Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Half year ended
31 March 2011

CONTENTS	***PAGE***

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Australia and New Zealand Banking Group Limited

	Note	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Interest income		14,945	14,252	12,356	5%	21%
Interest expense		(9,299)	(8,619)	(7,120)	8%	31%
Net interest income	3	5,646	5,633	5,236	0%	8%
Other operating income	3	1,974	1,804	1,487	9%	33%
Net funds management and insurance income	3	742	806	293	-8%	large
Share of joint venture profit from OnePath Australia and OnePath New Zealand	20	-	-	33	n/a	-100%
Share of associates' profit	20	243	232	168	5%	45%
Operating income		8,605	8,475	7,217	2%	19%
Operating expenses	4	(4,026)	(3,922)	(3,382)	3%	19%
Profit before credit impairment and income tax		4,579	4,553	3,835	1%	19%
Provision for credit impairment	10	(675)	(705)	(1,082)	-4%	-38%
Profit before income tax		3,904	3,848	2,753	1%	42%
Income tax expense	5	(1,235)	(1,270)	(826)	-3%	50%
Profit for the period		2,669	2,578	1,927	4%	39%
Comprising:						
Profit attributable to non-controlling interests		5	2	2	large	large
Profit attributable to shareholders of the Company		2,664	2,576	1,925	3%	38%
Earnings per ordinary share (cents)						
Basic	7	104.2	102.1	76.8	2%	36%
Diluted	7	101.2	99.0	75.4	2%	34%
Dividend per ordinary share (cents)	6	64	74	52	-14%	23%

The notes appearing on pages 87 to 109 form an integral part of the Condensed Consolidated Financial Statements

Australia and New Zealand Banking Group Limited

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Profit for the period	2,669	2,578	1,927	4%	39%
Other comprehensive income					
Currency translation adjustments					
Exchange differences taken to equity	(550)	(353)	(653)	56%	-16%
Available-for-sale assets					
Valuation gain/(loss) taken to equity	(56)	(26)	162	large	large
Cumulative (gain)/loss transferred to the income statement	35	(6)	14	large	large
Cash flow hedge reserve					
Valuation gain taken to equity	28	160	27	-83%	4%
Transferred to income statement for the period	(7)	(40)	(14)	-83%	-50%
Share of associates' other comprehensive income	(7)	(9)	27	-22%	large
Actuarial gain/(loss) on defined benefit plans	46	13	(19)	large	large
Income tax on items transferred directly to / from equity					
Foreign currency translation reserve	(6)	(6)	(4)	0%	50%
Available-for-sale reserve	5	4	(42)	25%	large
Cash flow hedge reserve	(4)	(37)	1	-89%	large
Actuarial gain / (loss) on defined benefits plan	(13)	(3)	5	large	large
Other comprehensive income	(529)	(303)	(496)	75%	7%
Total comprehensive income for the period	2,140	2,275	1,431	-6%	50%
Comprising:					
Total comprehensive income attributable to non-controlling interests	5	2	2	large	large
Total comprehensive income attributable to shareholders of the company	2,135	2,273	1,429	-6%	49%

The notes appearing on pages 87 to 109 form an integral part of the Condensed Consolidated Financial Statements

Australia and New Zealand Banking Group Limited

Assets	Note	As at Mar 11 $M	As at Sep 10 $M	As at Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Liquid assets		22,803	21,521	22,626	6%	1%
Due from other financial institutions		7,479	5,481	6,894	36%	8%
Trading securities[1]		28,966	33,515	33,274	-14%	-13%
Derivative financial instruments		29,646	37,821	27,630	-22%	7%
Available-for-sale assets		18,323	20,742	17,777	-12%	3%
Net loans and advances[1]	8	375,306	349,321	335,352	7%	12%
Customers' liability for acceptances[1]		577	11,495	12,510	-95%	-95%
Shares in associates and joint venture entities		3,239	2,965	2,854	9%	13%
Current tax assets		20	76	442	-74%	-95%
Deferred tax assets		653	792	584	-18%	12%
Goodwill and other intangible assets[2]		6,632	6,630	6,329	0%	5%
Investments backing policyholder liabilities		32,958	32,171	32,054	2%	3%
Other assets		8,716	7,051	6,228	24%	40%
Premises and equipment		2,160	2,158	2,154	0%	0%
Total assets		537,478	531,739	506,708	1%	6%
Liabilities						
Due to other financial institutions		20,415	20,521	16,068	-1%	27%
Deposits and other borrowings	11	333,388	311,472	301,757	7%	10%
Derivative financial instruments		29,796	37,217	27,289	-20%	9%
Liability for acceptances[1]		577	11,495	12,510	-95%	-95%
Current tax liabilities		750	973	131	-23%	large
Deferred tax liabilities		40	35	570	14%	-93%
Policyholder liabilities		29,718	28,981	28,332	3%	5%
External unit holder liabilities (life insurance funds)		5,501	5,448	5,610	1%	-2%
Payables and other liabilities		10,688	7,950	8,788	34%	22%
Provisions		1,285	1,462	1,167	-12%	10%
Bonds and notes		58,526	59,714	58,390	-2%	0%
Loan capital	12	11,665	12,316	13,513	-5%	-14%
Total liabilities		502,349	497,584	474,125	1%	6%
Net assets		35,129	34,155	32,583	3%	8%
Shareholders' equity						
Ordinary share capital	13,14	20,594	19,886	19,294	4%	7%
Preference share capital	13,14	871	871	871	0%	0%
Reserves	14	(3,171)	(2,587)	(2,277)	23%	39%
Retained earnings	14	16,766	15,921	14,629	5%	15%
Share capital and reserves attributable to shareholders of the Company		35,060	34,091	32,517	3%	8%
Non-controlling interests		69	64	66	8%	5%
Total equity		35,129	34,155	32,583	3%	8%

1. *In 2011 the Group ceased re-discounting Commercial bill acceptances. This has impacted balance sheet classifications as there is no intention to trade the commercial bills as negotiable instruments, therefore they are classified as commercial bill loans initially recognised at fair value and subsequently measured at amortised cost:*

   Mar 2011 - Trading securities: $nil; Net loans and advances $17,371 million; Customers' liability for acceptances $nil; Liability for acceptances $nil

   Sep 2010 - Trading securities: $6,035 million; Net loans and advances $nil; Customers' liability for acceptances $11,150 million; Liability for acceptances $11,150 million

   Mar 2010 - Trading securities: $4,735 million; Net loans and advances $nil; Customers' liability for acceptances $12,282 million; Liability for acceptances $12,282 million

2. *Excludes notional goodwill in equity accounted entities*

The notes appearing on pages 87 to 109 form an integral part of the Condensed Consolidated Financial Statements

Australia and New Zealand Banking Group Limited

	Note	Half year Mar 11 Inflows (Outflows) $M	Half year Sep 10 Inflows (Outflows) $M	Half year Mar 10 Inflows (Outflows) $M
Cash flows from operating activities				
Interest received		14,874	14,179	12,183
Dividends received		32	33	21
Fee income received		1,231	971	1,206
Other income received		856	621	609
Interest paid		(9,204)	(8,465)	(7,261)
Personnel expenses paid		(2,249)	(2,183)	(1,919)
Premises expenses paid		(300)	(290)	(267)
Other operating expenses paid		(1,220)	(719)	(906)
Cash settled on derivatives		(2,783)	(2,286)	463
Income taxes (paid)/refunds received				
Australia		(1,166)	(438)	85
Overseas		(163)	(115)	(514)
Goods and services tax paid		21	22	11
Net cash flows from funds management and insurance business				
Funds management income received		442	421	244
Insurance premium income received		3,746	3,825	2,319
Claims and policyholder liability payments		(3,561)	(3,498)	(2,089)
Investment income received		71	437	99
Commission expense paid		(237)	(209)	(144)
Net cash flows from investments backing policyholder liabilities				
Purchase of insurance assets		(5,341)	(9,152)	(830)
Proceeds from sale/maturity of insurance assets		5,661	9,332	689
(Increase)/decrease in operating assets				
Liquid assets - greater than three months		1,251	350	1,834
Due from other financial institutions - greater than three months		(643)	(19)	(46)
Trading securities		(1,755)	(311)	(1,693)
Loans and advances		(12,449)	(12,201)	(4,843)
Increase/(decrease) in operating liabilities				
Deposits and other borrowings		13,970	5,242	9,484
Due to other financial institutions		(106)	4,808	(4,753)
Payables and other liabilities		1,744	(2,265)	977
Net cash provided by/(used in) operating activities	16(a)	2,722	(1,910)	4,959
Cash flows from investing activities				
Available-for-sale assets				
Purchases		(18,774)	(10,829)	(18,483)
Proceeds from sale or maturity		20,784	8,038	17,206
Controlled entities and associates				
Purchased (net of cash acquired)		(254)	1,796	(1,746)
Proceeds from sale (net of cash disposed)		42	9	6
Premises and equipment				
Purchases		(169)	(138)	(179)
Proceeds from sale		1	19	5
Other assets		(477)	(729)	(699)
Net cash provided by/(used in) investing activities		1,153	(1,834)	(3,890)
Cash flows from financing activities				
Bonds and notes				
Issue proceeds		10,990	7,541	14,215
Redemptions		(8,938)	(3,922)	(13,183)
Loan capital				
Issue proceeds		-	239	1,737
Redemptions		(329)	(1,259)	(1,306)
Dividends paid		(1,141)	(791)	(880)
Share capital issues		27	22	15
On market share purchases		(137)	(10)	(68)
Net cash provided by/(used in) financing activities		472	1,820	530
Net cash provided by/(used in) operating activities		2,722	(1,910)	4,959
Net cash provided by/(used in) investing activities		1,153	(1,834)	(3,890)
Net cash provided by/(used in) financing activities		472	1,820	530
Net increase/(decrease) in cash and cash equivalents		4,347	(1,924)	1,599
Cash and cash equivalents at beginning of period		21,904	24,007	22,805
Foreign currency translation		(309)	(179)	(397)
Cash and cash equivalents at end of period	16(b)	25,942	21,904	24,007

The notes appearing on pages 87 to 109 form an integral part of the Condensed Consolidated Financial Statements

Australia and New Zealand Banking Group Limited

	Ordinary share capital $M	Preference shares $M	Reserves $M	Retained earnings $M	Shareholders' equity attributable to Equity holders of the Bank $M	Non-controlling interests $M	Total Shareholders' equity $M
As at 1 October 2009	19,151	871	(1,787)	14,129	**32,364**	65	**32,429**
Total comprehensive income for the period	-	-	(482)	1,911	**1,429**	2	**1,431**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,380)	**(1,380)**	-	**(1,380)**
Dividend reinvestment plan	500	-	-	-	**500**	-	**500**
Other equity movements:							
Treasury shares	(68)	-	-	-	**(68)**	-	**(68)**
Group share option scheme	15	-	-	-	**15**	-	**15**
Treasury shares OnePath Australia adjustment	(366)	-	-	-	**(366)**	-	**(366)**
Group employee share acquisition scheme	62	-	-	-	**62**	-	**62**
Adjustments to opening retained earnings on adoption of revised accounting standard AASB 3R	-	-	-	(39)	**(39)**	-	**(39)**
Other changes	-	-	(8)	8	**-**	(1)	**(1)**
As at 31 March 2010	19,294	871	(2,277)	14,629	**32,517**	66	**32,583**
Total comprehensive income for the period	-	-	(313)	2,586	**2,273**	2	**2,275**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,298)	**(1,298)**	-	**(1,298)**
Dividend reinvestment plan	507	-	-	-	**507**	-	**507**
Other equity movements:							
Treasury shares	(10)	-	-	-	**(10)**	-	**(10)**
Share based payments	-	-	7	-	**7**	-	**7**
Group share option scheme	22	-	-	-	**22**	-	**22**
Treasury shares OnePath Australia adjustment	6	-	-	-	**6**	-	**6**
Group employee share acquisition scheme	67	-	-	-	**67**	-	**67**
Other changes	-	-	(4)	4	**-**	(4)	**(4)**
As at 30 September 2010	19,886	871	(2,587)	15,921	**34,091**	64	**34,155**
Total comprehensive income for the period	-	-	(562)	2,697	**2,135**	5	**2,140**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(1,866)	**(1,866)**	-	**(1,866)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	13	**13**	-	**13**
Dividend reinvestment plan	712	-	-	-	**712**	-	**712**
Other equity movements:							
Treasury shares	(137)	-	-	-	**(137)**	-	**(137)**
Share based payments	-	-	(21)	-	**(21)**	-	**(21)**
Group share option scheme	27	-	-	-	**27**	-	**27**
Treasury shares OnePath Australia adjustment	1	-	-	-	**1**	-	**1**
Group employee share acquisition scheme	105	-	-	-	**105**	-	**105**
Other changes	-	-	(1)	1	**-**	-	**-**
As at 31 March 2011	20,594	871	(3,171)	16,766	**35,060**	69	**35,129**

The notes appearing on pages 87 to 109 form an integral part of the Condensed Consolidated Financial Statements

1. Basis of preparation

These Condensed Consolidated Financial Statements comprise a general purpose financial report and:

- should be read in conjunction with the ANZ Annual Report for the year ended 30 September 2010, and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2011 in accordance with the continuous disclosure obligations under the Corporations Act 2001 (as amended) and the ASX Listing Rules;
- are condensed financial statements as defined in AASB 134 Interim Financial Reporting. This report does not include all notes of the type normally included in the annual financial report;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 2 May 2011.

i) Statement of compliance

The Condensed Consolidated Financial Statements have been prepared in accordance with the accounts provisions of the Banking Act 1959 (as amended), Australian Accounting Standards ("AASs"), Australian Accounting Standards Board ("AASB") Interpretations, other authoritative pronouncements of the AASB, and the Corporations Act 2001. International Financial Reporting Standards (IFRS) are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). IFRS forms the basis of AASs and Interpretations issued by the AASB. The Group's application of AASs and interpretations ensures that the consolidated report of the Group complies with IFRS.

ii) Use of estimates and assumptions

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. Discussion of these critical accounting treatments, which include complex or subjective decisions or assessments, are covered in Note 2. Such estimates may require review in future 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, including in the case of fair value hedging, the fair value of any applicable underlying exposure;
- financial assets treated as available-for-sale;
- financial instruments held for trading; and
- assets and liabilities designated as fair value through profit and loss.

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

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

iv) Changes in accounting policy and early adoptions

The accounting policies adopted in the preparation of these Condensed Consolidated Financial Statements are consistent with those adopted and disclosed in the ANZ Annual Report for the year ended 30 September 2010. The Group has applied, where relevant, all new or revised Australian Accounting Standards and AASB Interpretations applicable to the half year ended 31 March 2011, however these do not have a material impact on the Group.

v) Rounding

The Parent Entity is an entity of the kind referred to in the Australian Securities and Investments Commission class order 98/100 dated 10 July 1998 (as amended). Consequently, amounts in these Condensed Consolidated Financial Statements have been rounded to the nearest million dollars, except where otherwise indicated.

vi) Comparatives

Certain amounts in the comparative information have been reclassified to conform to current period financial statement presentations.

2. Critical estimates and judgements used in applying accounting policies

The Group prepares its consolidated financial information in accordance with policies which are based on AAS's, other authoritative accounting pronouncements of the AASB, AASB Interpretations and the Corporations Act 2001. This involves the Group making estimates and assumptions that affect the reported amounts within the financial statements. Estimates and judgements are continually evaluated and are based on historical factors, including expectations of future events that are believed to be reasonable under the circumstances. All material changes to accounting policies and estimates, and the application of these policies and judgements are approved by the Audit Committee of the Board.

A brief explanation of critical estimates and judgements, and their impact on the Group, follows:

- **Provisions for credit impairment**

  The Group's accounting policy relating to measuring the impairment of loans and advances requires the Group to assess impairment at least at each reporting date. The credit provisions raised (individual and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on experienced judgement. The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio and the stage of the economic cycle.

  The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability. Individual provisioning is applied when the full collectability of a loan is identified as being doubtful.

  Individual and collective provisioning is calculated using discounted expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

- **Special purpose and off-balance sheet entities**

  The Group may invest in or establish special purpose entities (SPEs) to enable it to undertake specific types of transactions. The main types of SPEs are securitisation vehicles, structured finance entities, and entities used to sell credit protection.

  Where the Group has established SPEs which are controlled by the Group, they are consolidated in the Group's financial statements.

  The Group does not consolidate SPEs that it does not control. As it can be complex to determine whether the Group has control of an SPE, the Group makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

  The table below summarises the main types of SPEs with which the Group is involved, the reason for their establishment, and the control factors associated with ANZ's interest in them. Although there may be some indicators of control, ANZ does not bear the majority of residual risks and rewards of the SPEs, therefore they are not consolidated.

Type of SPE	Reason for establishment	Control factors
Securitisation vehicles	Securitisation is a financing technique whereby assets are transferred to an SPE which funds the purchase by issuing securities. This enables ANZ (in the case where transferred assets originate within ANZ) or customers to increase diversity of funding sources.	ANZ may manage these securitisation vehicles, service assets in the vehicle, or provide liquidity or other support. ANZ retains the risks associated with the provision of these services. For any SPE which is not consolidated, credit and market risks associated with the underlying assets are not retained or assumed by ANZ except to the limited extent that ANZ provides arm's length services and facilities.
Structured finance entities	These entities are set up to assist the structuring of client financing. The resulting lending arrangements are at arms length and ANZ typically has limited ongoing involvement with the entity.	ANZ may manage these vehicles, hold minor amounts of capital, provide financing or provide derivatives.
Credit protection	The SPE in this category is created to allow ANZ to purchase credit protection.	ANZ may manage this vehicle.

2. Critical estimates and judgements used in applying accounting policies, cont'd

- **Significant associates**

The carrying values of all significant investments in associates are subject to an annual recoverable amount test. This assessment involves ensuring that the investment's fair value less costs to sell or its value in use is greater than its carrying amount. Judgement is applied when determining the assumptions supporting these calculations.

As at 31 March 2011, the Group reviewed investments in associates against the following impairment indicators:

- actual financial performance against budgeted financial performance;
- any material unfavourable operational factors and regulatory factors;
- any material unfavourable economic outlook and market competitive factors;
- carrying value against available quoted market values (supported by third-party broker valuations where possible); and
- carrying value against market capitalisation (for listed investments).

Where appropriate, additional potential impairment indicators are reviewed which are more specific to the respective investment.

As at 31 March 2011, no impairment of associates was identified as a result of either the review of impairment indicators listed above or the recoverable amount test.

- **Available-for-sale financial assets**

The accounting policy for impairment of available-for-sale financial assets requires the Group to assess whether there is objective evidence of impairment. This requires judgement when considering whether such evidence exists and, if so, reliably determining the impact of such events on the estimated cash flows of the asset.

- **Financial instruments at fair value**

A significant portion of financial instruments are carried on the balance sheet at fair value.

The best evidence of fair value is a quoted price in an active market. Accordingly, wherever possible, fair value is based on the quoted market price for the financial instrument.

In the event that there is no active market for the instrument, fair value is based on present value estimates or other market accepted valuation techniques. The valuation models incorporate the impact of bid/ask spread, counterparty credit spreads and other factors that would influence the fair value determined by a market participant.

The majority of valuation techniques employ only observable market data, however, for certain financial instruments the fair value cannot be determined with reference to current market transactions or valuation techniques whose variables only include data from observable markets.

In respect of the valuation component where market observable data is not available, the fair value is determined using data derived and extrapolated from market data and tested against historic transactions and observed market trends. These valuations are based upon assumptions established by application of professional judgement to analyse the data available to support each assumption. Changing the assumptions changes the resulting estimate of fair value.

The majority of outstanding derivative positions are transacted over-the-counter and therefore need to be valued using valuation techniques. Included in the determination of the fair value of derivatives is a credit valuation adjustment to reflect the credit worthiness of the counterparty, representing the credit risk component of the overall fair value increment on a particular derivative asset. The total valuation adjustment is influenced by the mark-to-market of the derivative trades and by movement in the current market cost of credit.

2. Critical estimates and judgements used in applying accounting policies, cont'd

- **Goodwill and indefinite life intangible assets**

The carrying values of goodwill and intangible assets with indefinite lives are reviewed at each balance date and written-down, to the extent that they are no longer supported by probable future benefits.

Goodwill and intangibles with indefinite useful lives are allocated to cash-generating units (CGUs) for the purpose of impairment testing. In respect of goodwill, the CGUs are based on the operating segments of the Group, which are the major geographies in which the Group operates.

Impairment testing of goodwill and indefinite life intangibles is performed annually, or more frequently when there is an indication that the asset may be impaired. Impairment testing is conducted by comparing the recoverable amount of the CGU with the current carrying amount of its net assets, including goodwill and intangibles as applicable. Where the current carrying value is greater than the recoverable amount, a charge for impairment is recognised in the income statement.

The most significant components of the Group's goodwill balance at 31 March 2011 relate to New Zealand region which was $2,400 million (Sep 2010: $2,482 million, Mar 2010: $2,528 million) and Australia region which was $1,434 million (Sep 2010: $1,414 million, Mar 2010: $1,321 million).

The recoverable amount of the CGU to which each goodwill component has been allocated is estimated using a market multiple approach as representative of the fair value less costs to sell of each CGU. The price earnings multiples are based on observable multiples in the respective geographies in which the Group operates. The earnings are based on the current forecast earnings within the geographies. Changes in assumptions upon which the valuation is based, including forecast earnings, could materially impact the assessment of the recoverable amount of each CGU.

The results of the impairment testing performed did not result in any impairment being identified.

- **Intangible assets with finite useful lives**

The carrying value of intangible assets with finite useful lives are reviewed each balance date for any indication of impairment. This assessment involves applying judgement and consideration is given to both internal and external sources of potential impairment. The majority of the Group's intangible assets with a finite life is represented by capitalised software and intangible assets purchased as part of the acquisition of OnePath Australia Limited and OnePath (NZ) Limited. The review conducted by management for these assets at 31 March 2011 did not reveal any impairment indicators and accordingly, no write-down was considered necessary.

- **Life insurance contract liabilities**

Policy liabilities for life insurance contracts are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each contract. The computations are made by suitably qualified personnel on the basis of recognised actuarial methods, with due regard to relevant actuarial principles and standards. The methodology takes into account the risks and uncertainties of the particular classes of life insurance business written. Deferred policy acquisition costs are connected with the measurement basis of life insurance liabilities and are equally sensitive to the factors that are considered in the liability measurement.

The key factors that affect the estimation of these liabilities and related assets are:

- the cost of providing the benefits and administering these insurance contracts;
- mortality and morbidity experience on life insurance products, including enhancements to policyholder benefits;
- discontinuance experience, which affects the Group's ability to recover the cost of acquiring new business over the lives of the contracts; and
- the amounts credited to policyholders' accounts compared to the returns on invested assets through asset-liability management and strategic and tactical asset allocation.

In addition, factors such as regulation, competition, interest rates, taxes and general economic conditions affect the level of these liabilities.

The total value of policy liabilities for life insurance contracts have been calculated in accordance with these principles.

- **Taxation**

Significant judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the law.

3. Income

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Interest income	14,945	14,252	12,356	5%	21%
Interest expense	(9,299)	(8,619)	(7,120)	8%	31%
Net interest income	5,646	5,633	5,236	0%	8%
i) Fee and commission income					
Lending fees[1]	306	330	304	-7%	1%
Non-lending fees and commissions	1,026	1,000	967	3%	6%
Total fee and commission income	1,332	1,330	1,271	0%	5%
Fee and commission expense[2]	(155)	(138)	(139)	12%	12%
Net fee and commission income	1,177	1,192	1,132	-1%	4%
ii) Other income					
Net foreign exchange earnings	431	354	393	22%	10%
Net gains from trading securities and derivatives[3]	334	164	155	large	large
Credit risk on derivatives	70	(12)	47	large	49%
Fair value impairment for OnePath Australia & OnePath NZ	-	(4)	(213)	-100%	-100%
Movement on financial instruments measured at fair value through profit & loss[4]	(155)	(10)	(192)	large	-19%
Brokerage income	31	32	38	-3%	-18%
NZ managed funds impacts	60	-	4	n/a	large
Write-down on assets in non continuing businesses	(2)	(9)	(3)	-78%	-33%
Write-back of investment in Saigon Securities Incorporation	-	-	25	n/a	-100%
Write-down of investment in Sacombank	(35)	-	-	n/a	n/a
Private equity and infrastructure earnings	1	37	6	-97%	-83%
Other	62	60	95	3%	-35%
Total other income	797	612	355	30%	large
Other operating income	1,974	1,804	1,487	9%	33%
iii) Net funds management and insurance income					
Funds management income	442	432	298	2%	48%
Investment income	1,305	(44)	1,209	large	8%
Insurance premium income	532	581	266	-8%	100%
Commission income (expense)	(237)	(208)	(150)	14%	58%
Claims	(263)	(224)	(190)	17%	38%
Changes in policyholder liabilities[5]	(1,021)	247	(1,083)	large	-6%
Elimination of treasury share gain	(16)	22	(57)	large	-72%
Total net funds management and insurance income	742	806	293	-8%	large
Total other operating income	2,716	2,610	1,780	4%	53%
Share of joint venture & associates' profit	243	232	201	5%	21%
Total income[6]	17,904	17,094	14,337	5%	25%
Profit before income tax as a % of total income	21.81%	22.51%	19.20%		

1. *Lending fees exclude fees treated as part of the effective yield calculation and included in interest income*
2. *Includes interchange fees paid*
3. *Does not include interest income*
4. *Includes fair value movements (excluding realised and accrued interest) on derivatives entered into to manage interest rate and foreign exchange risk on funding instruments and not designated as accounting hedges, ineffective portions of cashflow hedges, and fair value movements in financial assets and liabilities designated fair value*
5. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the super contributions made by members) debited to the policyholder account once a year in July when the statement is issued to the members at the end of the 30 June financial year*
6. *Total income includes external dividend income of $8 million (Sep 2010 half: $8 million; Mar 2010 half: $10 million)*

4. Operating expenses

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Personnel					
Employee entitlements and taxes	147	148	105	-1%	40%
Salaries and wages	1,475	1,382	1,242	7%	19%
Superannuation costs - defined benefit plans	5	7	7	-29%	-29%
Superannuation costs - defined contribution plans	147	135	118	9%	25%
Equity-settled share-based payments	78	75	65	4%	20%
Temporary staff	123	123	87	0%	41%
Other	389	426	324	-9%	20%
Total personnel expenses	2,364	2,296	1,948	3%	21%
Premises					
Depreciation and amortisation	44	45	34	-2%	29%
Rent	192	191	174	1%	10%
Utilities and other outgoings	84	83	77	1%	9%
Other	24	16	16	50%	50%
Total premises expenses	344	335	301	3%	14%
Computer					
Computer contractors	83	65	56	28%	48%
Data communications	59	49	41	20%	44%
Depreciation and amortisation	174	167	130	4%	34%
Rentals and repairs	56	36	59	56%	-5%
Software purchased	107	115	96	-7%	11%
Software written-off	2	6	11	-67%	-82%
Other	25	17	18	47%	39%
Total computer expenses	506	455	411	11%	23%
Other					
Advertising and public relations	116	137	107	-15%	8%
Audit fees	6	6	5	0%	20%
Depreciation of furniture and equipment	48	43	46	12%	4%
Freight and cartage	32	31	31	3%	3%
Non-lending losses	24	21	46	14%	-48%
Postage and stationery	64	66	61	-3%	5%
Professional fees	136	200	147	-32%	-7%
Telephone	39	38	30	3%	30%
Travel	105	109	87	-4%	21%
Amortisation of intangible assets	54	59	36	-8%	50%
Other	65	94	124	-31%	-48%
Total other expenses	689	804	720	-14%	-4%
Restructuring					
New Zealand technology integration	108	-	-	n/a	n/a
Other	15	32	2	-53%	large
Total restructuring expenses	123	32	2	large	large
Operating expenses	4,026	3,922	3,382	3%	19%

5. Income tax expense

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the Income Statement	**Half year Mar 11 $M**	**Half year Sep 10 $M**	**Half year Mar 10 $M**	**Movt Mar 11 v. Sep 10 %**	**Movt Mar 11 v. Mar 10 %**
Profit before income tax	3,904	3,848	2,753	1%	42%
Prima facie income tax expense at 30%	1,171	1,154	826	1%	42%
Tax effect of permanent differences:					
Overseas tax rate differential	(5)	11	(6)	large	-17%
Rebateable and non-assessable dividends	(2)	(2)	(3)	0%	-33%
Profit from associates and joint venture entities	(73)	(70)	(60)	4%	22%
Fair value adjustment for OnePath Australia and OnePath New Zealand	-	1	64	-100%	-100%
Mark-to-market (gains)/losses on fair valued investments related to associated entities	-	-	(2)	n/a	-100%
Write-back of investment in Saigon Securities Incorporation	-	-	(7)	n/a	-100%
Write-down of investment in Sacombank	11	-	-	n/a	n/a
Offshore Banking Unit	(6)	(1)	(6)	large	0%
New Zealand Conduits	-	-	(38)	n/a	-100%
Impact of changes in New Zealand tax legislation	(3)	36	-	large	n/a
OnePath Australia - Policyholder income and contributions tax	116	150	-	-23%	n/a
Non-deductible RBS integration costs	4	14	13	-71%	-69%
Resolution of US tax matter	-	(31)	-	-100%	n/a
Other	22	8	46	large	-52%
	1,235	1,270	827	-3%	49%
Income tax (over) provided in previous years	-	-	(1)	n/a	-100%
Total income tax expense charged in the income statement	1,235	1,270	826	-3%	50%
Australia	986	1,064	689	-7%	43%
Overseas	249	206	137	21%	82%
	1,235	1,270	826	-3%	50%
Effective Tax Rate - Group excluding that attributable to income relating to policyholder income and contributions tax	28.6%	29.0%	30.0%		

Taxation of Financial Arrangements "TOFA"

The Group adopted the new tax regime for financial arrangements (TOFA) in Australia effective from 1 October 2009. The regime aims to more closely align the tax and accounting recognition, and measurement of the financial arrangements within scope and their related flows. Deferred tax balances for financial arrangements that existed on adoption at 1 October 2009 will reverse over a four year period.

6. Dividends

Dividend per ordinary share (cents)	Half year Mar 11	Half year Sep 10	Half year Mar 10	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Interim (fully franked)	64	n/a	52	n/a	23%
Final (fully franked)	n/a	74	n/a	n/a	n/a
Total	64	74	52	-14%	23%

Ordinary share dividend	$M	$M	$M	%	%
Interim dividend	-	1,318	-	n/a	n/a
Final dividend	1,895	-	1,403	n/a	35%
Bonus option plan adjustment	(35)	(25)	(29)	40%	21%
Total[1]	1,860	1,293	1,374	44%	35%
Ordinary share dividend payout ratio (%)[2]	62.5%	73.7%	68.7%		

1. *Dividends are not accrued and are recorded when paid*
2. *Dividend payout ratio calculated using proposed 2011 interim dividend of $1,662 million (not shown in the above table). The proposed 2011 interim dividend of $1,662 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2010 half year and March 2010 half year calculated using actual dividend paid of $1,895 million and $1,318 million respectively. Dividend payout ratio calculated by adjusting profit attributable to shareholders of the company by the amount of preference shares dividends paid.*

Ordinary Shares

The Directors propose that an interim dividend of 64 cents be paid on 1 July 2011 on each eligible fully paid ANZ ordinary share. The proposed 2011 interim dividend will be fully franked for Australian tax purposes.

Australia and New Zealand Banking Group Limited (ANZ) has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the 2011 interim dividend. For the 2011 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. The “Acquisition Price” to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of fully paid ANZ ordinary shares sold on the ASX during the seven trading days commencing on 20 May 2011 less a 1.5% discount, and then rounded to the nearest whole cent. Shares provided under the DRP and BOP will rank equally in all respects with existing fully paid ANZ ordinary shares. Election notices from shareholders wanting to commence, cease or vary their participation in the DRP or BOP for the 2011 interim dividend must be received by ANZ's Share Registrar by 5.00 pm (Melbourne time) on 18 May 2011. Subject to receiving effective contrary instructions from the shareholder, dividends payable to shareholders with a registered address in Great Britain (including the Channel Islands and the Isle of Man) or New Zealand will be converted to pounds sterling and New Zealand dollars respectively at ANZ's exchange rate at 5.00 pm (Melbourne time) on 20 May 2011. There is no foreign conduit income attributed to the dividend.

Preference Shares

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Preference share dividend					
Euro Trust Securities	6	5	6	20%	0%
Dividend per preference share					
Euro Trust Securities	€ 8.11	€ 6.87	€ 7.06	18%	15%

7. Earnings per share

	Half year Mar 11	Half year Sep 10	Half year Mar 10	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Number of fully paid ordinary shares on issue (M)[1]	2,596.4	2,559.7	2,533.5	1%	2%
Basic					
Profit attributable to shareholders of the Company ($M)	2,664	2,576	1,925	3%	38%
Less Preference share dividends ($M)	(6)	(5)	(6)	20%	0%
Profit less preference share dividends ($M)	2,658	2,571	1,919	3%	39%
Weighted average number of ordinary shares (M)	2,550.1	2,518.7	2,499.8	1%	2%
Basic earnings per share (cents)	104.2	102.1	76.8	2%	36%
Diluted					
Profit less preference share dividends ($M)	2,658	2,571	1,919	3%	39%
Interest on US Stapled Trust Securities ($M)[2]	14	16	19	-13%	-26%
Interest on UK Hybrid Securities ($M)[3]	24	25	-	-4%	n/a
Interest on Convertible Preference Shares ($M)[4]	84	81	53	4%	58%
Profit attributable to shareholders of the Company excluding interest on US Trust Securities, Convertible Preference Shares and Convertible Perpetual Notes ($M)	2,780	2,693	1,991	3%	40%
Weighted average number of shares on issue (M)	2,550.1	2,518.7	2,499.8	1%	2%
Weighted average number of convertible options (M)	5.0	4.5	4.8	11%	4%
Weighted average number of convertible US Trust Securities at current market price (M)[2]	32.1	32.8	47.4	-2%	-32%
Weighted average number of convertible UK Hybrid Securities (M)[3]	31.0	32.8	-	-5%	n/a
Weighted average number of Convertible Preference Shares (M)[4]	130.1	130.8	88.5	-1%	47%
Adjusted weighted average number of shares - diluted (M)	2,748.3	2,719.6	2,640.5	1%	4%
Diluted earnings per share (cents)	101.2	99.0	75.4	2%	34%

1. *Number of fully paid ordinary shares on issue includes Treasury shares of 31.3 million at 31 March 2011 (September 2010: 28.2 million; March 2010: 28.2 million)*
2. *The US Stapled Trust securities issued on 27 November 2003 convert to ordinary shares in 2053 at the market price of ANZ ordinary shares less 5% unless redeemed or bought back prior to that date. The US Stapled Trust Security issue can be de-stapled and the investor left with coupon paying preference shares at ANZ's discretion at any time, or at the investor's discretion under certain circumstances. AASB 133 requires that potential ordinary shares for which conversion to ordinary share capital is mandatory must be included in the calculation of diluted EPS. The inclusion of these issues in EPS increased the diluted number of shares by 32.1 million for the half year ended 31 March 2011.*
3. *UK Hybrid (issued on 15 June 2007) is a GBP denominated stapled security that converts to ordinary shares on the fifth anniversary of the issue date at the market price of ANZ ordinary shares less 5% (subject to certain conversion conditions). AASB 133 requires that potential ordinary shares for which conversion to ordinary share capital is mandatory must be considered in the calculation of diluted EPS. The inclusion of this issue in EPS increased the diluted number of shares by 31.0 million for the half year ended 31 March 2011. However, the conversion of this UK Hybrid did not have any dilutive impact for the half year ended 31 March 2010 and has been excluded from the comparatives. A higher weighted average number of potential ordinary shares on conversion due to changes in share price and earnings has resulted in the impact of the UK Hybrid securities becoming dilutive.*
4. *There are two "Tranches" of convertible preference shares. The first are convertible preference shares issued on 30 September 2008 that convert to ordinary shares on 16 June 2014 at the market price of ANZ ordinary shares less 2.5% (subject to certain conversion conditions). The second are convertible preference shares issued on 17 December 2009 that convert to ordinary shares on 15 December 2016 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions). AASB 133 requires that potential ordinary shares for which conversion to ordinary share capital is mandatory must be included in the calculation of diluted EPS. The inclusion of these issues in EPS increased the diluted number of shares by 130.1 million for the half year ended 31 March 2011.*

8. Net loans and advances

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Australia					
Overdrafts	6,169	6,604	6,309	-7%	-2%
Credit card outstandings	8,912	8,502	8,404	5%	6%
Commercial bills outstanding[1]	17,371	-	-	n/a	n/a
Term loans - housing	165,205	159,046	149,078	4%	11%
Term loans - non-housing	71,489	68,578	69,340	4%	3%
Lease receivables	1,511	1,599	1,533	-6%	-1%
Hire purchase	9,603	9,974	10,238	-4%	-6%
Other	1,868	1,824	1,902	2%	-2%
	282,128	256,127	246,804	10%	14%
New Zealand					
Overdrafts	1,179	1,378	1,315	-14%	-10%
Credit card outstandings	1,020	1,056	1,098	-3%	-7%
Term loans - housing	40,202	41,554	42,021	-3%	-4%
Term loans - non-housing	28,192	29,557	30,281	-5%	-7%
Lease receivables	174	175	178	-1%	-2%
Hire purchase	378	377	358	0%	6%
Other	211	264	267	-20%	-21%
	71,356	74,361	75,518	-4%	-6%
Asia Pacific, Europe & America					
Overdrafts	694	689	536	1%	29%
Credit card outstandings	1,036	1,060	352	-2%	large
Commercial bills outstanding	554	432	283	28%	96%
Term loans - housing	2,368	2,058	1,737	15%	36%
Term loans - non-housing	23,234	20,928	16,092	11%	44%
Lease receivables	144	116	218	24%	-34%
Other	250	240	255	4%	-2%
	28,280	25,523	19,473	11%	45%
Total gross loans and advances	381,764	356,011	341,795	7%	12%
Less: Provision for credit impairment (refer note 10)	(4,894)	(5,028)	(4,630)	-3%	6%
Less: Unearned income[2]	(2,179)	(2,262)	(2,368)	-4%	-8%
Add: Capitalised brokerage/mortgage origination fees	615	600	555	3%	11%
	(6,458)	(6,690)	(6,443)	-3%	0%
Total net loans and advances[3]	375,306	349,321	335,352	7%	12%

1. *In 2011 the Group ceased re-discounting commercial bill acceptances resulting in an increase of $17,371 million in net loans and advances*
2. *Includes fees deferred and amortised using the effective interest method of $398 million (Sep 2010: $402 million; Mar 2010: $425 million)*
3. *Differs to net loans and advances including acceptances shown on page 8 and page 32 as bill acceptances of $577 million (Sep 2010: $17,530 million: Mar 2010: $17,245 million) are excluded*

The following table shows gross loans and advances for New Zealand in NZD terms.

New Zealand	Half year Mar 11 NZD M	Half year Sep 10 NZD M	Half year Mar 10 NZD M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Overdrafts	1,602	1,811	1,534	-12%	4%
Credit card outstandings	1,386	1,388	1,417	0%	-2%
Term loans - housing	54,627	54,598	54,377	0%	0%
Term loans - non-housing	38,308	38,835	39,068	-1%	-2%
Lease finance	236	231	230	2%	3%
Hire purchase	513	496	462	3%	11%
Other	286	344	345	-17%	-17%
	96,958	97,703	97,433	-1%	0%

9. Credit quality

Maximum exposure to credit risk

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

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

As at March 2011 $M	Reported	Excluded[1]	Maximum exposure to credit risk
Liquid assets	22,803	1,803	21,000
Due from other financial institutions	7,479	-	7,479
Trading securities	28,966	-	28,966
Derivative financial instruments[2]	29,646	-	29,646
Available-for-sale assets	18,323	407	17,916
Net loans, advances and acceptances	375,883	-	375,883
Other financial assets[3]	7,255	-	7,255
	490,355	2,210	488,145
Undrawn facilities	122,570	-	122,570
Contingent facilities	29,793	-	29,793
	152,363	-	152,363
Total	642,718	2,210	640,508
As at September 2010 $M			
Liquid assets	21,521	2,793	18,728
Due from other financial institutions	5,481	-	5,481
Trading securities	33,515	-	33,515
Derivative financial instruments[2]	37,821	-	37,821
Available-for-sale assets	20,742	445	20,297
Net loans, advances and acceptances	360,816	-	360,816
Other financial assets[3]	5,593	-	5,593
	485,489	3,238	482,251
Undrawn facilities	124,029	-	124,029
Contingent facilities	27,485	-	27,485
	151,514	-	151,514
Total	637,003	3,238	633,765
As at March 2010 $M			
Liquid assets	22,626	3,462	19,164
Due from other financial institutions	6,894	-	6,894
Trading securities	33,274	-	33,274
Derivative financial instruments[2]	27,630	-	27,630
Available-for-sale assets	17,777	527	17,250
Net loans, advances and acceptances	347,862	-	347,862
Other financial assets[3]	5,233	-	5,233
	461,296	3,989	457,307
Undrawn facilities	110,502	-	110,502
Contingent facilities	25,251	-	25,251
	135,753	-	135,753
Total	597,049	3,989	593,060

1. *Includes bank notes and coins and cash at bank within liquid assets and equity instruments within available-for-sale financial assets*
2. *Derivative financial instruments are net of credit valuation adjustments*
3. *Mainly comprises trade dated assets and accrued interest*

9. Credit quality, cont'd

Distribution of financial assets by credit quality

As at March 2011 $M	Neither past due nor impaired	Past due but not impaired	Restructured	Impaired	Total
Liquid assets	21,000	-	-	-	21,000
Due from other financial institutions	7,479	-	-	-	7,479
Trading securities	28,966	-	-	-	28,966
Derivative financial instruments[1]	29,592	-	13	41	29,646
Available-for-sale assets	17,916	-	-	-	17,916
Net loans, advances and acceptances	355,411	14,578	691	5,203	375,883
Other financial assets[2]	7,255	-	-	-	7,255
Credit related commitments[3]	152,090	-	-	273	152,363
	619,709	14,578	704	5,517	640,508

As at September 2010 $M					
Liquid assets	18,728	-	-	-	18,728
Due from other financial institutions	5,481	-	-	-	5,481
Trading securities	33,515	-	-	-	33,515
Derivative financial instruments[1]	37,752	-	18	51	37,821
Available-for-sale assets	20,297	-	-	-	20,297
Net loans, advances and acceptances	342,755	11,863	123	6,075	360,816
Other financial assets[2]	5,593	-	-	-	5,593
Credit related commitments[3]	151,220	-	-	294	151,514
	615,341	11,863	141	6,420	633,765

As at March 2010 $M					
Liquid assets	19,164	-	-	-	19,164
Due from other financial institutions	6,894	-	-	-	6,894
Trading securities	33,274	-	-	-	33,274
Derivative financial instruments[1]	27,561	-	2	67	27,630
Available-for-sale assets	17,250	-	-	-	17,250
Net loans, advances and acceptances	329,835	12,139	558	5,330	347,862
Other financial assets[2]	5,233	-	-	-	5,233
Credit related commitments[3]	135,149	-	-	604	135,753
	574,360	12,139	560	6,001	593,060

1. *Derivative assets, considered impaired, are net of credit valuation adjustments*
2. *Mainly comprises trade dated assets and accrued interest*
3. *Comprises undrawn facilities and customer contingent liabilities*

9. Credit quality, cont'd

Credit quality of financial assets neither past due nor impaired

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

As at March 2011 $M	Strong credit profile[1]	Satisfactory risk[2]	Sub-standard but not past due or impaired[3]	Total
Liquid assets	20,505	409	86	21,000
Due from other financial institutions	6,536	811	132	7,479
Trading securities	27,775	1,175	16	28,966
Derivative financial instruments	28,263	763	566	29,592
Available-for-sale assets	16,754	1,162	-	17,916
Net loans, advances and acceptances	246,485	88,902	20,024	355,411
Other financial assets[4]	6,851	330	74	7,255
Credit related commitments[5]	121,389	27,571	3,130	152,090
	474,558	121,123	24,028	619,709

As at September 2010 $M				
Liquid assets	18,182	468	78	18,728
Due from other financial institutions	4,880	424	177	5,481
Trading securities	32,466	1,017	32	33,515
Derivative financial instruments	36,464	775	513	37,752
Available-for-sale assets	19,026	1,271	-	20,297
Net loans, advances and acceptances	231,642	91,241	19,872	342,755
Other financial assets[4]	5,125	385	83	5,593
Credit related commitments[5]	123,083	24,544	3,593	151,220
	470,868	120,125	24,348	615,341

As at March 2010 $M				
Liquid assets	18,957	177	30	19,164
Due from other financial institutions	6,376	290	228	6,894
Trading securities	32,262	1,012	-	33,274
Derivative financial instruments	26,292	828	441	27,561
Available-for-sale assets	15,938	1,312	-	17,250
Net loans, advances and acceptances	219,878	90,822	19,135	329,835
Other financial assets[4]	4,837	327	69	5,233
Credit related commitments[5]	110,250	22,296	2,603	135,149
	434,790	117,064	22,506	574,360

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

9. Credit quality, cont'd

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

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

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

As at March 2011 **$M**	**1-5 days**	**6-29 days**	**30-59 days**	**60-89 days**	**> 90 days**	**Total**
Liquid assets	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Net loans, advances and acceptances	2,583	6,222	2,509	1,309	1,955	14,578
Other financial assets[1]	-	-	-	-	-	-
Credit related commitments[2]	-	-	-	-	-	-
	2,583	6,222	2,509	1,309	1,955	14,578

As at September 2010 **$M**						
Liquid assets	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Net loans, advances and acceptances	2,267	5,494	1,669	878	1,555	11,863
Other financial assets[1]	-	-	-	-	-	-
Credit related commitments[2]	-	-	-	-	-	-
	2,267	5,494	1,669	878	1,555	11,863

As at March 2010 **$M**						
Liquid assets	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Net loans, advances and acceptances	2,224	5,608	1,951	833	1,523	12,139
Other financial assets[1]	-	-	-	-	-	-
Credit related commitments[2]	-	-	-	-	-	-
	2,224	5,608	1,951	833	1,523	12,139

1. *Mainly comprises trade dated assets and accrued interest*
2. *Comprises undrawn facilities and customer contingent liabilities*

9. Credit quality, cont'd

Financial assets that are individually impaired

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

As described in the summary of significant accounting policies in the ANZ 2010 Annual Report, provisions are created for financial instruments that are reported on the balance sheet at amortised cost. For instruments reported at fair value, impairment provisions are treated as part of overall change in fair value and directly reduce the reported carrying amounts.

	Impaired instruments			Individual provision balances		
	As at Mar 11	As at Sep 10	As at Mar 10	As at Mar 11	As at Sep 10	As at Mar 10
	$M	$M	$M	$M	$M	$M
Liquid assets	-	-	-	-	-	-
Due from other financial institutions	-	-	-	-	-	-
Trading securities	-	-	-	-	-	-
Derivative financial instruments[1]	41	51	67	-	-	-
Available-for-sale assets	-	-	-	-	-	-
Net loans, advances and acceptances	5,203	6,075	5,330	1,700	1,849	1,560
Other financial assets[2]	-	-	-	-	-	-
Credit related commitments[3]	273	294	604	17	26	33
Total	5,517	6,420	6,001	1,717	1,875	1,593

1. *Derivative financial instruments are net of credit valuation adjustments*
2. *Mainly comprises trade dated assets and accrued interest*
3. *Comprises undrawn facilities and customer contingent liabilities*

Impaired and Restructured Items by size of exposure	As at Mar 11 $M	As at Sep 10 $M	As at Mar 10 $M
Less than $10 million	2,407	2,461	1,897
$10 million to $100 million	2,561	2,365	1,938
Greater than $100 million	1,253	1,735	2,726
Gross impaired assets[1]	6,221	6,561	6,561
Less: Individually assessed provisions for impairment	(1,717)	(1,875)	(1,593)
Net impaired assets	4,504	4,686	4,968

1. *Includes $704 million restructured items (Sep 2010: $141 million; Mar 2010: $560 million)*

10. Provision for credit impairment

Collective provision	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Balance at start of period	3,153	3,037	3,000	4%	5%
Charge/(Credit) to income statement	65	(40)	36	large	81%
Provisions acquired	-	191	49	-100%	-100%
Adjustment for exchange rate fluctuations	(41)	(35)	(48)	17%	-15%
Total collective provision[1]	3,177	3,153	3,037	1%	5%
Individual provision					
Balance at start of period	1,875	1,593	1,526	18%	23%
Charge to income statement for loans and advances	594	744	1,026	-20%	-42%
Provisions acquired	-	355	39	-100%	-100%
Adjustment for exchange rate fluctuations	(43)	(68)	(32)	-37%	34%
Discount unwind	(103)	(104)	(61)	-1%	69%
Bad debts written-off	(703)	(730)	(963)	-4%	-27%
Recoveries of amounts previously written-off	97	85	58	14%	67%
Total individual provision	1,717	1,875	1,593	-8%	8%
Total provision for credit impairment	4,894	5,028	4,630	-3%	6%

1. *The Collective Provision includes amounts for off-balance sheet credit exposures: $352 million at 31 March 2011 (Sep 2010: $361 million; Mar 2010: $355 million). The impact on the income statement for the half year ended 31 March 2011 was a $5 million release (Sept 2010 half year: $5 million charge; Mar 2010 half year: $40 million release)*

Provision movement analysis	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
New and increased provisions					
Australia	651	724	896	-10%	-27%
New Zealand	222	260	299	-15%	-26%
Asia Pacific, Europe & America	91	80	91	14%	0%
	964	1,064	1,286	-9%	-25%
Provision releases	(273)	(235)	(202)	16%	35%
	691	829	1,084	-17%	-36%
Recoveries of amounts previously written-off	(97)	(85)	(58)	14%	67%
Individual provision charge for loans and advances	594	744	1,026	-20%	-42%
Impairment on available-for-sale assets	16	1	20	large	-20%
Collective provision charge/(credit) to income statement	65	(40)	36	large	81%
Charge to Income Statement	675	705	1,082	-4%	-38%

Individual provision balance	As at Mar 11 $M	As at Sep 10 $M	As at Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Australia	938	977	1,009	-4%	-7%
New Zealand	406	469	471	-13%	-14%
Asia Pacific, Europe & America	373	429	113	-13%	large
Total individual provision	1,717	1,875	1,593	-8%	8%

11. Deposits and other borrowings

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Certificates of deposit	51,513	39,530	44,695	30%	15%
Term deposits	144,267	136,556	119,204	6%	21%
Other deposits bearing interest	112,327	109,265	107,110	3%	5%
Deposits not bearing interest	10,631	10,598	9,966	0%	7%
Commercial paper	10,769	11,641	16,525	-7%	-35%
Borrowing corporations' debt	1,669	1,756	2,173	-5%	-23%
Other borrowings	2,212	2,126	2,084	4%	6%
Total deposits and other borrowings	333,388	311,472	301,757	7%	10%

12. Loan capital

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Innovative hybrid loan capital					
US stapled trust security issue[1]	788	866	890	-9%	-11%
Non-innovative hybrid loan capital					
ANZ convertible preference shares[2]	1,081	1,081	1,081	0%	0%
ANZ convertible preference shares II[3]	1,969	1,969	1,969	0%	0%
UK hybrid[4]	701	737	741	-5%	-5%
Perpetual subordinated notes	905	946	975	-4%	-7%
Subordinated notes	6,221	6,717	7,857	-7%	-21%
Total Loan Capital	11,665	12,316	13,513	-5%	-14%

1. *Loan capital of USD750 million is subordinated in right of payment to the claims of depositors and all other creditors of the parent entity and its controlled entities which have issued the notes. This instrument is redeemable by the issuer on 15 December 2013 and, unless redeemed earlier, will convert into ordinary shares of ANZ on 15 December 2053 at a 5% discount. This instrument constitutes Tier 1 capital as defined by APRA for capital adequacy purposes.*
2. *On 30 September 2008, ANZ issued convertible preference shares which will convert into ordinary shares of ANZ on 16 June 2014 at a 2.5% discount (subject to certain conditions being satisfied), unless ANZ elects for a third party to purchase the convertible preference shares or they are exchanged earlier. This instrument constitutes Tier 1 capital as defined by APRA for capital adequacy purposes*
3. *On 17 December 2009, ANZ issued convertible preference shares which will convert into ordinary shares of ANZ on 15 December 2016 at a 1% discount (subject to certain conditions being satisfied), unless ANZ elects for a third party to purchase the convertible preference shares or they are exchanged earlier. This instrument constitutes Tier 1 capital as defined by APRA for capital adequacy purposes*
4. *Loan capital of GBP450 million is subordinated in right of payment to the claims of depositors and all other creditors of the parent entity and its controlled entities which have issued the notes. This instrument will convert into ordinary shares of ANZ on 15 June 2012 at a 5% discount (subject to certain conditions being satisfied), unless ANZ elects for a third party to purchase the convertible preference shares or they are exchanged earlier. This instrument constitutes Tier 1 capital as defined by APRA for capital adequacy purposes*

13. Share capital

Issued and quoted securities

	Number quoted	Issue price per share	Amount paid up per share
Ordinary shares			
As at 31 March 2011	2,596,425,480		
Issued during the half year	36,763,055		
Preference shares			
As at 31 March 2011			
Euro Trust Securities[1]	500,000	€ 1,000	€ 1,000

1. *On 13 December 2004 the Group issued €500 million hybrid capital. The instruments consist of Floating Rate Non-cumulative Trust Securities issued by ANZ Capital Trust III each representing a unit consisting of €1,000 principal amount of subordinated floating rate notes due 2053 issued by ANZ Jackson Funding PLC stapled to a fully paid up preference share with a liquidation preference of €1,000 each, issued by Australia and New Zealand Banking Group Limited*

	Half year Mar 11	Half year Sep 10	Half year Mar 10
Profit as a % of shareholders' equity including preference shares at end of period (annualised)[1]	15.2%	15.1%	11.9%

1. *Profit attributable to shareholders*

14. Shareholders' equity

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Share capital					
Balance at start of period	20,757	20,165	20,022	3%	4%
Ordinary share capital					
Treasury shares[1,2]	(137)	(10)	(68)	large	large
Dividend reinvestment plan	712	507	500	40%	42%
Group employee share acquisition scheme	105	67	62	57%	69%
Treasury shares in OnePath Australia[3]	1	6	(366)	-83%	large
Group share option scheme	27	22	15	23%	80%
Total share capital	21,465	20,757	20,165	3%	6%
Foreign currency translation reserve					
Balance at start of period	(2,742)	(2,381)	(1,725)	15%	59%
Currency translation adjustments net of hedges after tax	(557)	(361)	(656)	54%	-15%
Total foreign currency translation reserve	(3,299)	(2,742)	(2,381)	20%	39%
Share option reserve[4]					
Balance at start of period	64	61	69	5%	-7%
Share-based payments	(21)	7	-	large	n/a
Transfer of options lapsed to retained earnings	(1)	(4)	(8)	-75%	-88%
Total share option reserve	42	64	61	-34%	-31%

1. *On-market purchase of shares for settlement of amounts due under the share-based payments compensation plans*
2. *As at 31 March 2011, there were 14,495,458 Treasury shares outstanding (30 Sep 10: 11,472,666; 31 Mar 10: 11,532,597)*
3. *On acquisition of OnePath Australia, an adjustment has been made for ANZ shares held by OnePath Australia. As at 31 March 2011, there were 16,776,922 OnePath Australia treasury shares outstanding (30 Sep 10: 16,710,967)*
4. *The share option reserve arises on the grant of share options to selected employees under the ANZ Share option plan. Amounts are transferred out of the reserve and into share capital when the options are exercised*

14. Shareholders' equity, cont'd

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Available-for-sale revaluation reserve[5]					
Balance at start of period	80	119	(41)	-33%	large
Gain/(loss) recognised after tax	(53)	(35)	147	51%	large
Transferred to income statement	30	(4)	13	large	large
Total available-for-sale revaluation reserve	57	80	119	-29%	-52%
Hedging reserve[6]					
Balance at start of period	11	(76)	(90)	large	large
Gain/(loss) recognised after tax	22	115	23	-81%	-4%
Transferred to income statement	(4)	(28)	(9)	-86%	-56%
Total hedging reserve	29	11	(76)	large	large
Total reserves	(3,171)	(2,587)	(2,277)	23%	39%
Retained earnings					
Balance at start of period	15,921	14,629	14,129	9%	13%
Profit attributable to shareholders of the Company	2,664	2,576	1,925	3%	38%
Transfer of options lapsed from share option reserve	1	4	8	-75%	-88%
Total available for appropriation	18,586	17,209	16,062	8%	16%
Actuarial gain/(loss) on defined benefit plans after tax[7]	33	10	(14)	large	large
Adjustments to opening retained earnings on adoption of revised accounting standard AASB 3R	-	-	(39)	n/a	-100%
Ordinary share dividends paid	(1,860)	(1,293)	(1,374)	44%	35%
Dividend income on treasury shares held within the Group's life insurance statutory funds	13	-	-	n/a	n/a
Preference share dividends paid	(6)	(5)	(6)	20%	0%
Retained earnings at end of period	16,766	15,921	14,629	5%	15%
Share capital and reserves attributable to shareholders of the Company	35,060	34,091	32,517	3%	8%
Non-controlling interests	69	64	66	8%	5%
Total equity	35,129	34,155	32,583	3%	8%

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

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

7. *ANZ has taken the option available under AASB 119 to recognise actuarial gains/losses on defined benefit superannuation plans directly in retained earnings*

15. Contingent liabilities and contingent assets

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made. In some instances we have not disclosed the estimated financial impact as this may prejudice the interests of the Group.

Refer to Note 44 of the 2010 ANZ Annual Report for a detailed listing of current contingent liabilities and contingent assets. A summary of the more significant matters are set out below:

- **Exception fees class action**

  On 22 September 2010, litigation funder IMF (Australia) Ltd commenced a class action against ANZ, which it said was on behalf of 27,000 ANZ customers and relating to more than $50 million in exception fees charged to those customers over the previous 6 years. The case is at an early stage. ANZ is defending it.

- **Securities Lending**

  There are ongoing developments concerning the events surrounding ANZ's securities lending business which may continue for some time. There is a risk that further actions (court proceedings or regulatory actions) may be commenced against various parties, including ANZ. The potential impact or outcome of future claims (if any) cannot presently be ascertained. ANZ would review and defend any claim, as appropriate.

  On 4 July 2008, ANZ appointed a receiver and manager to Primebroker Securities Limited. On 31 August 2009, an Associate Justice set aside some statutory demands served by the receiver and said that, among other things, ANZ's appointment of the receiver to Primebroker was invalid. The receiver is appealing the decision. ANZ has joined in the appeal.

  Separately:

  – On 14 April 2010, the liquidator of Primebroker filed an action against the receiver of Primebroker and ANZ, alleging (among other things) that a charge created on 12 February 2008 is void against the liquidators. The action initially claimed $98 million and was subsequently increased to $177 million (plus interest and costs) from ANZ.

  – On 15 July 2010, Primebroker and some associated companies brought an action against parties including ANZ, seeking $102 million and certain unquantified amounts. The allegations include misleading or deceptive conduct, wrongful appointment of receivers, and failure to perform an alleged equity investment agreement.

  ANZ is defending these actions which are set down for a court hearing starting in October 2011.

16. Note to the Cash Flow Statement

(a) Reconciliation of profit after income tax to net cash provided by operating activities

	Half year Mar 11 Inflows (Outflows) $M	Half year Sep 10 Inflows (Outflows) $M	Half year Mar 10 Inflows (Outflows) $M
Profit after income tax	2,664	2,576	1,925
Adjustments to reconcile to net cash provided by operating activities			
Provision for credit impairment	675	705	1,082
Credit risk on derivatives	(70)	12	(47)
Impairment on available for sale assets transferred to profit and loss	35	-	-
Depreciation and amortisation	320	331	229
(Profit)/Loss on sale of businesses	(6)	-	-
Provision for employee entitlements, restructuring and other provisions	323	267	194
Payments from provisions	(269)	(252)	(268)
(Profit)/loss on sale of premises and equipment	(1)	4	4
(Profit)/loss on sale of available-for-sale securities	4	(29)	(7)
Amortisation of discounts/premiums included in interest income	(9)	(12)	(20)
Share based payments expense	74	79	64
Changes in policyholder liabilities	1,021	(247)	1,083
Net foreign exchange earnings	(431)	(354)	(393)
Net (gains)/losses on trading derivatives	(350)	184	(89)
Net derivatives/foreign exchange adjustment	960	(77)	735
(Increase)/decrease in operating assets:			
Trading securities	(1,755)	(311)	(1,693)
Liquid assets - greater than three months	1,251	350	1,834
Due from other banks - greater than three months	(643)	(19)	(46)
Net decrease/(increase) in investments backing policyholder liabilities	(981)	554	(1,045)
Loans and advances	(12,449)	(12,201)	(4,843)
Net derivative financial instruments	(2,783)	(2,286)	463
Interest receivable	(40)	(88)	(93)
Accrued income	54	(129)	(18)
Net tax assets	(94)	717	397
Increase/(decrease) in operating liabilities:			
Deposits and other borrowings	13,970	5,242	9,484
Due to other financial institutions	(106)	4,808	(4,753)
Payables and other liabilities	1,744	(2,265)	977
Interest payable	11	411	(248)
Accrued expenses	(213)	319	44
Other	(184)	(199)	7
Net cash provided by/(used in) operating activities	2,722	(1,910)	4,959

(b) Reconciliation of cash and cash equivalents

Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows

	Half year Mar 11	Half year Sep 10	Half year Mar 10
Liquid assets - less than three months	19,708	17,042	17,716
Due from other financial institutions - less than three months	6,234	4,862	6,291
	25,942	21,904	24,007

(c) Non-cash financing activities

	Half year Mar 11	Half year Sep 10	Half year Mar 10
Dividends satisfied by share issue	712	507	500

17. Segment analysis

The following analysis shows revenue and the result for each business segment.

Segment Revenue	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	Movt Mar 11 v. Sep 10 %	Movt Mar 11 v. Mar 10 %
Australia	6,064	6,031	5,093	1%	19%
Asia Pacific, Europe & America	1,283	1,120	883	15%	45%
New Zealand	1,258	1,324	1,241	-5%	1%
Operating income	8,605	8,475	7,217	2%	19%
Segment result					
Australia	2,903	2,967	2,079	-2%	40%
Asia Pacific, Europe & America	495	306	282	62%	76%
New Zealand	506	575	392	-12%	29%
Profit before income tax	3,904	3,848	2,753	1%	42%

18. Changes in composition of the Group

Acquisition of material entities

There were no material entities acquired during the half year ended March 2011.

During the year ended 30 September 2010, the Group acquired the following:

- OnePath Australia and OnePath New Zealand (formerly ING Australia and ING New Zealand (ING)) - on 30 November 2009, the Group acquired the remaining 51% shareholding in the ANZ-ING joint ventures in Australia and New Zealand, taking its ownership interest to 100%. The results for the half years ended 31 March 2010 and 30 September 2010 includes the financial impact of full ownership since 30 November 2009. For the period 1 October 2009 to 30 November 2009, the investments were accounted for as joint ventures.
- Landmark Financial Services (Landmark) - on 1 March 2010, the Group completed its acquisition of the Landmark financial services business from the AWB Group.
- Acquisition of selected Royal Bank of Scotland Group plc (RBS) businesses were completed in the Philippines on 21 November 2009, Vietnam on 5 December 2009, Hong Kong on 20 March 2010, Taiwan on 17 April 2010, Singapore on 15 May 2010 and Indonesia on 12 June 2010. The financial impacts of these acquisitions are included from these respective dates.

Disposal of material controlled entities

There were no material controlled entities disposed of during the half year ended 31 March 2011, or for the year ended 30 September 2010.

19. Business Combinations

During the year ended 30 September 2010, the Group made a number of acquisitions (refer note 18). The provisional accounting window for the OnePath and Landmark acquisitions has now closed with no significant change to the provisionally accounted acquisition balances reported as at 30 September 2010.

During the financial year ended 30 September 2010, ANZ acquired the Royal Bank of Scotland retail, wealth and commercial businesses in Taiwan, Singapore, Indonesia and Hong Kong, and their institutional businesses in Taiwan, Philippines and Vietnam.

The provisional accounting window for the acquisitions in Philippines, Vietnam and Hong Kong is now closed, while the provisional accounting window for Taiwan closed on 17 April 2011 and Indonesia and Singapore remain open pending the completion of fair value procedures. As at 31 March 2011, $114 million of Goodwill has been recognised ($19 million of which is final and $95 million remains provisionally accounted) in addition to $32 million of intangibles assets. As at 30 September 2010, $141 million of provisionally accounted goodwill and intangibles was recognised in respect of all the RBS acquisitions.

20. Associates, joint venture entities and investments

	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M
Profit after income tax	243	232	201

Contributions to profit[1]

	Contribution to Group pre-tax profit			Ownership interest held by Group		
Associates	Half year Mar 11 $M	Half year Sep 10 $M	Half year Mar 10 $M	As at Mar 11 %	As at Sep 10 %	As at Mar 10 %
P.T. Bank Pan Indonesia	40	39	40	39	39	39
Metrobank Card Corporation Inc	4	5	5	40	40	40
Bank of Tianjin[2]	28	35	33	20	20	20
AMMB Holdings Berhad	53	80	34	24	24	24
Shanghai Rural Commercial Bank	102	56	24	20	20	20
Saigon Securities Inc.	2	6	3	18	18	18
Other associates	14	11	6	n/a	n/a	n/a
Joint ventures						
OnePath Australia Limited[3]	-	-	28	100	100	100
OnePath NZ Holdings Limited[3]	-	-	5	100	100	100
Diversified Yield Fund and Diversified Income Fund[4]	-	-	23	99	99	99

1. *The results differ from the published results of these entities due to the application of IFRS, Group Policies and acquisition adjustments. This amounted to $61 million in March 2011 (Sep 2010 half: $64 million; Mar 2010 half: $15 million)*
2. *The Group is participating in a rights issue which will maintain its existing 20% interest. The issuance is subject to local regulatory approval*
3. *Accounted for as joint ventures up to 30 November 2009 prior to full acquisition*
4. *Increase in fair value of securities held in the Diversified Yield Fund and Diversified Income Fund which were accounted for as associates up to 30 November 2009 prior to full acquisition of OnePath (NZ) Holdings Limited*

21. Related party disclosure

There have been no signficant changes to the arrangements with related parties. Refer Notes 47 and 48 of the 2010 Annual Report.

22. Exchange rates

Major exchange rates used in translation of results of offshore controlled entities and branches and investments in Associates and joint venture entities were as follows:

	Balance sheet			Profit & Loss Average		
	As at Mar 11	As at Sep 10	As at Mar 10	Half year Mar 11	Half year Sep 10	Half year Mar 10
Euro	0.7305	0.7111	0.6829	0.7303	0.6932	0.6330
Great British Pound	0.6415	0.6105	0.6073	0.6258	0.5866	0.5671
New Zealand Dollar	1.3588	1.3139	1.2902	1.3158	1.2591	1.2615
United States Dollar	1.0333	0.9668	0.9156	0.9956	0.8920	0.9060
Chinese Yuan	6.7742	6.4687	6.2496	6.5906	6.0632	6.1855
Indonesian Rupiah	8997.5	8625.3	8348.4	8895.0	8073.6	8486.8
Malaysian Ringgit	3.1266	2.9850	2.9962	3.0679	2.8474	3.0696
Papua New Guinea Kina	2.6596	2.5920	2.5222	2.6148	2.4577	2.4563

23. Significant events since balance date

There are no significant events from 31 March 2011 to the date of this report.

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements set out on pages 82 to 109 are in accordance with the Corporations Act 2001 (as amended), including:
   (a) that they comply with the Australian Accounting Standard AASB 134: 'Interim Financial Reporting', and the Corporations Regulations 2001; and
   (b) that they give a true and fair view of the financial position of the Group as at 31 March 2011 and of its performance for the half year ended on that date; and

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

Signed in accordance with a resolution of the Directors.

John Morschel
Chairman

Michael R P Smith
Director

2 May 2011

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

Report on the condensed consolidated financial statements

We have reviewed the accompanying half-year condensed consolidated financial statements of Australia and New Zealand Banking Group Limited (the "Company") which comprises the condensed consolidated statement of financial position as at 31 March 2011, condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes 1 to 23 comprising a basis of preparation and other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year condensed consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express a conclusion on the half-year condensed consolidated financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year condensed consolidated financial statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 March 2011 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG
Melbourne

2 May 2011

Peter Nash
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 for the half-year ended 31 March 2011 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
2 May 2011

Peter Nash
Partner

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