at fair value on the face of the Balance Sheet.
7. On initial application of AASB 9, a portfolio of Negotiable Certificates of Deposit with a carrying amount of $2,906 million was reclassified from Net loans and advances at amortised cost to Investment Securities at amortised cost. There was no re-measurement impact associated with this reclassification.
8. On initial application of AASB 9, loans with a carrying amount and fair value of $1,340 million that were in the process of being syndicated were reclassified from Net loans and advances at amortised cost to Net Loans and advances at FVTPL on the basis that the applicable business model is held-to-sell. There was no re-measurement impact associated with this reclassification.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the *Corporations Act 2001*, including:
   - section 304, that they comply with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and
   - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2019 and of its performance for the half year ended on that date; and

2. in the Directors' opinion as at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

30 April 2019

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

Report on the half year Condensed Consolidated Financial Statements

Conclusion

We have reviewed the accompanying Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited (the Group).

The Group comprises Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

The Condensed Consolidated Financial Statements comprise:

- The condensed consolidated balance sheet as at 31 March 2019;
- The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements of Australia and New Zealand Banking Group Limited are not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 31 March 2019 and of its performance for the half year ended on that date; and

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

Responsibilities of the Directors for the Condensed Consolidated Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Financial Statements that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Condensed Consolidated Financial Statements

Our responsibility is to express a conclusion on the Condensed Consolidated Financial Statements based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements* ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Consolidated Financial Statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2019 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard* AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG
Melbourne
30 April 2019

A M Kitchen

Alison Kitchen
Partner

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australia and New Zealand Banking Group Limited for the half-year ended 31 March 2019, there have been:

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

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

KPMG

KPMG
Melbourne
30 April 2019

A M Kitchen

Alison Kitchen
Partner

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