2015

Half Year U.S. Disclosure Document

for the fiscal half year ended March 31, 2015

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

The date of this 2015 Half Year U.S. Disclosure Document is May 12, 2015.

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INTRODUCTION

All references in this document to “this U.S. Disclosure Document” should be read as referring to the 2015 Half Year U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal half year ended March 31, 2015 (the “March 2015 half”) (including the Annex attached hereto).

This U.S. Disclosure Document is dated May 12, 2015. All references in this document to “the date of this U.S. Disclosure Document” are to May 12, 2015.

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

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

ANZ is one of the four major banking groups headquartered in Australia. In terms of total assets among banking groups, ANZ ranked in the top three in Australia[1] as of March 31, 2015, and first in New Zealand[2] as of December 31, 2014. ANZ’s principal ordinary share listing and quotation is on the Australian Securities Exchange (“ASX”). As of March 31, 2015, ANZ was ranked among the top four largest companies listed on the ASX in terms of market capitalization.

This U.S. Disclosure Document has been prepared in order to provide U.S. investors with certain information regarding ANZ’s business and operations, as well as its financial position, as of March 31, 2015, and the results of operations for the fiscal half year then ended. All balances disclosed in this U.S. Disclosure Document relate to those of the Group. The Group’s Condensed Consolidated Financial Statements including notes thereto and the independent auditor’s review report thereon for the March 2015 half (hereafter defined as the “Condensed Consolidated Financial Statements”), as prepared and filed by the Company with the ASX in accordance with its rules, are attached to this U.S. Disclosure Document as the Annex.

[1] *Source: Commonwealth Bank of Australia results announcement for the half year ended December 31, 2014; National Australia Bank results announcement for the half year ended March 31, 2015; Westpac Banking Corporation results announcement for the half year ended March 31, 2015.*

[2] *Source: ASB Bank disclosure statement for the six months ended December 31, 2014; Bank of New Zealand disclosure statement for the three months ended December 31, 2014; Westpac New Zealand disclosure statement for the three months ended December 31, 2014.*

Forward-looking statements

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

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

- adverse conditions in global debt and equity markets;
- general economic conditions in Australia, New Zealand, the Asia Pacific region and other jurisdictions in which we or our customers operate;
- market liquidity and investor confidence;
- changes to our credit ratings;
- inflation, interest rates, exchange rates, markets and monetary fluctuations and longer term changes;
- the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), regulatory disclosures and taxation and accounting standards in Australia and worldwide;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand, the Asia Pacific region and other jurisdictions in which we or our customers operate;
- the effects of competition in the geographic and business environments in which we or our customers operate;
- our ability to adjust to and compete in the Asia Pacific geographic markets in which we operate or are seeking to operate;
- the ability to maintain or increase market share and control expenses;
- the timely development and acceptance of new products and services, and the perceived overall value of these products and services by users;
- reliability and security of our technology and risks associated with changes to information systems;
- operational and environmental factors, including natural disasters, such as earthquakes, floods, volcanic eruptions, bush fires and tsunamis;
- demographic changes and changes in political, social, and economic conditions in any of the jurisdictions in which we or our customers operate;
- our ability to complete, integrate, and process acquisitions and dispositions;
- the stability of Australian and international financial systems, disruptions to financial markets and any losses we or our customers may experience as a result;
- adverse impacts on our reputation;
- the effectiveness of our risk management policies, including our internal processes, systems and employees;
- other risks and uncertainties detailed under “Supervision and regulation”, “Competition”, and “Risk factors” in “Section 2: Information on the Group” and elsewhere throughout this U.S. Disclosure Document; and
- various other factors beyond our control.

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

Selected financial data

The summary of consolidated balance sheets as of March 31, 2015, September 30, 2014 and March 31, 2014, and summary of consolidated income statement data for the fiscal half years ended March 31, 2015, September 30, 2014 and March 31, 2014, have been derived from the Condensed Consolidated Financial Statements. The Condensed Consolidated Financial Statements are attached to this U.S. Disclosure Document as the Annex.

The Condensed Consolidated Financial Statements and the financial information included herein, except where otherwise noted, have been prepared in accordance with the relevant provisions of the Banking Act 1959, Australian Accounting Standards (“AASs”) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001(Cth) (the “Corporations Act”). International Financial Reporting Standards (“IFRS”) are Standards and Interpretations adopted by the International Accounting Standards Board (“IASB”). IFRS forms the basis of AASs. The Group’s application of AASs ensures that the Consolidated Financial Statements and the financial information included herein complies with IFRS.

Amounts in this U.S. Disclosure Document are presented in Australian Dollars (“$”, “AUD” or “A$”) unless otherwise stated. Amounts reported in United States Dollars (“USD” or “US$”) have been translated at the March 31, 2015 Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”), which was US$0.7625 = AUD$1.00. For further information on the currency of presentation in this U.S. Disclosure Document refer to “Currency of presentation, exchange rates and certain definitions” in “Section 2: Information on the Group”.

SECTION 1: KEY INFORMATION

Summary of consolidated income statement and selected ratios

	Half Year			
	Mar 15 USD $M[1]	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Interest income	11,738	15,394	15,094	14,430
Interest expense	(6,295)	(8,256)	(8,062)	(7,652)
Net interest income	5,443	7,138	7,032	6,778
Net funds management and insurance income	746	979	927	611
Share of associates' profit	238	314	270	247
Other operating income	1,372	1,799	2,291	1,898
Operating income	7,799	10,230	10,520	9,534
Operating expenses	(3,502)	(4,593)	(4,474)	(4,286)
Profit before credit impairment and income tax	4,297	5,637	6,046	5,248
Credit impairment charge[2]	(377)	(494)	(459)	(527)
Profit before income tax	**3,920**	**5,143**	**5,587**	**4,721**
Income tax expense[3]	(1,242)	(1,629)	(1,702)	(1,323)
Profit for the half year	2,678	3,514	3,885	3,398
Profit attributable to non-controlling interests	(6)	(8)	(6)	(6)
Profit attributable to shareholders of the Company	**2,672**	**3,506**	**3,879**	**3,392**
Non-interest income as a % of operating income[4]	30.2%	30.2%	33.2%	28.9%
Net interest margin	2.04%	2.04%	2.12%	2.15%
Cost to income ratio	44.9%	44.9%	42.5%	45.0%
Dividends on ordinary shares	1,966	2,578	2,239	2,455
Earnings per fully paid ordinary share (cents)				
Basic	97.6	128.0	142.3	124.8
Diluted	95.0	124.6	136.5	120.6
Ordinary share dividend payout ratio (%)[5]	67.9%	67.9%	67.6%	67.2%
Dividend per ordinary share (cents)	66	86	95	83

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2015 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *The credit impairment charge represents the individual and collective credit impairment charge.*
3. *Includes the impact of contribution tax and investment income tax attributable to policyholders.*
4. *Non-interest income comprises net funds management and insurance income, share of associates' profit and other operating income.*
5. *The dividend payout ratio was calculated by adjusting profit attributable to shareholders of the Company by the amount of preference share dividends paid. The dividend payout ratio calculation is based on the following dividend payments:*

Proposed 2015 interim dividend	***Actual Dividend Paid Sep 2014 half***	***Actual Dividend Paid Mar 2014 half***
*$2,379 million**	*$2,619 million*	*$2,278 million*

**Based on the proposed interim dividend announced on May 5, 2015 and on forecast number of ordinary shares on issue at the dividend date.*

Summary of consolidated balance sheet and selected ratios

	As of			
	Mar 15 USD $M[1]	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Shareholders' equity[2]	39,616	51,956	49,207	46,971
Subordinated debt[3]	12,553	16,463	13,607	13,226
Debt issuances	65,319	85,664	80,096	73,552
Deposits and other borrowings	432,501	567,215	510,079	498,318
Gross loans and advances[4]	428,701	562,231	525,685	513,563
Less: Individual provision for credit impairment	(849)	(1,114)	(1,176)	(1,470)
Less: Collective provision for credit impairment[5]	(2,222)	(2,914)	(2,757)	(2,843)
Net loans and advances	425,630	558,203	521,752	509,250
Total assets	655,816	860,087	772,092	737,815
Net assets	39,689	52,051	49,284	47,038
Risk weighted assets[6]	294,983	386,863	361,529	360,740
Summary of consolidated ratios				
Net profit after income tax as a percentage of:				
Average total assets	0.8%	0.8%	1.0%	0.9%
Average shareholders' equity[7]	14.0%	14.0%	16.6%	15.0%
Average ordinary shareholders' equity as a percentage of average total assets[7]	12.1%	12.1%	12.2%	12.4%
Ratio of earnings to fixed charges[8]	61.7%	61.7%	68.7%	61.1%
Capital adequacy:[6]				
Common Equity Tier 1	8.7%	8.7%	8.8%	8.3%
Tier 1	10.6%	10.6%	10.7%	10.3%
Tier 2	2.0%	2.0%	2.0%	1.8%
Total	12.6%	12.6%	12.7%	12.1%
Number of ordinary shares on issue (millions)	2,766.0	2,766.0	2,756.6	2,744.1

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2015 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Excludes non-controlling interests.*
3. *For the composition of subordinated debt refer to Note 11 of the Condensed Consolidated Financial Statements.*
4. *Loans and advances are disclosed in the balance sheet net of the individual and collective provisions. For ease of presentation gross amounts are shown here.*
5. *The collective provision includes amounts for off-balance sheet credit exposures of $646 million at March 31, 2015 (Sep 14: $613 million, Mar 14: $597 million).*
6. *Risk weighted assets and capital adequacy are calculated using the Australian Prudential Regulation Authority (APRA) Basel 3 methodology.*
7. *Excludes non-controlling interests and preference shares.*
8. *Ratio of earnings to fixed charges is derived from profit before income tax divided by the sum of interest expenses and one third of rental expense.*

Summary of credit quality data

	As of			
	Mar 15 USD $M[1]	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Gross impaired assets				
Impaired loans:				
Subject to individual provision for credit impairment	1,748	2,292	2,443	3,097
Without individual provision for credit impairment	133	174	239	217
Restructured items	111	146	67	60
Non-performing commitments and contingencies	73	96	140	246
Total gross impaired assets	**2,065**	**2,708**	**2,889**	**3,620**
Provision for credit impairment:				
Individual provision - impaired loans	824	1,081	1,130	1,396
Individual provision - non-performing commitments and contingencies	25	33	46	74
Collective provision	2,222	2,914	2,757	2,843
Total provision for credit impairment	**3,071**	**4,028**	**3,933**	**4,313**
Total gross loans and advances[2,3]	**428,701**	**562,231**	**525,685**	**513,563**
Credit Risk Weighted Assets	259,019	339,697	308,885	305,328
Collective provision as a % of credit risk weighted assets[4]	0.86%	0.86%	0.89%	0.93%
Gross impaired assets as a percentage of gross loans and advances	0.5%	0.5%	0.5%	0.7%
Individual provision for credit impairment as a percentage of gross impaired assets	41.1%	41.1%	40.7%	40.6%
Individual provision for impaired loans as a percentage of impaired loans	43.8%	43.8%	42.1%	42.1%
Total provision for credit impairment as a percentage of:				
Gross loans and advances[2,3]	0.7%	0.7%	0.7%	0.8%
Credit risk weighted assets[4]	1.2%	1.2%	1.3%	1.4%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2015 Noon Buying Rate applied in this U.S. Disclosure Document.*
2. *Consists of loans and advances, customers' liability for acceptances, capitalized brokerage/mortgage origination fees less unearned income.*
3. *Loans and advances are disclosed in the balance sheet net of individual and collective provisions. For ease of presentation gross amounts are shown here.*
4. *Credit risk weighted assets are calculated using APRA Basel 3 methodology.*

Results by segment

The Group operates on a divisional structure with Australia, International and Institutional Banking (IIB), New Zealand, and Global Wealth being the major operating divisions. The IIB and Global Wealth divisions are coordinated globally. Global Technology, Services & Operations (GTSO) and Group Center provide support to the operating divisions, including technology, operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Center also includes Group Treasury and Shareholder Functions.

During the March 2015 half, the Merchant Services and Commercial Credit Cards businesses, were transferred out of the Cards and Payments business unit in Australia Retail and split between Australia Corporate and Commercial Banking (C&CB) and IIB based on customer ownership. Comparative information has been restated.

There have been no other major structure changes, however certain prior period comparatives have been restated to align with current period presentation resulting from minor changes to customer segmentation and the realignment of support functions.

Assets, liabilities, income and profit before tax

	Half Year						
Division[1]	**Mar 15 USD $M[2]**	**Mar 15 $M**	**%**	**Sep 14 $M[3]**	**%**	**Mar 14 $M[3]**	**%**
Assets							
Australia	229,152	300,527	35%	290,564	38%	281,032	38%
International and Institutional Banking	308,856	405,057	47%	342,985	43%	314,660	43%
New Zealand	77,249	101,310	12%	89,443	12%	92,010	12%
Global Wealth	41,114	53,920	6%	50,469	7%	49,803	7%
GTSO and Group Center	(555)	(727)	0%	(1,369)	0%	310	0%
Total	**655,816**	**860,087**	**100%**	**772,092**	**100%**	**737,815**	**100%**
Liabilities							
Australia	132,673	173,997	22%	172,680	24%	168,410	24%
International and Institutional Banking	264,218	346,517	42%	301,097	41%	272,107	40%
New Zealand	65,448	85,833	11%	73,082	10%	71,784	10%
Global Wealth	46,876	61,477	8%	55,451	8%	53,201	8%
GTSO and Group Center[4]	106,912	140,212	17%	120,498	17%	125,275	18%
Total	**616,127**	**808,036**	**100%**	**722,808**	**100%**	**690,777**	**100%**
Income[5]							
Australia	6,612	8,672	47%	8,707	47%	8,477	49%
International and Institutional Banking	4,539	5,953	32%	5,456	29%	5,425	32%
New Zealand	2,371	3,109	17%	2,916	16%	2,684	16%
Global Wealth	695	911	5%	1,001	5%	883	5%
GTSO and Group Center	(121)	(159)	-1%	502	3%	(283)	-2%
Total	**14,096**	**18,486**	**100%**	**18,582**	**100%**	**17,186**	**100%**
Profit before tax							
Australia	1,746	2,290	45%	2,240	40%	2,120	45%
International and Institutional Banking	1,462	1,917	37%	1,774	32%	1,833	39%
New Zealand	599	786	15%	733	13%	764	16%
Global Wealth	276	362	7%	419	7%	324	7%
GTSO and Group Center	(162)	(212)	-4%	421	8%	(320)	-7%
Total	**3,922**	**5,143**	**100%**	**5,587**	**100%**	**4,721**	**100%**

1. *For discussion of operating results see "Section 3: Operating and financial review and prospects - Results by segment".*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the March 31, 2015 Noon Buying Rate applied in this U.S. Disclosure Document.*
3. *Certain amounts reported as comparative information have changed as a result of the reasons described above.*
4. *GTSO and Group Center liabilities include a major proportion of the Group's wholesale funding within Group Treasury.*
5. *Income consists of interest income and non-interest income (comprising net funds management and insurance income, share of associates' profit and other operating income).*

Overview

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

As of the close of trading on March 31, 2015, ANZBGL had a market capitalization of approximately A$101.3 billion. As of March 31, 2015, ANZBGL had total assets of A$860.1 billion and shareholders' equity of A$52.1 billion. ANZBGL's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange ("NZX").

The Group is committed to delivering strong total shareholder returns and above-peer earnings growth over the business cycle. To do this we will seek to:

- Strengthen our position in our core markets of Australia and New Zealand by growing our Retail and Commercial operations, driving productivity benefits, leveraging our super regional strategy and using technology to drive better functionality.
- Focus our Asia Pacific expansion primarily on Institutional Banking, supporting our Australian and New Zealand customers, targeting profitable markets and segments in which we have expertise and which are connected through trade and capital flows;
- Achieve greater efficiency and control through the use of scalable common infrastructure and platforms;
- Maintain strong liquidity and actively manage capital to enhance return on equity;
- Build on our super regional capabilities; and
- Apply strict criteria when reviewing existing investment and new inorganic opportunities.

Principal activities of the Group

The principal activities of our major operating divisions are:

Australia

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

- **Retail**

  Retail is responsible for delivering a full range of banking services to consumer customers, using capabilities in product management, analytics, customer research, segmentation, strategy and marketing.

  - **Home Loans** provides housing finance to consumers in Australia for both owner occupied and investment purposes, as well as providing housing finance for overseas investors.
  - **Cards and Payments** provides unsecured lending products to retail customers.
  - **Deposits** provides transaction banking, savings and investment products, such as term deposits and cash management accounts.

  Retail delivers banking solutions to customers across multiple distribution channels including the Australian branch network, ANZ Direct, specialist sales channels and digital channels (including goMoney, Internet Banking, anz.com). The retail distribution network provides retail and wealth solutions to consumers, as well as providing small business solutions and meeting the various cash and check handling needs of corporate, commercial and institutional customers.

- **Corporate and Commercial Banking**
  - **Corporate Banking** provides a full range of banking services including traditional relationship banking and sophisticated financial solutions, primarily to large private companies, smaller listed companies and multi-national corporation subsidiaries.
  - **Regional Business Banking** provides a full range of banking services to non-metropolitan commercial and agricultural (including corporate) customers.
  - **Business Banking** provides a full range of banking services, to metropolitan based small to medium sized business clients with a turnover of $5 million up to $125 million.
  - **Small Business Banking** provides a full range of banking services to metropolitan and regional based small businesses in Australia with a turnover of up to $5 million and lending up to $1 million.
  - **Esanda** provides motor vehicle and equipment finance.

International and Institutional Banking

The IIB division comprises Global Products, Retail Asia Pacific and Asia Partnerships. IIB services three main customer segments: Global Banking, International Banking and Retail Asia Pacific. Global Banking serves institutional customers with multi-product, multi-geographic requirements, International Banking serves institutional customers with less complex needs and Retail Asia Pacific focuses on affluent and emerging affluent customers across 21 countries.

- **Global Products** service Global Banking and International Banking customers across three product sets:
  - **Global Transaction Banking** which provides working capital and liquidity solutions including documentary trade, supply chain financing, structured trade finance as well as cash management solutions, deposits, payments and clearing.
  - **Global Markets** provides risk management services to clients globally on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions. Markets provide origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products. The business unit also manages the Bank's interest rate exposure as well as its liquidity position.

  - **Global Loans and Advisory** which provides specialized loan structuring and execution, loan syndication, project and export finance, debt structuring and acquisition finance, structured asset finance and corporate advisory.

- **Retail Asia Pacific** provides end-to-end financial solutions to individuals and small businesses including deposits, credit cards, loans, investments and insurance. Leveraging our distinctive footprint we enable client's access to opportunities across the region and connect them to specialists for their banking needs in each location.
- **Asia Partnerships** comprises of strategic partnerships and investments across Asia which provide the Bank with local business and relationship access as well as country and regulatory insights[1].

New Zealand

The New Zealand division comprises Retail and Commercial business units.

- **Retail**

  Retail provides products and services to personal customers via the branch network, mortgage specialists, the contact center and a variety of self-service channels (internet banking, phone banking, ATMs, website and mobile phone banking). Core products include current and savings accounts, unsecured lending (credit cards, personal loans and overdrafts) and home loans secured by mortgages over property. Retail distributes insurance and investment products on behalf of the Global Wealth segment.

- **Commercial**

  Commercial provides services to Small Business Banking, Commercial & Agricultural ("CommAgri"), and UDC Finance Limited ("UDC") customers. Small Business Banking services are offered to small enterprises (typically with annual revenues of less than NZD 5 million). CommAgri customers consist of primarily privately owned medium to large enterprises. Commercial's relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities, and cash flow lending, to more complex funding arrangements with revenue sourced from a wider range of products. UDC is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products.

Global Wealth

The Global Wealth division comprises Funds Management, Insurance and Private Wealth business units which provide investment, superannuation, insurance and private banking solutions to customers across the Asia-Pacific region to make it easier for them to connect with, protect and grow their wealth.

- **Private Wealth** includes global private banking business which specializes in assisting individuals and families to manage, grow and preserve their wealth.
- **Funds Management** includes the Pensions and Investment business and E*TRADE.
- **Insurance** includes Life Insurance, General Insurance and ANZ Lenders Mortgage Insurance.
- **Corporate and Other** includes income from invested capital and profits from the Advice and Distribution business.

GTSO and Group Center

GTSO and Group Center provide support to the operating divisions, including technology, operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Center includes Group Treasury and Shareholder Functions.

Recent developments

On April 3, 2015, Mr. Mark Whelan succeeded Mr. Philip Chronican as Chief Executive Officer, Australia, following Mr. Chronican's decision to pursue a non-executive career. Mr. Whelan reports to Chief Executive Officer Mr. Mike Smith in this new capacity.

On April 8, 2015, the Full Federal Court delivered judgment in respect of appeals by both parties in the class action litigation brought by IMF Bentham Limited in March 2013. The Full Federal Court found in ANZ's favor in respect of all fees subject to appeal (in relation to both the penalty and statutory claims). On May 6, 2015, IMF Bentham Limited filed an application seeking special leave from the High Court of Australia to appeal the parts of the Full Federal Court decision concerning late payment fees. Refer to Note 19 of the Condensed Consolidated Financial Statements for further information.

On May 4, 2015, the Group announced its intention to sell the Esanda Dealer Finance business. The sale will include approximately $8.3 billion in lending assets comprising point-of-sale finance, bailment facilities and other Esanda branded finance offered to motor vehicle dealers. The sale of the Esanda Dealer Finance business is part of a broader Group priority to actively manage its portfolio of businesses to ensure the efficient use of capital and focus on ANZ branded products. ANZ will continue to provide asset finance products to customers under the ANZ brand and the sale does not include the ANZ commercial broker, commercial asset finance or direct to consumer asset finance businesses.

Other than the matters described above, there have been no significant events since March 31, 2015 to the date of this U.S. Disclosure Document.

1. *Asia Partnerships include AMMB Holdings Berhad in Malaysia, PT Bank Pan Indonesia in Indonesia, Shanghai Rural Commercial Bank in China and Bank of Tianjin in China.*

SUPERVISION AND REGULATION

Australia

Overview of APRA's Prudential and Regulatory Supervision

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

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

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

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

Capital Management and Adequacy and Liquidity within APRA's Regulations

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

Capital

The common framework for determining the appropriate level of bank regulatory capital is set by the Basel Committee under a framework that is commonly known as "Basel".

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

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

Liquidity

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

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

A key component of this framework is the Liquidity Coverage Ratio ("LCR") that was implemented in Australia on January 1, 2015. The LCR is a severe short term liquidity stress scenario, introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility ("CLF") with the RBA. The CLF has been established as a solution to a High Quality Liquid Asset ("HQLA") shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

Each of the Group's operations is responsible for ensuring its compliance with all scenarios that are required to be modeled. Additionally, ANZBGL measures, monitors and manages all modeled liquidity scenarios on an aggregated Group-wide level.

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

Regulatory Developments

Financial System Inquiry ("FSI")

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

- Setting capital standards such that the capital ratios of ADIs are unquestionably strong;
- Raising the average internal ratings-based ("IRB") mortgage risk weight to narrow the difference between average mortgage risk-weight for ADI using IRB models and those using standardized risk weights;
- Implementing a framework for minimum loss absorbing and recapitalization capacity in line with emerging international practice;
- Developing a common reporting template that improves the transparency and comparability of capital ratios of Australian ADI's; and
- Introducing a leverage ratio that acts as a backstop to an ADI's risk-based capital requirements, in line with the Basel 3 framework.

The Australian Government has announced that it intends to consult with industry and consumers before making any decisions on the recommendations in the FSI final report. ANZ has provided a submission to the Australian Government, and the consultation period closed at the end of March 2015. The final outcome of the FSI, including any impacts and the timing of such impacts on ANZ are uncertain.

Please refer to risk factor No. 20, "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition" under "Risk Factors" below.

Liquidity Ratios

The Basel 3 liquidity changes include the introduction of two liquidity ratios to measure liquidity risk: (i) the LCR which became effective on January 1, 2015 and (ii) the Net Stable Funding Ratio ("NSFR").

The final Basel 3 revised NSFR standard was released in October 2014 and is broadly consistent with the previous version. It will become the minimum Basel standard on January 1, 2018, and it is expected that APRA will adopt the same timeline. As part of managing future liquidity requirements, ANZ monitors the NSFR in its internal reporting and believes it is well placed to meet this requirement.

Domestic Systemically Important Bank ("D-SIB") Framework

APRA has released details of its D-SIB framework for implementation in Australia and has classified ANZ and three other major Australian banks as D-SIBs. As a result, the Capital Conservation Buffer ("CCB") that will apply to the four major Australian banks will increase by 100 bps from January 1, 2016, further strengthening the capital position of Australia's D-SIBs. ANZ's current capital position is already in excess of APRA's requirements, including the D-SIB overlay. The Group believes that it is well placed for D-SIB implementation in January 2016.

Composition of Level 2 ADI Group

APRA provided further clarification to the definition of the Level 2 ADI group, where subsidiary intermediate holding companies are now considered part of the Level 2 Group. This clarification results in the phasing out, over time, of capital benefits arising from the debt issued by ANZ Wealth Australia Limited ("ANZWA"). As of March 31, 2015, ANZWA had $805 million of debt outstanding which is equivalent to approximately 21 bps of CET1. APRA has approved transitional arrangements in line with the existing maturity profile of the debt in June 2015 ($405 million) and March 2016 ($400 million). The Group believes that it is well placed to manage the future transitional impact through organic capital generation.

Level 3 Conglomerates ("Level 3")

In August 2014, APRA announced its planned framework for the supervision of Conglomerates Group (Level 3), which includes updated Level 3 capital adequacy standards. These standards will regulate a bancassurance group such as ANZ as a single economic entity with minimum capital requirements and additional monitoring of risk exposure levels.

APRA has deferred a decision on the implementation date as well as the final form of the Level 3 framework until the Australian Government's response to FSI recommendations have been announced and considered by APRA. APRA has committed to a minimum transition period of 12 months for the affected institutions to comply with the new requirements once an implementation date is established.

Based on the current draft of the Level 3 standards covering capital adequacy, group governance, risk management and risk exposures, ANZ is not expecting any material impact on its operations.

APRA's Basel 3 Disclosure Requirements

In May 2015, APRA released final standards implementing internationally agreed disclosure framework on the leverage ratio, liquidity coverage ratio and the identification of potential global systemically important banks ("G-SIBs") with effect from July 1, 2015.

Leverage Ratio

APRA's leverage ratio requirements will apply to those Australian ADIs, including ANZ, using the IRB approach to Credit Risk Weighted Assets. Leverage ratio requirements are included in the Basel Committee on Banking Supervision ("BCBS") Basel 3 capital framework as a supplement to the current risk based capital requirements and are intended to restrict the build-up of excessive leverage in the banking system.

In the requirements, APRA has maintained the BCBS calculation of the leverage ratio of Tier 1 Capital expressed as a percentage of Exposure Measure (or the aggregate of the Group's on-balance sheet and off-balance sheet assets, measured in accordance with APRA Prudential Standard APS110 released in May 2015). The current BCBS minimum requirement is 3%. APRA has not yet announced details of the minimum requirement that will apply to impacted Australian ADIs.

Public disclosure of the leverage ratio for Australian IRB ADIs is expected to commence from the date of the first financial report after the implementation date, with subsequent disclosures published on a quarterly basis. Explanation of key drivers of material changes in the ADIs leverage ratio between the previous and current reporting periods is also required.

Liquidity Coverage Ratio (LCR) disclosures

The LCR external disclosures will be made on a half-yearly basis from the date of the first financial report after the implementation date and are largely as expected and in line with the previously released Basel proposals.

G-SIB indicators disclosures

APRA requires that the four major Australian ADIs report a set of 12 financial indicators used in the G-SIB framework to identify banks that should be designated as systemically important from a global perspective. These indicators reflect the size, interconnectedness, level of cross jurisdictional activities and complexity of the ADIs, which are then used to calculate each ADI's "systemicness" score. ADIs identified as G-SIBs will be imposed with higher loss absorbency ("HLA") requirements in the form of additional CET1 capital. As of March 31, 2015, no Australian ADIs (ANZ included) were considered globally systemically important.

Under the requirements, major Australian ADIs must disclose the 12 indicators on an annual basis. The indicator values are to be reported as at an ADI's financial year-end, although the first disclosures are not required until July 31, 2016. The disclosures can either be included in an ADI's annual financial report or in the "Regulatory Disclosures" section of an ADI's website.

Revisions to the Standardized Approach for Credit Risk and Capital Floors

In December 2014, BCBS released two consultation papers on its proposals to revise the approach to measuring Standardized Risk Weighted Assets ("RWA") for credit risk (in addition to their proposals on standardized approaches to market risk, counterparty credit risk and operational risks announced earlier in 2014) and to impose capital floors based on these revised approaches to the RWA measurement. These proposals are aimed at reducing RWA variability amongst banks and improving risk sensitivities to key drivers of risk, while reducing the reliance on external credit ratings when setting capital charges.

BCBS is currently undertaking a Quantitative Impact Study ("QIS") to calibrate the proposed Standardized RWA and capital floor requirements, and ANZ participated in this exercise. The impact of these changes to ANZ and other Australian ADIs cannot be determined until BCBS finalizes their calibration and proposals incorporating comments from the industry (consultation closed on March 27, 2015). Final impacts are also subject to the form of the BCBS proposal that APRA will implement for Australian ADIs.

Residential Mortgage Lending Practices

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

Other Regulators

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

ASIC is Australia's corporate, markets and financial services regulator. It regulates Australian companies, financial markets, financial services organizations and professionals who deal and advise in investments, superannuation, insurance, deposit-taking and credit. ANZBGL provides products and participates in markets regulated by ASIC. The Group is subject to consumer protection legislation that arises out of the Future of Financial Advice reforms, which set certain standards and obligations in relation to consumer financial advice (the "FOFA Rules").

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

The Group is required to comply with certain anti-money laundering and counterterrorism financing legislation and regulations under Australian law and the local laws of all the countries in which it operates, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the "AML Act"). The AML Act is administered by AUSTRAC.

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

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

Sections 102.6 and 102.7 of the Australian Criminal Code

Under Sections 102.6 and 102.7 of the Australian Criminal Code, a person commits a criminal offence if the person intentionally receives funds from, makes funds available to or provides support or resources to a terrorist organization. Certain organizations are prescribed as terrorist organizations in the Criminal Code Regulations 2002 (Cth). Under the Autonomous Sanctions Act 2011 (Cth) and the Autonomous Sanctions Regulations 2011 (Cth), sanctions are imposed against certain specifically identified persons and entities associated with particular countries, currently including North Korea, Zimbabwe, the former Yugoslavia, Ukraine, Myanmar, Syria, Libya and Iran, and certain transactions involving the named persons or entities may only be conducted with specific approval from the Minister of Foreign Affairs. Contravention of these sanctions constitutes a criminal offence.

United States

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

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

Following the passage of the U.S. Gramm-Leach-Bliley Act (the "GLB"), ANZBGL successfully sought certification as a Financial Holding Company (a "FHC") by the FRB. An FHC is allowed to engage, or acquire companies engaged, in the United States in activities that are determined by the FRB and the Secretary of the Treasury to be financial in nature or incidental thereto, and activities that are determined by the FRB to be complementary to financial activities.

Under the GLB, the activities of a FHC are subject to restrictions if it is determined that the FHC (in the case of ANZBGL, at the Group level only), or any of its U.S. subsidiary depository institutions, does not satisfy the definition of "well managed" or "well capitalized" or if any of its U.S. subsidiary depository institutions ceases to achieve at least a "satisfactory" rating under the U.S. Community Reinvestment Act of 1977. In addition, under the GLB, the FRB is the "umbrella" supervisor with jurisdiction over FHCs.

ANZBGL is subject to U.S. federal laws and regulations, including the International Banking Act of 1978 (the "IBA"). Under the IBA, all branches and agencies of foreign banks in the United States are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by U.S. bank holding companies. As a federally-licensed branch regulated primarily by the OCC the Group's New York branch can generally engage in activities permissible for national banks, with the exception that the Group's New York branch may not accept retail deposits. Most U.S. branches and agencies of foreign banks, including the Group's New York branch, are subject to reserve requirements on deposits pursuant to regulations of the FRB. The Group's New York branch must maintain its accounts and records separate from those of the Group generally and must comply with such additional requirements as may be prescribed by the OCC. The IBA and the Bank Holding Company Act of 1956, as amended, also affect the Group's ability to engage in non-banking activities in the United States. The New York branch does not accept retail deposits and thus is not subject to the supervision of the Federal Deposit Insurance Corporation (“FDIC”). The U.S. bank subsidiary operating in Guam and American Samoa does accept such deposits and therefore is subject to supervision by the FDIC.

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

In the United States, the Group is subject to certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), including what is commonly called the “Volcker Rule”, which prohibits banks and their affiliates from engaging in certain "proprietary trading" (but allows activities such as underwriting, market making and risk-mitigation hedging) and limits the sponsorship of, and investment in, private equity funds and hedge funds, subject to certain important exceptions and exemptions, including those listed above as well as exemptions applicable to certain transactions and investments occurring solely outside of the United States. In December 2013, U.S. regulators adopted final rules to implement the Volcker Rule. The final rules are highly complex, and aspects of their application remain uncertain. The final rules also require that certain non-U.S. banking organizations that have U.S. banking operations (such as the Group) design and implement compliance programs to ensure adherence to the Volcker Rule’s prohibitions. We are continuing to evaluate the effects of the final rules, but we do not currently anticipate that the Volcker Rule will have a material effect on our operations. Development and monitoring of the required compliance program, however, will require the expenditure of significant resources and management attention.

The Group's businesses may also be affected by new and more stringent Dodd-Frank regulations including, without limitation, stricter capital and margin requirements, the central clearing of standardized over-the-counter derivatives and heightened supervision of OTC derivatives dealers and major market participants. ANZBGL is required to submit a U.S. resolution plan to the FRB and Federal Deposit Insurance Company for approval. In addition, if ANZBGL is designated as "systematically important" under Dodd-Frank, U.S. regulators may have increased regulatory authority over ANZBGL and may have the power to require ANZBGL to sell or transfer assets and terminate activities if U.S. regulators determine that the size or scope of the activities of ANZBGL pose a threat to U.S. financial stability.

The Foreign Account Tax Compliance Act (“FATCA”) was enacted on March 18, 2010. FATCA imposes significant U.S. withholding taxes on non-U.S. financial institutions (such as ANZBGL and many of its subsidiaries and affiliates) that fail to provide the U.S. Internal Revenue Service ("IRS") with information on certain non-U.S. accounts held by U.S. persons or, in some cases, held by non-U.S. entities with substantial U.S. owners. In the case of Australian and New Zealand institutions and branches, such information is to be furnished to the Australian Taxation Office and the Inland Revenue, respectively, which would then forward the information to the IRS pursuant to the intergovernmental agreements (“IGAs”) between the United States and Australia and New Zealand, respectively, as discussed below. The Group has made and is expected to make significant investments in order to comply with FATCA and its reporting requirements. Australia and New Zealand have enacted legislation to implement their IGAs with the United States. It is possible that some or all of the Group may become subject to U.S. withholding taxes under FATCA. Further, it is also possible that some or all of the Group may be required to make gross-up payments to others in respect of FATCA withholding under existing or future transaction documentation.

The Group is also subject to regulations of the U.S. Department of Treasury's Office of Foreign Assets Control, which administers and enforces economic and trade sanctions against targeted foreign countries, terrorists and other threats to U.S. national security.

Competition

Australia

The Australian banking system is highly competitive. As of March 31, 2015, the four major banking groups in Australia (ANZ, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation), held approximately 80% of the total Australian lending assets of banks that carry on business in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular state or region and generally have an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of both bank financial institutions and non-bank financial institutions that compete in selected markets with the four major banking groups. Non-bank financial intermediaries, such as building societies and credit unions, compete principally in the areas of accepting deposits and residential mortgage lending. Some large building societies have been granted banking authorizations under the Banking Act 1959. Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have also become more prominent in recent years.

Competition has historically been greater in the housing lending market, which initially resulted from the rise of mortgage originators, and subsequently from growth in the mortgage broker industry. In recent years, major banks have competed aggressively by offering significant discounts below the advertised rate. Additionally, the market turmoil experienced during the 2008 global financial crisis materially affected the business models of non-bank originators, and as a consequence, there was an overall uplift in mortgage market share to the major banks. The retail deposit market in Australia is also competitive, particularly in times of higher credit growth to support funding and increased lending demand. An Australian Government Guarantee for retail customer bank deposits was introduced in 2008 during the global financial crisis, which led to increased deposits with the major Australian banks and a decrease in deposits with other deposit fund providers.

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

In the IIB market, competitors gain recognition through the quality of their client base, perceived skill sets, structured solutions and pricing, client insights, reputation and brands. In Australian domestic markets, competitors at the large corporate and institutional customer level are generally the major Australian banks, some global investment banks and the boutique operations of large multi-national banking conglomerates with a focus on niche areas. IIB Australia's key competitive strength is its industry expertise, linkages with the Asia Pacific region, extensive product offering and established client base.

Market turmoil beginning with the 2008 global financial crisis resulted in lower activity by foreign banks and an increase in net interest margins from reduced competition and re-pricing for risk. From 2011, interest margins have contracted initially impacted by higher funding costs and subsequently from re-intensified competition, particularly in the IIB business. In response, the IIB Australia customer relationship teams continue to work closely with specialist product groups, enablement functions and international networks to support the domestic and international requirements of some of the largest corporate and financial institutions in Australia. Priority is being given to flow and value added products such as global markets and transaction banking with less reliance for improved returns on traditional balance sheet lending.

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

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

New Zealand

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

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

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

To help reduce the risk of a substantial downward correction in housing prices that could damage the financial sector, the RBNZ has introduced loan-to-value ratio ("LVR") restrictions for the housing mortgage loans from October 1, 2013, requiring banks to restrict new residential mortgage lending at LVRs of over 80% to no more than 10% of the dollar value of their new housing lending flows. This has intensified the competition between the banks for under 80% LVR housing loans, with special rates being introduced to win these customers.

Outside the banking sector, a number of smaller finance companies are active in the personal and commercial property markets through competitive lending and deposit product offerings, although their number has fallen in recent years. The non-banking sector constituted approximately 3% of total financial system assets as of March 31, 2015.

Asia

Banking in Asia is highly competitive. The Group currently operates in 15 Asian countries. There are a large number of global (e.g. Citibank, HSBC & Standard Chartered) and regional (e.g. DBS, CIMB and Maybank) banks operating in the region in addition to the local banks in each market. The Group's most active competitors, particularly in the Institutional business (the main contributor to Asia, Pacific, Europe & America ("APEA") earnings), are global investment banks and large Chinese and Japanese banks.

Over the past six months there have been a few developments regarding our competitors in Asia. For example, Standard Chartered has exited its institutional equity business in Asia, while news reports indicate that Royal Bank of Scotland is looking to exit its Asian Corporate Banking business.

The Group's Asian strategy is to expand in those franchise markets in Asia that the Group believes will be high growth and where it believes there will be opportunities to participate in that growth or capture additional market share. Limitations on the Group's growth opportunities depend in part on the size of our market share across these markets, which range from holding significant market share in a number of countries to being an emerging player in others. This range is reflective of the competitive dynamics and specific strategic approach that the Group is taking in each market. For instance, in certain markets where the Group wishes to expand, but does not currently have a significant presence, including Myanmar, China and India, local or other international banks benefit from having established brands, developed branch operations and existing customer relationships. In addition, the Group does not seek to be a full-service bank in many Asian markets in which it currently competes, focusing instead on trade-related finance, institutional banking, and other sectors that it believes provide the most potential benefit to the Group.

While the Group generally provides a broad suite of financial services to Institutional/Commercial/Retail/Wealth/Private Bank customers, in certain Asian markets, regulatory conditions restrict the ability of the Group to offer a full suite of financial products, limiting our ability to compete fully against local banks. While deregulation may permit us to compete in these markets, it may also serve to attract other international banks to the region.

As part of our strategy in Asia, the Group is focusing on strengthening key product capabilities, particularly in trade finance, foreign exchange and capital markets. Competition remains robust, however, as a large number of banks have shown a willingness to commit significant portions of their balance sheet in support of growth opportunities in the region. The Group anticipates that competition in Asia will continue to grow because of its strong appeal to global and regional banks.

Risk factors

1. Introduction

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

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

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

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

The global financial crisis saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity and the emergence of many challenges for financial services institutions worldwide that still persist to some extent in many regions. Sovereign risk and its potential impact on financial institutions in Europe and globally subsequently emerged as a significant risk to the growth prospects of the various regional economies and the global economy. The impact of the global financial crisis and its aftermath (such as heightened sovereign risk) continue to affect regional and global economic activity, confidence and capital markets. Prudential authorities have implemented and continue to implement increased regulations to mitigate the risk of such events recurring, although there can be no assurance that such regulations will be effective.

The economic effects of the global financial crisis and the European sovereign debt crisis have been widespread and far-reaching with unfavorable ongoing impacts on retail spending, personal and business credit growth, housing credit, and business and consumer confidence. While some of these economic factors have since improved, lasting impacts from the global financial crisis and the subsequent volatility in financial markets, the European sovereign debt crisis and the potential for escalation in geopolitical risks suggest ongoing vulnerability and potential adjustment of consumer and business behavior.

A sovereign debt crisis could have serious implications for the European Union and the Euro which, depending on the circumstances in which it takes place and the countries and currencies affected, could adversely impact the Group's business operations and financial condition. Likewise, if one or more European countries re-introduce national currencies, and the Euro destabilizes, the Group's business operations could be disrupted by currency fluctuations and difficulties in hedging against such fluctuations. A Chinese economy "hard landing" would likely result in a marked rise in global risk aversion and increased financial market volatility, driving the Group's cost of funds significantly higher and adversely affecting the business operations and financial condition of the Group, its customers and its counterparties. The New Zealand economy is also vulnerable to more volatile markets and deteriorating funding conditions.

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

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

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

Other economic and financial factors or events which may adversely affect the Group's performance and results include, but are not limited to, the level of and volatility in foreign exchange rates and interest rates, changes in inflation and money supply, fluctuations in both debt and equity capital markets, declining commodity prices due to, for example, reduced demand in Asia, especially North Asia/China, and decreasing consumer and business confidence.

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

Natural and biological disasters such as, but not restricted to, cyclones, floods, earthquakes and pandemics (e.g. Ebola), and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the Group's ability to continue operating or trading in the country or countries directly or indirectly affected, which in turn may adversely affect the Group's business, operations and financial condition. For more specific risks in relation to earthquakes, refer to the risk factor No.19 "The Group may be exposed to the impact of future climate change, geological events, plant and animal diseases, and other extrinsic events which may adversely affect its business, operations and financial condition".

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

Movements in the Australian and New Zealand dollars in recent times illustrate the potential volatility in, and significance of global economic events to, the value of these currencies relative to other currencies. Further depreciation of the Australian or New Zealand dollars relative to other currencies would increase the debt service obligations in Australian or New Zealand dollar terms of unhedged exposures. In contrast, any upward pressure on the Australian or New Zealand dollar would cause business conditions to deteriorate for certain portions of the Australian and New Zealand economies, including some agricultural exports, tourism, manufacturing, retailing subject to internet competition, and import-competing producers. In addition, appreciation of the Australian dollar against the New Zealand dollar, United States dollar and other currencies has a potential negative earnings translation effect on non-hedged exposures, and future appreciation could have a greater negative impact on the Group's results from its other non-Australian businesses, particularly its New Zealand and Asian businesses, which are largely based on non-Australian dollar revenues. The relationship between exchange rates and commodity prices is volatile. The Group has put in place hedges to partially mitigate the impact of currency changes, but there can be no assurance that the Group's hedges will be sufficient or effective, and any further appreciation could have an adverse impact upon the Group's earnings.

4. Competition may adversely affect the Group's business, operations and financial condition, especially in Australia, New Zealand and the Asian markets in which it operates

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

Additionally, the Australian Government announced in late 2010 a set of measures with the stated purpose of promoting a competitive and sustainable banking system in Australia. The reforms consisted of a variety of actions including, but not limited to, a ban on exit fees for new home loans, implementation of easier switching processes for deposits and mortgages customers, empowerment of the Australian Competition and Consumer Commission to investigate and prosecute anti-competitive price signaling, changes in the way fees and interest are charged on credit cards and reforms which allow Australian banks, credit unions and building societies to issue covered bonds. While many of these reforms have been implemented since 2011, and have the potential to change the competitive position of all banks in Australia, the Group has adapted to these reforms and has maintained its competitive position. Nevertheless, any regulatory or behavioral change that occurs in response to these reforms could have the effect of limiting or reducing the Group's revenue earned from its banking or operations. A major inquiry into competition issues in Australia, led by Professor Ian Harper, was released to the Federal Government on March 31, 2015. The review could lead to changes that address the misuse of market power and price signaling provisions, with impacts on banks. The recently completed Financial System Inquiry ("FSI") examined competition in the financial system and found it to be adequate at present, but recommended a review of the state of competition in the sector every three years (see risk factor No. 20 "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition" for more on the FSI). These regulatory changes could also result in higher operating costs and higher regulatory capital requirements. A reduction or limitation in revenue or an increase in operating costs or regulatory capital requirements could adversely affect the Group's profitability.

The effect of competitive market conditions, especially in the Group's main markets and products, may lead to erosion in the Group's market share or margins, and adversely affect the Group's business, operations, and financial condition.

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

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

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

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

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

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

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

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

Since the advent of the global financial crisis in 2008, developments in the United States and European markets have adversely affected the liquidity in global capital markets and increased funding costs compared with the period immediately preceding the global financial crisis. More recently, the provision of significant amounts of liquidity by major central banks globally has helped mitigate near term liquidity concerns, although no assurance can be given that such liquidity concerns will not return. Future deterioration in market conditions may limit the Group's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow its business.

8. The Group is exposed to the risk that its credit ratings could change, which could adversely affect its ability to raise capital and wholesale funding

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies by which they are determined may also be revised in response to legal or regulatory changes, market developments or for any other reason. A downgrade or potential downgrade to the Group's credit rating may reduce access to capital and wholesale debt markets, leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies. In March 2015 and April 2015, Moody's Investors Service and S&P respectively released new bank rating methodologies. This did not result in a change to credit ratings assigned to ANZBGL by either Moody's or S&P. However, the Group's credit ratings could be downgraded at any time in response to any number of factors, including a change in the credit rating of Australia, which is currently AAA.

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

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

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

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

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

APRA's Prudential Standards implementing Basel 3 are now in effect. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, which seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations will have their intended effect. Some of these regulations, together with any risks arising from any regulatory changes, are described in the risk factor No. 20 "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition".

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

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. For example, its customers and counterparties in the natural resources sector could be adversely impacted by a prolonged slowdown in the Chinese economy. Also, its customers and counterparties may be adversely impacted by more expensive imports due to the reduced strength of the Australian and New Zealand dollars relative to other currencies. The Group holds provisions for credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to the Group's financial condition and results, requires difficult, subjective and complex judgments, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate or if the Group fails to analyze the information correctly, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on the Group's business, operations and financial condition.

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

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

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

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

The Group is directly and indirectly exposed to the Australian mining sector and mining-related contractors and industries. Lower commodity prices, mining activity, demand for resources, or corporate investment in the mining sector may adversely affect the amount of new lending the Group is able to write, or lead to an increase in lending losses from this sector. This industry-specific revenue decline may lead to a broader regional economic downturn with a long recovery period.

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

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

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group.

A decrease in property valuations in Australia, New Zealand or other markets where it does business could result in a decrease in the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans, which, in either case, could materially and adversely impact the Group's financial condition and results of operations. A significant slowdown in the Australian and New Zealand housing markets or in other markets where it does business could adversely affect the Group's business, operations and financial conditions.

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

The Group is subject to market risk, which is the risk to the Group's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices, prices of commodities, debt securities and other financial contracts, such as derivatives. Losses arising from these risks may have a material adverse effect on the Group. As the Group conducts business in several different currencies, its businesses may be affected by a change in currency exchange rates. Additionally, as the Group's annual and interim reports are prepared and stated in Australian dollars, any appreciation in the Australian dollar against other currencies in which the Group earns revenues (particularly to the New Zealand dollar and United States dollar) may adversely affect the reported earnings.

The profitability of the Group's funds management and insurance businesses is also affected by changes in investment markets and weaknesses in global securities markets.

14. The Group is exposed to the risks associated with credit intermediation and financial guarantors, which may adversely affect its business, operations and financial condition

The Group entered into a series of structured credit intermediation trades from 2004 to 2007.

During and after the global financial crisis, the market value of the structured credit transactions increased and the financial guarantors were downgraded. Since early 2013, the portfolio notional face value has been materially reduced through a series of unwinds.

Credit valuation adjustments ("CVA") as a result of these trades are included as part of the Group's profit and loss statement, and accordingly, increases in the CVA charge or volatility in that charge could adversely affect the Group's profitability.

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

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

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

Damage to the Group's reputation may also have wide-ranging impacts, including adverse effects on the Group's profitability, capacity and cost of sourcing funding, and availability of new business opportunities.

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

- internal fraud: risk that fraudulent acts are planned, initiated or executed by employees (permanent, temporary or contractors) from inside the Group (e.g. a rogue trader);
- external fraud: fraudulent acts or attempts which originate from outside the Group, e.g. valueless checks, counterfeit credit cards, loan applications in false names, stolen identity, cybercrime, etc.
- employment practices and workplace safety: employee relations, diversity and discrimination, and health and safety risks to the Group employees;
- clients, products and business practices: risk of market manipulation, product defects, incorrect advice, money laundering and misuse of customer information;

- business disruption (including systems failures): risk that the Group's banking operating systems are disrupted or fail;
- technology risks are key operational risks which fall under this category;
- damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages the Group's buildings or property; and
- execution, delivery and process management: risk that the Group experiences losses as a result of data entry errors, accounting errors, vendor, supplier or outsource provider errors, or failed mandatory reporting.

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

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

The Group is highly dependent on information systems and technology. Therefore, there is a risk that these, or the services the Group uses or is dependent upon, might fail, including because of unauthorized access or use.

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

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

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

17. The Group is exposed to risks associated with information security, which may adversely affect its financial results and reputation

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

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

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

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

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

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

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

The Group is subject to laws, regulations, policies, standards and codes of practice (applicable laws) in Australia, New Zealand, the United Kingdom, the United States, Hong Kong, Singapore, Japan, China and each other country in which it has operations, trades or raises funds or in respect of which it has some business connection and is subject to oversight by regulators in many of these relevant jurisdictions. In particular, the Group's banking, funds management and insurance activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency, provisioning, and insurance policy terms and conditions.

Regulations vary in each relevant jurisdiction but generally are designed to protect depositors, insured parties, customers with other banking products and the banking and insurance system as a whole. Some jurisdictions (including Australia) do not permit local deposits to be used to fund operations outside of that jurisdiction. If the Group experiences reduced liquidity, these deposits may not be available to fund the operations of the Group.

A failure to comply with any applicable laws in any relevant jurisdiction could result in sanctions by a regulator, the exercise of any discretionary powers that regulators hold or compensatory action by affected persons, which may in turn cause substantial damage to the Group's reputation. To the extent that regulatory requirements limit the Group's operations or flexibility, they could adversely impact the Group's results and prospects.

Regulators and other governmental agencies (including revenue and tax authorities) frequently review applicable laws, regulations and standards. Changes to applicable laws, regulations or standards including changes in interpretation or implementation of them, could affect the Group in substantial and unpredictable ways and may even conflict with each other. These may include, among other things, increasing required levels of bank liquidity and capital adequacy, limiting the types, amount and composition of financial services and products the Group can offer, increasing the ability of non-banks to offer competing financial services or products and changes to accounting standards, taxation laws and prudential regulatory requirements.

As a result of the global financial crisis, the Basel Committee released capital reform packages to strengthen the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. APRA released prudential standards implementing Basel 3 with effect from January 1, 2013. Certain regulators in jurisdictions where the Group has a presence have also either implemented or are in the process of implementing Basel 3 and equivalent reforms. In addition, the United States has passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which significantly affects financial institutions and financial activities in the United States.

Uncertainty remains as to the final form that some of the proposed regulatory changes will take in certain jurisdictions outside Australia and New Zealand in which the Group operates (including the United States) and any such changes could adversely affect the Group's business, operations and financial condition. The changes may lead the Group to, among other things, change its business mix, incur additional costs as a result of increased management attention, raise additional amounts of higher-quality capital (such as ordinary shares, additional tier 1 capital or tier 2 capital instruments) or retain capital (through lower dividends), and hold significant levels of additional liquid assets and undertake further lengthening of the funding base.

The Australian Government recently announced a comprehensive inquiry into Australia's financial system. The FSI Final Report was released on December 7, 2014. The contents of the FSI Final Report are wide-ranging (including recommendations relating to capital levels). While the Australian federal government has announced that it intends to consult with industry and consumers before making any decisions on the recommendations, the implementation of these recommendations is likely to result in an increase in required levels of Common Equity Tier 1 Capital. The recommendations may also result in an increased requirement for other loss absorbing securities, which could take the form of Additional Tier 1 Capital, Tier 2 Capital or other forms of subordinated capital or senior debt that may be available to absorb loss. Any increase in other loss absorbing securities could have an adverse impact on the price or value of those securities. The FSI Final Report also makes recommendations relating to Australia's superannuation system and retirement incomes, innovation-related issues, reforms to improve consumer outcomes when purchasing financial products, and the financial sector regulatory framework. These are likely to result in changes to laws, regulations, codes of practice and policies that will impact the Group. The implementation of any recommendations could also result in changes to laws, regulations, codes of practice or policies, including changes in interpretation or implementation of laws, regulations, codes of practice or policies, which could adversely affect the Group in substantial and unpredictable ways.

21. The Group is exposed to the risk of receiving significant regulatory fines and sanctions in the event of breaches of regulation and law relating to anti-money laundering, counter-terrorism financing, sanctions and market manipulation

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

The Group maintains appropriate policies, and has invested in procedures and internal controls aimed to detect, prevent and report money laundering, terrorist financing, market manipulation and sanctions breaches. The risk of non-compliance remains high given the scale and complexity of the Group. A failure to operate a robust program to combat money laundering, bribery and terrorist financing or to ensure compliance with economic sanctions and market conduct norms could have serious legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and may increase the risk of a member of the Group breaching applicable rules, regulations or laws.

In this regard, on November 19, 2014, ANZBGL announced that in light of an investigation by the Australian Securities and Investments Commission ("ASIC") into historic trading practices in the Australian interbank market known as the Bank Bill Swap Rate ("BBSW") market, it was taking the precaution of having seven staff involved in markets trading step down pending ANZBGL's own internal review. Since mid-2012 ASIC has been undertaking inquiries of 14 BBSW panel bank members in relation to the integrity of their past involvement in the BBSW rate process. ASIC's inquiries are ongoing and the range of potential outcomes from these inquiries include civil and criminal penalties and other actions under the relevant legislation.

22. The Group may face increased tax reporting compliance costs

In March 2010, the United States enacted the Foreign Account Tax Compliance Act (FATCA) that requires non-United States banks and other financial institutions to provide information on United States account holders to the United States Federal tax authority, the Internal Revenue Service ("IRS"). The United States has entered into Intergovernmental Agreements (IGAs) with a number of jurisdictions (including Australia and New Zealand) which generally require such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide such information to their non-United States local revenue authority to forward to the IRS. If this information is not provided in a manner and form meeting the applicable requirements, a non-United States institution may be subjected to penalties and potentially a 30 percent withholding tax applied to certain amounts paid to it. While such withholding tax may currently apply to certain payments derived from sources within the United States, no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2017, at the earliest. Australia and New Zealand have each signed an IGA with the United States and have enacted legislation to implement the respective IGAs. Local guidance in relation to the enacted legislation is still evolving. The Group has made and is expected to make significant investments in order to comply with the requirements of FATCA and local laws implementing an IGA.

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

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

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

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In the Group's life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. In our general insurance business, insurance risk arises mainly through weather-related incidents (including floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activities, as well as adverse variability in home, contents, motor, travel and other insurance claim amounts. For further details on climate and geological events, see also the risk factor No. 19 "The Group may be exposed to the impact of future climate change, geological events, plant and animal diseases, and other extrinsic events which may adversely affect its business, operations and financial condition". The Group has exposure to insurance risk in both its life insurance and general insurance business, which may adversely affect its businesses, operations and financial condition.

25. The Group may experience reductions in the valuation of some of its assets, resulting in fair value adjustments that may have a material adverse effect on its earnings

Under Australian Accounting Standards and New Zealand equivalents to International Financial Reporting Standards, the Group recognizes the following instruments at fair value with changes in fair value recognized in earnings:

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

In addition, the Group recognizes available-for-sale financial assets at fair value with changes in fair value recognized in equity unless the asset is impaired, in which case, the decline in fair value is recognized in earnings.

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

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

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

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

27. The Group may be exposed to the risk of impairment to, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

In certain circumstances the Group may be exposed to a reduction in the value of non-lending related assets.

The Group carries goodwill principally related to its investments in New Zealand and Australia, intangible assets principally relating to assets recognized on acquisition of subsidiaries, and capitalized software balances and investments in equity accounted associates.

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

Capitalized software and other intangible assets (including acquired portfolio of insurance and investment business and deferred acquisition costs) are assessed for indicators of impairment at least annually. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, impairment may be recorded, adversely impacting the Group's financial condition.

Investments in associates are assessed for indicators of impairment at least annually. In the event that the equity accounted carrying value is above the recoverable value, impairment may be recorded, adversely impacting the Group's financial condition.

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

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallize, may adversely affect the Group's results.

The Group had contingent liabilities as at March 31, 2015 in respect of the matters outlined in Note 19 of the Condensed Consolidated Financial Statements and Note 43 of the 2014 Financial Statements included in ANZ's 2014 Annual Report (extracts attached as Annex A to the 2014 Annual U.S. Disclosure Document dated November 10, 2014).

There is a risk that contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

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

The Group regularly examines a range of corporate opportunities, including material acquisitions and disposals, with a view to determining whether those opportunities will enhance the Group's strategic position and financial performance. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on the Group.

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

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

30. The Group may be exposed to risks pertaining to the provision of advice, recommendations or guidance about financial products and services in the course of its sales and marketing activities, which may adversely affect the Group's business and operations

Such risks can include:

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

Exposure to such risks may increase during periods of declining investment asset values (such as during a period of economic downturn or investment market volatility), leading to sub-optimal performance of investment products and/or portfolios that were not aligned with the customer's objectives and risk appetite.

The Group is regulated under various legislative mechanisms in the countries in which it operates that provide for consumer protection around advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorized to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/ product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes.

Inappropriate advice about financial products and services may result in material litigation (and associated financial costs), regulatory actions, and/or reputational consequences.

Currency of presentation and exchange rates

Currency of presentation

ANZ publishes consolidated financial statements in Australian Dollars. In this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, references to "US$", "USD" and "U.S. dollars" are to U.S. Dollars and references to "$", "AUD" and "A$" are to Australian Dollars. For the convenience of the reader, this U.S. Disclosure Document contains translations of certain Australian Dollar amounts into U.S. Dollars at specified rates. These translations should not be construed as representations that the Australian Dollar amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated. Unless otherwise stated, the translations of Australian Dollars into U.S. Dollars have been made at the rate of US$0.7625 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 2015. At April 30, 2015 the Noon Buying Rate was US$0.7867 = A$1.00.

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

Noon Buying Rates for Australian Dollars

	USD per AUD1.00			
Half year ended March 31	**High**	**Low**	**Average**[1]	**Period-end**
Mar 14	0.9705	0.8715	0.9126	0.9275
Sep 14	0.9488	0.8737	0.9288	0.8737
Mar 15	0.8904	0.7582	0.8209	0.7625

1. *The average for half yearly periods is calculated from the Noon Buying Rate on the last day of each month during the period.*

Major Exchange Rates

The major exchange rates[1] used by the Group to translate the results of offshore controlled entities, branches and associates to Australian Dollars were as follows:

	Balance Sheet			Profit & Loss		
	As at			Half Year Average		
	Mar 15	**Sep 14**	**Mar 14**	**Mar 15**	**Sep 14**	**Mar 14**
Chinese Yuan	**4.7365**	5.3787	5.7480	**5.0786**	5.7544	5.5544
Euro	**0.7057**	0.6895	0.6716	**0.6909**	0.6885	0.6672
Great British Pound	**0.5163**	0.5383	0.5552	**0.5295**	0.5539	0.5565
Indian Rupee	**47.759**	53.941	55.296	**50.911**	55.933	56.400
Indonesian Rupiah	**9,987.2**	10,659.9	10,488.7	**10,271.3**	10,855.2	10,719.3
Malaysian Ringgit	**2.8372**	2.8632	3.0169	**2.8623**	2.9853	2.9644
New Zealand Dollar	**1.0188**	1.1219	1.0668	**1.0691**	1.0903	1.0959
Papua New Guinea Kina	**2.0439**	2.1717	2.2356	**2.1233**	2.2651	2.2054
United States Dollar	**0.7634**	0.8752	0.9233	**0.8200**	0.9289	0.9113

1. *Source: Foreign exchange rates obtained from Reuters.*

In the March 2015 half, 38% (Sep 2014 half: 34%, Mar 2014 half: 38%) of ANZ's operating income was derived from the APEA and New Zealand geographic regions. Operating income from the APEA and New Zealand geographic regions is denominated principally in the currencies outlined in the table below. Movements in foreign currencies against the Australian Dollar can therefore affect ANZ's earnings through the translation of overseas profits to Australian Dollars.

Based on the major exchange rates used by the Group to translate the results of offshore controlled entities, branches and associates to Australian Dollars, the Australian Dollar moved as follows:

Australian Dollar movement against foreign currencies[1]

Half year ended March 31	Mar 15	Sep 14	Mar 14
Chinese Yuan (CNY)	**-12%**	4%	-4%
Euro (EUR)	**0%**	3%	-7%
Great British Pound (GBP)	**-4%**	0%	-9%
Indian Rupee (INR)	**-9%**	-1%	1%
Indonesian Rupiah (IDR)	**-5%**	1%	11%
Malaysian Ringgit (MYR)	**-4%**	1%	-1%
New Zealand Dollar (NZD)	**-2%**	-1%	-7%
Papua New Guinea Kina (PGK)	**-6%**	3%	5%
U.S. Dollar (USD)	**-7%**	1%	-4%

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

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

Operating Results

The following discussion of statutory profit is based on the Condensed Consolidated Financial Statements prepared under AASs (Refer to the section headed "Selected financial data" within Section 1: Key information for a discussion of AASs).

The analysis that follows discusses results before income tax, unless otherwise stated.

ANZ's results for the past three fiscal half years are summarized below and are also discussed under the headings of "Analysis of major income and expense items" and "Results by segment", which follow.

Profit and loss

	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Net interest income	7,138	7,032	6,778
Net funds management and insurance income	979	927	611
Other operating income	2,113	2,561	2,145
Operating income	10,230	10,520	9,534
Operating expenses	(4,593)	(4,474)	(4,286)
Profit before credit impairment and income tax	5,637	6,046	5,248
Credit impairment charge	(494)	(459)	(527)
Profit before income tax	5,143	5,587	4,721
Income tax expense	(1,629)	(1,702)	(1,323)
Non-controlling interests	(8)	(6)	(6)
Profit attributable to shareholders of the Company	**3,506**	**3,879**	**3,392**

Comparison of March 2015 Half with March 2014 Half

Profit after tax increased $114 million (3%). Key factors affecting the result were:

- Net interest income increased $360 million (5%) mainly due to a:
  - 11% increase in average interest earning assets to $703 billion; offset by a
  - 11% increase in average deposits and other borrowings to $552 billion; and a
  - Reduction in net interest margin of 11 basis points to 2.04%.
- Net funds management and insurance income increased by $368 million (60%) primarily due to increased investment market gains, improved insurance premium growth and improved life insurance lapse experience. In addition, there was a one-off $47 million experience loss in the March 2014 half due to the exit of a group life insurance plan.
- Other operating income decreased $32 million (-1%) mainly due to a:
  - $226 million (large) decrease in unrealized revenue and net investment hedge positions, as losses incurred during the March 2014 half were not as significant as the March 2015 half. This was due to greater weakening of the AUD against both USD and NZD exchange rates during the March 2015 half relative to the March 2014 half; offset by a
  - $144 million (large) increase in unrealized economic hedging positions as funding related swaps recorded losses during the March 2014 half and gains during the March 2015 half. This was due to market movements in currency basis spreads, foreign exchange rates and yield curves; and a
  - $71 million (29%) increase in share of associates' profit driven primarily by increases from Shanghai Rural Commercial Bank (SRCB) of $38 million, Bank of Tianjin (BoT) of $24 million and AMMB Holdings Berhad (AMMB) of $10 million; and a
  - $17 million (2%) increase in Global Markets other operating income driven by increased sales income reflecting customer demand for foreign exchange, commodity and interest rate products.
- Operating expenses increased $307 million (7%) mainly driven by:
  - Personnel expenses increasing $185 million (7%) due to the impact of foreign exchange translation, inflationary salary increases and an increase in customer facing employees.
  - Premises expenses increasing $13 million (3%) due to the impact of foreign exchange translation and inflationary rent increases.
  - Technology expenses increasing $95 million (16%) due to increased depreciation and amortization, higher data storage and software license costs and the increased use of outsource providers.
  - Restructuring expenses decreasing $25 million (-71%) due to decreased restructuring initiatives primarily in the GTSO division.
  - Other expenses increasing $39 million (6%) primarily due to the impact of foreign exchange translation, along with higher spend on professional and legal fees.
- Credit impairment charges decreased $33 million (-6%) as a result of a:
  - $162 million (-27%) decrease in the individual credit impairment charge due primarily to credit quality improvements in IIB, New Zealand and Australia C&CB. This was partially offset in the New Zealand division due to lower recoveries and write-backs; partially offset by a
  - $129 million increase in the collective credit impairment charge. This was driven by Retail portfolio growth in Australia division and significant improvements in portfolio credit quality in IIB and New Zealand in the March 2014 half that have not been repeated, partially offset by an increase in the economic cycle provision related to mining services in the March 2014 half.

- Income tax expense increased by $306 million (23%). The effective tax rate (ETR) increased 3.7% to 31.7% primarily due to the impact of higher non-deductible coupons paid on convertible instruments and higher taxes paid on behalf of policyholders. These were partially offset by increased earnings from equity accounted associates.

Comparison of March 2015 Half with September 2014 Half

Profit after tax decreased $373 million (-10%). Key factors affecting the result were:

- Net interest income increased $106 million (2%) mainly due to a:
  - 6% increase in average interest earning assets to $703 billion; offset by a
  - 7% increase in average deposits and other borrowings to $552 billion; and a
  - Reduction in net interest margin of 8 basis points to 2.04%.
- Net funds management and insurance income increased by $52 million (6%) primarily due to improved investment market gains and improved insurance claims experience.
- Other operating income decreased $448 million (-17%) mainly due to:
  - $421 million (large) decrease in unrealized revenue and net investment hedge positions, as gains were recorded during the September 2014 half and losses were recorded during the March 2015 half. This reversal was due to the AUD strengthening against the NZD exchange rate during the September 2014 half but weakening against both the USD and NZD exchange rates during the March 2015 half; and a
  - $194 million (-91%) decrease in unrealized economic hedging positions, as funding related swaps recorded significant gains during the September 2014 half relative to the March 2014 half. This was due to market movements in currency basis spreads, foreign exchange rates and yield curves; partially offset by a
  - $172 million (30%) increase in Global Markets other operating income driven by increased sales income reflecting customer demand for foreign exchange and interest rate products; and a
  - $47 million (18%) increase in share of associates' profit driven primarily by increases from BoT of $41 million and SRCB of $32 million, partially offset by decreases from AMMB of $11 million and PT Bank Pan Indonesia of $11 million.
- Operating expenses increased $119 million (3%) mainly driven by:
  - Personnel expenses increasing $157 million (6%) due to the impact of foreign exchange translation, inflationary salary increases and an increase in customer facing employees;
  - Premises expenses increasing $9 million (2%) due to the impact of foreign exchange translation and inflationary rent increases, partly offset by lower asset write offs; and
  - Technology expenses increasing $41 million (6%) due to higher depreciation and amortization, partly offset by lower software impairment expense; offset by
  - Restructuring expenses decreasing $68 million (-87%) primarily due to decreased restructuring initiatives within the IIB and GTSO divisions; and
  - Other expenses decreasing $20 million (-3%) primarily due to decreased advertising spend and the write down of intangible assets in Global Wealth in the September 2014 half.
- Credit impairment charges increased $35 million (8%) as a result of a:
  - $136 million increase in the collective credit impairment charge. This was driven by Retail portfolio growth in Australian division, along with improvements in IIB's portfolio credit quality and a release from economic cycle provision in the September 2014 half; partially offset by a
  - $101 million (-19%) decrease in the individual credit impairment charge with lower new and increased impairment charges being raised in Australia and New Zealand divisions and higher recoveries and write-backs in Australia division and IIB. This was partially offset by a few large customer provisions being raised in IIB during the March 2015 half.
- Income tax expense decreased by $73 million (-4%). The ETR increased 1.2% to 31.7% primarily due to higher taxes paid on behalf of policyholders and the ETR benefit associated with the sale of SSI and ANZ Trustees recognized in the September 2014 half.

Analysis of major income and expense items

Net interest income

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

Group	Half Year		
	Mar 15	**Sep 14**	**Mar 14**
Net interest income ($M)	7,138	7,032	6,778
Average interest earning assets	703,369	661,515	632,400
Average deposits and other borrowings	551,805	517,178	498,484
Net interest margin (%)[1]	2.04	2.12	2.15

Net interest margin by major division	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Australia			
Net interest margin (%)	2.50	2.54	2.50
Average interest earning assets	294,368	284,759	276,621
Average deposits and other borrowings	162,688	157,756	155,073
International and Institutional Banking			
Net interest margin (%)	1.34	1.46	1.55
Average interest earning assets	304,429	275,656	258,353
Average deposits and other borrowings	244,050	226,409	216,303
New Zealand			
Net interest margin (%)	2.52	2.49	2.49
Average interest earning assets	92,395	88,549	85,864
Average deposits and other borrowings	62,314	57,180	54,516

1. *Annualized net interest income as a percentage of average interest earning assets.*

Comparison of March 2015 Half with March 2014 Half

The increase in net interest income of $360 million (5%) was driven by an increase in average interest earning assets partially offset by a reduction in the net interest margin.

Net interest margin (-11 bps)

- Asset mix and funding mix (-1 bp): adverse asset mix from an increased proportion of Home Loans and slower growth in Cards.
- Funding costs (1 bp): benefit from favorable wholesale funding cost.
- Deposit competition (7 bps): benefit from lower deposit competition and active margin management across deposit products, particularly term deposits.
- Asset competition and risk mix (-12 bps): continued pressure on lending margins, including significant home loan competition and switching from variable to fixed home loans in New Zealand, competition in Global Loans and C&CB.
- Markets and treasury (-6 bps): adverse impact of lower earnings on capital from lower interest rates, higher liquid asset holdings and lower earnings from financial markets activities.

Average interest earning assets (+$71.0 billion or 11%)

- Australia (+$17.7 billion or 6%): driven by growth in Home Loan products where market share continues to increase.
- International and Institutional Banking (+$46.1 billion or 18%): $33.0 billion increase in Global Markets mainly from growth in the liquidity portfolio, as well as an increase in collateral paid against derivative liabilities, and foreign exchange translation impacts. Lending in Global Loans increased an additional $10.7 billion despite a competitive market.
- New Zealand (+$6.5 billion or 8%): driven by growth in Retail lending market share and continued business confidence supporting Commercial loan growth, as well as foreign exchange translation impacts.

Average deposits and other borrowings (+$53.3 billion or 11%)

- Australia (+$7.6 billion or 5%): growth in customer deposits within Retail and C&CB, mainly at call products.
- International and Institutional Banking (+$27.7 billion or 13%): due to growth in customer deposits in Global Transaction Banking, particularly in Australia and Asia, external repos for funding purposes in Global Markets, as well as foreign exchange translation impacts.
- New Zealand (+$7.8 billion or 14%): increased customer deposits across Retail and Commercial, particularly in Retail savings products, as well as foreign exchange translation impacts.

- Global Wealth, GTSO and Group Centre (+$10.2 billion or 14%): primarily growth in Treasury repurchase agreement borrowings.

Comparison of March 2015 Half with September 2014 Half

The increase in net interest income of $106 million was driven by an increase in average interest earning assets partially offset by a reduction in the net interest margin.

Net interest margin (-8 bps)

- Asset mix and funding mix (0 bp): favorable funding mix from lower reliance on wholesale funding offset by adverse asset mix due to slower growth in Cards and commercial lending.
- Funding costs (0 bp): wholesale funding costs have remained broadly flat.
- Deposit competition (3 bps): benefit from lower deposit competition across Australia and New Zealand.
- Asset competition and risk mix (-6 bps): continued pressure on lending margins, particularly in Home Loans and lower spreads within IIB.
- Markets and treasury (-5 bps): higher liquid asset holdings and lower earnings from financial markets activities.

Average interest earning assets (+$41.9 billion or 6%)

- Australia (+$9.6 billion or 3%): due to growth in Home Loan products where market share continues to increase.
- International and Institutional Banking (+$28.8 billion or 10%): $20.5 billion increase in Global Markets mainly from growth in the liquidity portfolio and foreign exchange translation impacts. Additionally, lending in Global Loans increased by $6.6 billion.
- New Zealand (+$3.8 billion or 4%): driven by growth in Retail and Commercial lending from continued strong economic conditions, as well as foreign exchange translation impacts.

Average deposits and other borrowings (+$34.6 billion or 7%)

- Australia (+$4.9 billion or 3%): growth in customer deposits within Retail and Commercial, mainly at call products.
- International and Institutional Banking (+$17.6 billion or 8%): due to growth in customer deposits in Global Transaction Banking, particularly in Asia, external repos for funding purposes in Global Markets, as well as foreign exchange translation impacts.
- New Zealand (+$5.1 billion or 9%): increased customer deposits across Retail and Commercial, particularly in Retail savings products, as well as foreign exchange translation impacts.
- Global Wealth, GTSO and Group Centre (+$6.9 billion or 9%): primarily growth in Treasury repurchase agreement borrowings.

Net funds management and insurance income

	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Funds management income	**478**	459	458
Investment income	**3,149**	1,424	1,232
Insurance premium income	**718**	780	534
Commission income/(expense)	**(239)**	(241)	(230)
Claims	**(341)**	(362)	(345)
Changes in policy liabilities	**(2,700)**	(1,149)	(998)
Elimination of treasury share gain/(loss)[1]	**(86)**	16	(40)
Total net funds management and insurance income	**979**	**927**	**611**

1. *ANZ shares held by ANZ in the Funds Management and Insurance businesses. Realized and unrealized gains and losses from these shares are reversed as these are not permitted to be recognized in income.*

Comparison of March 2015 Half with March 2014 Half

Net funds management and insurance income increased $368 million (60%). Key factors affecting the result were:

- Investment income increased by $1,917 million (large) as a result of strong performance in investment markets.
- Insurance premium income increased by $184 million (34%) primarily as a result of a one-off $47 million experience loss due to the exit of a group life insurance plan in the March 2014 half and an increase in premiums from the OneCare product.
- Changes in policy liabilities increased by $1,702 million (large) consistent with the increase in investment income.

Comparison of March 2015 Half with September 2014 Half

Net funds management and insurance income increased $52 million (6%). Key factors affecting the result were:

- Investment income increased by $1,725 million (large) as a result of strong performance in investment markets.
- Insurance premium income decreased by $62 million (-8%) due to the seasonality of group risk annual premiums which are predominantly re-priced in the second half of the fiscal year. This decrease partially offset by increase in premiums from new group risk plans such as ClubPlus and ANZ Staff Superannuation.
- Changes in policy liabilities increased by $1,551 million (large) consistent with the increase in investment income.

Other operating income

	Half Year		
	Mar 15 $M	Sep 14 $M	Mar 14 $M
Net fee and commission income[1,2]	1,217	1,178	1,186
Net foreign exchange earnings[1]	39	53	43
Share of associates' profit[1]	314	267	243
Global Markets other operating income	737	565	720
Economic hedging[3]	20	214	(124)
Revenue and net investment hedges[3]	(252)	169	(26)
Other[1, 2,4]	38	115	103
Total other operating income	**2,113**	**2,561**	**2,145**

1. *Excluding Global Markets.*
2. *Certain cards related fees that are integral to the generation of income have been reclassified within other operating income in the current period to better reflect the nature of the items. Comparatives have been restated. For the September 2014 half, fees of $5 million were moved from 'Other' and included in 'Net fee and commission income' (Mar 14 half: $5 million).*
3. *Represents unrealized gains and losses of economic revenue and net investment hedges used to manage interest rate and foreign exchange risk and the ineffective portion of designated accounting hedges.*
4. *Other income includes $125 million gain on sale of ANZ Trustees and $21 million loss arising on sale of Saigon Securities Inc. (SSI) during the September 2014 half.*

Comparison of March 2015 Half with March 2014 Half

Net fee and commission income

- Global Transaction Banking increased $6 million due to an increase in Asia driven by Trade Finance.
- Retail Asia Pacific increased $23 million primarily due to growth in Investment & Insurance income.
- Global Wealth decreased $10 million, due to the divestment of the ANZ Trustees business in July 2014.

Net foreign exchange earnings

- Global Transaction Banking increased $10 million with both volume and margin growth in Australia.
- GTSO and Group Centre decreased $14 million due to higher realized losses on foreign currency hedges (offsetting translation gains elsewhere in the Group).

Share of associates' profit

- SRCB increased $38 million primarily due to lending growth in the March 2015 half and impairment of an investment (held by SRCB) recognized in the March 2014 half.
- BoT increased $24 million primarily due to an increase in underlying earnings mainly attributable to asset growth and improved cost management.
- AMMB increased $10 million with lower expenses and credit charges.

Global Markets

In tougher market conditions Global Markets income was up 1%:

- Sales income increased by 9%, driven by demand for Commodities and Rates products.
- Foreign Exchange continued to perform strongly, with market volatility continuing to drive customer demand. Income fell 5% due to market conditions impacting certain product lines that had contributed to the abnormally strong performance in the March 2014 half.
- Commodities income increased 64% off the back of continuing demand for gold from Asian clients and the trading desk benefiting from falling commodity prices.
- Rates income increased 44% due to improved client product offerings and increased customer hedging activities in the current lower interest rate environment.

Economic hedging

- During the March 2015 half, funding related swaps recorded gains from widening spreads in the USD/EUR currency pair and the weakening in the AUD against the USD, which were partially offset by losses driven from falls in the AUD and NZD yield curves.
- During the March 2014 half, funding related swaps recorded losses driven by a narrowing of basis spreads principally from movements in AUD/USD and USD/EUR currency pairs. These were partially offset by gains from the continuing weakening of AUD across some major currencies principally USD and EUR.

Revenue and net investment hedges

- During the March 2015 half, losses within revenue and net investment hedges were the result of significant weakening in the AUD against both the USD and NZD exchange rates.
- During the March 2014 half, losses within revenue and net investment hedges were principally as a result of weakening in the AUD against the USD and NZD exchange rates. However, the movement in exchange rates was less significant than in the March 2015 half.

Other

- Global Wealth decreased $13 million, primarily due to a non-recurring insurance settlement gain in New Zealand in the March 2014 half.
- Asia Partnerships decreased $12 million due to dilution gain (from non-participation in a rights issue) relating to BoT in the March 2014 half.

- Group Centre decreased $23 million, primarily driven by a RBA Committed Liquidity Facility fee that commenced in the March 2015 half.

Comparison of March 2015 Half with September 2014 Half

Net fee and commission income

- Global Transaction Banking increased due to increased deal flow in Asia ($6 million) and an increase in Trade Finance fees in the Pacific ($5 million).
- Retail Asia Pacific increased $15 million, mainly due to volume driven growth.

Net foreign exchange earnings

- GTSO and Group Centre decreased $25 million due to higher realized losses on foreign currency hedges (offsetting translation gains elsewhere in the Group).
- Australia Retail decreased $7 million, primarily due to seasonally lower travel card activity.
- Global Transaction Banking increased $6 million, mainly due to a combination of volume and margin growth in Australia and New Zealand.
- IIB Central Functions increased $9 million due to realized gains on foreign currency balances.

Share of associates' profit

- BoT increased $41 million, driven by strong asset growth and improved cost management.
- SRCB increased $32 million, primarily due to lending growth.
- AMMB decreased $11 million, mainly due to a one-off gain from partial divestment of its insurance businesses ($22 million) recognized in the September 2014 half.
- P.T. Bank Pan Indonesia decreased $11 million, primarily due to $10 million of loan recoveries recognized in the September 2014 half.

Global Markets

Global Markets has delivered a strong result with income increasing by 13%:

- Sales income increased 20% driven by increased activity with Financial Institutions customers and higher level of corporate client hedging activity.
- Foreign Exchange income increased by 41% with higher global foreign exchange market volatility driving increased customer flow.
- Rates income increased 82% driven by strong customer flow and favorable trading activities.
- Balance Sheet income decreased 9% and credit income decreased 13% as credit spreads widened, reflecting the increased uncertainty in global financial markets.
- Asia income increased 34% driven by demand for gold and foreign exchange products.

Economic hedging

- During the March 2015 half, funding related swaps recorded gains from widening spreads in the USD/EUR currency pair and the weakening in the AUD against the USD, which were offset by losses driven from falls in the AUD and NZD yield curves.
- During the September 2014 half, funding related swaps recorded significant gains from widening basis spreads from movements in currency pairs (primarily AUD/USD and USD/EUR).

Revenue and net investment hedges

- During the March 2015 half, losses within revenue and net investment hedges were the result of significant weakening in the AUD against both the USD and NZD exchange rates.
- During the September 2014 half, gains within revenue and net investment hedges were primarily the result of significant strengthening in the AUD against NZD exchange rate.

Other

- Global Wealth decreased $111 million, primarily due to a $125 million gain on sale of ANZ Trustees recognized in the September 2014 half partially offset by higher Lenders' Mortgage Insurance performance in the March 2015 half.
- Group Centre decreased $25 million, primarily driven by a RBA Committed Liquidity Facility fee that commenced in the March 2015 half.
- Asia Partnerships increased $22 million due to the loss arising from the sale of SSI ($21 million) in the September 2014 half.

Operating expenses

	Half Year		
	Mar 15 $M	Sep 14 $M	Mar 14 $M
Personnel expenses	2,715	2,558	2,530
Premises expenses	455	446	442
Technology expenses	701	660	606
Restructuring costs	10	78	35
Other expenses	712	732	673
Total operating expenses	**4,593**	**4,474**	**4,286**
Total full time equivalent staff (FTE)	**51,243**	**50,328**	**49,850**

Comparison of March 2015 Half with March 2014 Half

- Personnel expenses increased $185 million (7%) due to the impact of foreign exchange translation, inflationary salary increases and an increase in customer facing employees.
- Premises expenses increased $13 million (3%) due to the impact of foreign exchange translation and inflationary rent increases.
- Technology expenses increased $95 million (16%) due to increased depreciation and amortization, higher data storage and software license costs and the increased use of outsource providers.
- Restructuring expenses decreased $25 million (-71%) due to decreased restructuring initiatives primarily in the GTSO division.
- Other expenses increased $39 million (6%) primarily due to the impact of foreign exchange translation, along with higher spend on professional and legal fees.

Comparison of March 2015 Half with September 2014 Half

- Personnel expenses increased $157 million (6%) due to the impact of foreign exchange translation, inflationary salary increases and an increase in customer facing employees.
- Premises expenses increased $9 million (2%) due to the impact of foreign exchange translation and inflationary rent increases, partly offset by lower asset write offs.
- Technology expenses increased $41 million (6%) due to higher depreciation and amortization, partly offset by lower software impairment expense.
- Restructuring expenses decreased $68 million (-87%) primarily due to decreased restructuring initiatives within the IIB division.
- Other expenses decreased $20 million (-3%) primarily due to decreased advertising spend and the write down of intangible assets in Global Wealth in the September 2014 half.

Credit impairment charge

	Half Year		
Division	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Australia	395	416	402
International and Institutional Banking	98	54	162
New Zealand	19	26	(34)
Global Wealth	(1)	(1)	(1)
GTSO and Group Center	(17)	(36)	(2)
Total credit impairment charge / (release)	**494**	**459**	**527**

	Half Year					
	Mar 15 $M		**Sep 14 $M**		**Mar 14 $M**	
Division	**Individual credit impairment charge**	**Collective credit impairment charge**	**Individual credit impairment charge**	**Collective credit impairment charge**	**Individual credit impairment charge**	**Collective credit impairment charge**
Australia	334	61	413	3	374	28
International and Institutional Banking	100	(2)	75	(21)	215	(53)
New Zealand	22	(3)	50	(24)	13	(47)
Global Wealth	(1)	-	1	(2)	-	(1)
GTSO and Group Center	(16)	(1)	1	(37)	(1)	(1)
Total	**439**	**55**	**540**	**(81)**	**601**	**(74)**

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

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

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

Under AASs, a discounted cash flow methodology is used to calculate the individual provision for credit impairment.

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

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

Comparison of March 2015 Half with March 2014 Half

- The individual credit impairment charge decreased by $162 million (-27%) due primarily to credit quality improvements in IIB, New Zealand and Australia C&CB. This was partially offset in the New Zealand division due to lower recoveries and write-backs
- The collective credit impairment charge increased by $129 million (large) from a release of $74 million in the March 2014 half to a charge of $55 million in the March 2015 half. This was driven by Retail portfolio growth in Australia division and significant improvements in portfolio credit quality in IIB and New Zealand in the March 2014 half that have not been repeated, partially offset by an increase in the economic cycle provision related to mining services in the March 2014 half.

Comparison of March 2015 Half with September 2014 Half

- The individual credit impairment charge decreased by $101 million (-19%) with lower new and increased impairment charges being raised in Australia and New Zealand divisions and higher recoveries and write-backs in Australia division and IIB. This was partially offset by a few large customer provisions being raised in IIB during the March 2015 half.
- The collective credit impairment charge increased by $136 million (large) from a release of $81 million in the September 2014 half to a charge of $55 million in the March 2015 half. This was driven by Retail portfolio growth in the Australia division, along with improvements in IIB's portfolio credit quality and a release from economic cycle provision in the September 2014 half.

Income tax expense

	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Income tax expense charged to the income statement	1,629	1,702	1,323
Effective tax rate	31.7%	30.5%	28.0%
Australian corporate tax rate	30.0%	30.0%	30.0%

Comparison of March 2015 Half with March 2014 Half

- The effective tax rate (ETR) increased 3.7% to 31.7% primarily due to the impact of higher non-deductible coupons paid on convertible instruments and higher taxes paid on behalf of policyholders. These were partially offset by increased earnings from equity accounted associates.

Comparison of March 2015 Half with September 2014 Half

- The ETR increased 1.2% to 31.7% primarily due to higher taxes paid on behalf of policyholders and the ETR benefit associated with the sale of SSI and ANZ Trustees recognized in the September 2014 half.

Results by segment

Segment	Half Year Mar 15 $M	Half Year Sep 14 $M [1]	Half Year Mar 14 $M [1]
Profit before income tax			
Australia	2,290	2,240	2,120
International and Institutional Banking	1,917	1,774	1,833
New Zealand	786	733	764
Global Wealth	362	419	324
GTSO and Group Center	(212)	421	(320)
	5,143	5,587	4,721
Income tax expense			
Australia	(688)	(669)	(637)
International and Institutional Banking	(450)	(433)	(459)
New Zealand	(220)	(205)	(214)
Global Wealth	(103)	(111)	(90)
GTSO and Group Center	(168)	(284)	77
	(1,629)	(1,702)	(1,323)
Non-controlling interests			
Australia	-	-	-
International and Institutional Banking	(8)	(6)	(6)
New Zealand	-	-	-
Global Wealth	-	-	-
GTSO and Group Center	-	-	-
	(8)	(6)	(6)
Profit after income tax and non-controlling interests			
Australia	1,602	1,571	1,483
International and Institutional Banking	1,459	1,335	1,368
New Zealand	566	528	550
Global Wealth	259	308	234
GTSO and Group Center	(380)	137	(243)
	3,506	3,879	3,392

1. *Certain amounts reported as comparative information have changed as described on page 8.*

Australia

The Australia division comprises the Retail and Corporate and Commercial Banking (C&CB) business units.

	Half Year		
Australia	**Mar 15 $M**	**Sep 14 $M [1]**	**Mar 14 $M [1]**
Net interest income	3,670	3,632	3,445
Other operating income	571	560	556
Operating income	4,241	4,192	4,001
Operating expenses	(1,556)	(1,536)	(1,479)
Profit before credit impairment and income tax	2,685	2,656	2,522
Credit impairment charge	(395)	(416)	(402)
Profit before income tax	2,290	2,240	2,120
Income tax expense	(688)	(669)	(637)
Profit after income tax	**1,602**	**1,571**	**1,483**
Consisting of:			
Retail	956	943	887
Corporate and Commercial Banking	646	628	596
Profit after income tax	**1,602**	**1,571**	**1,483**
Balance Sheet			
Net loans & advances	297,642	287,750	278,120
Other assets	2,885	2,814	2,912
Assets	300,527	290,564	281,032
Customer deposits	162,587	160,683	156,080
Other liabilities	11,410	11,997	12,330
Liabilities	173,997	172,680	168,410
Risk weighted assets	116,386	110,752	109,077
Average gross loans and advances	294,357	284,763	276,626
Average deposits and other borrowings	162,688	157,756	155,073
Ratios			
Return on assets	1.09%	1.10%	1.07%
Net interest margin	2.50%	2.54%	2.50%
Operating expenses to operating income	36.7%	36.6%	37.0%
Operating expenses to average assets	1.06%	1.07%	1.07%
Individual credit impairment charge/(release)	334	413	374
Individual credit impairment charge/(release) as a % of average GLA	0.23%	0.29%	0.27%
Collective credit impairment charge/(release)	61	3	28
Collective credit impairment charge/(release) as a % of average GLA	0.04%	0.00%	0.02%
Gross impaired assets	1,245	1,253	1,463
Gross impaired assets as a % of GLA	0.42%	0.43%	0.52%
Total full time equivalent staff (FTE)	10,586	10,245	9,907

1. *Certain amounts reported as comparative information have changed as described on page 8.*

Comparison of March 2015 Half with March 2014 Half

Profit after income tax increased $119 million (8%), with $240 million (6%) operating income growth, a $77 million (5%) increase in operating expenses and a $7 million (-2%) decrease in credit impairment charges.

Key factors affecting the result were:

- Net interest income increased $225 million (7%) primarily due to strong volume growth from Home Loans, Cards and Small Business Banking, and disciplined deposit pricing to manage lending margin contraction from competitive pressures.
- Operating expenses increased $77 million (5%).This was primarily due to Banking on Australia[1] investments to increase our sales reach and sales capability, investment in our digital capabilities and wage inflation.
- Credit impairment charges decreased $7million (-2%), with a lower individual impairment charge offsetting a higher collective charge. The lower individual charge reflects improved performance in Corporate Banking, offset by higher charges in Esanda and Business Banking. The collective charge increase reflects model improvements in Esanda and growth in Consumer Cards.

Comparison of March 2015 Half with September 2014 Half

Profit after income tax increased $31 million (2%), with a $49 million (1%) operating income growth, a $20 million (1%) increase in operating expenses and a $21 million (-5%) decrease in credit impairment charges.

Key factors affecting the result were:

- Despite competition, net loans and advances and deposits growth was strong in the half, with Home Loans, Cards & Payments, Retail Deposits and Small Business Banking contributing strongly. Net interest margin contracted 4 bps, reflecting increased lending competition and portfolio mix, partially offset by disciplined deposit pricing.
- Operating expenses were limited to 1% growth. Investment in sales reach and sales capability continued in the March 2015 half, while maintaining a stable operating expense to operating income ratio.
- Credit impairment charges decreased $21 million (-5%), with a lower individual impairment charge offsetting a higher collective charge. The lower individual charge reflects improved performance in Consumer Cards, Corporate Banking and Regional Business Banking, offset by higher charges in Esanda. The collective charge increase reflects model improvements in Esanda and growth across the Retail segment, primarily in Consumer Cards.

1. *The 'Banking on Australia' program is a major investment program for ANZ's Australia division designed to make it easier for customers to bank with ANZ. The program involves an upgrade of ANZ's distribution networks; simplifying products and processes; providing customers with additional mobile and flexible banking options; further improving the capability of customer facing employees; and initiatives to continue support of local communities.*

International and Institutional Banking

The International and Institutional Banking (IIB) division comprises Global Products, Retail Asia Pacific and Asia Partnerships. IIB services three main customer segments: Global Banking, International Banking and Retail Asia Pacific. Global Banking serves institutional customers with multi-product and multi-geographic requirements, International Banking serves institutional customers with less complex needs and Retail Asia Pacific focuses on affluent and emerging affluent customers across 21 countries.

	Half Year		
International and Institutional Banking	**Mar 15 $M**	**Sep 14 $M [1]**	**Mar 14 $M [1]**
Net interest income	2,027	2,016	1,993
Other operating income	1,759	1,467	1,629
Operating income	3,786	3,483	3,622
Operating expenses	(1,771)	(1,655)	(1,627)
Profit before credit impairment and income tax	2,015	1,828	1,995
Credit impairment charge	(98)	(54)	(162)
Profit before income tax	1,917	1,774	1,833
Income tax expense	(450)	(433)	(459)
Non-controlling interests	(8)	(6)	(6)
Profit after income tax	**1,459**	**1,335**	**1,368**
Consisting of:			
Global Transaction Banking	305	336	221
Global Loans and Advisory	394	429	432
Global Markets	421	386	455
Global Products	1,120	1,151	1,108
Retail Asia Pacific	56	1	45
Asia Partnerships	299	246	242
Central Functions	(16)	(63)	(27)
Profit after income tax	**1,459**	**1,335**	**1,368**
Balance Sheet			
Net loans & advances	156,517	141,986	136,492
Other assets	248,540	200,999	178,168
Assets	**405,057**	**342,985**	**314,660**
Customer deposits	201,124	183,126	172,252
Other liabilities	145,393	117,971	99,855
Liabilities	**346,517**	**301,097**	**272,107**
Risk weighted assets	206,254	191,286	190,325
Average gross loans and advances	153,399	147,810	134,029
Average deposits and other borrowings	244,050	226,409	216,303
Ratios			
Return on assets	0.75%	0.80%	0.87%
Net interest margin	1.34%	1.46%	1.55%
Net interest margin (excluding Global Markets)	2.32%	2.39%	2.51%
Operating expenses to operating income	46.8%	47.5%	44.9%
Operating expenses to average assets	0.92%	0.99%	1.03%
Individual credit impairment charge/(release)	100	75	215
Individual credit impairment charge/(release) as a % of average GLA	0.13%	0.10%	0.32%
Collective credit impairment charge/(release)	(2)	(21)	(53)
Collective credit impairment charge/(release) as a % of average GLA	(0.00%)	(0.03%)	(0.08%)
Gross impaired assets	1,021	1,093	1,471
Gross impaired assets as a % of GLA	0.65%	0.76%	1.06%
Total full time equivalent staff (FTE)	7,802	7,768	8,145

1. *Certain amounts reported as comparative information have changed as described on page 8.*

Comparison of March 2015 Half with March 2014 Half

Profit after income tax increased by $91 million (7%), primarily driven by an increase in other operating income and a reduction in credit impairment charges, partially offset by an increase in operating expenses.

Key factors affecting the result were:

- Net interest income increased $34 million (2%). Average deposits and other borrowings increased $28 billion (13%) and average gross loans and advances increased $19 billion (14%). The increase in net interest income was driven by volume growth across all lines of business and geographies, and partially offset by a net interest margin decline of 21 bps, driven mainly by Global Loans in Australia due to price competition and excess liquidity.
- Other operating income increased by $130 million (8%), driven by increased Payments and Cash Management fees reflecting deposit volume growth in all geographies, increased Global Markets income across our customer franchise, revenue growth in Asia Partnerships and higher Investment and Insurance income in Retail Asia Pacific from a larger product suite.
- Operating expenses increased by $144 million (9%). The increase was driven largely by investment in key infrastructure projects.
- Credit impairment charges decreased $64 million (40%), due to lower individual credit impairment charges in Global Transaction Banking and Retail Asia Pacific, offset in part by lower collective credit impairment releases in Global Loans and Advisory and Retail Asia Pacific.

Comparison of March 2015 Half with September 2014 Half

Profit after income tax increased $124 million (9%), driven primarily by an increase in other operating income in Global Markets and Asia Partnerships, partially offset by an increase in operating expenses and credit impairment charges.

Key factors affecting the result were:

- Net interest income increased by $11 million (1%), with an increase in Retail Asia Pacific partly offset by a decrease in Global Markets. Average deposits and other borrowings increased $18 billion (8%) and average gross loans and advances increased $6 billion (4%). Increased volumes were offset by margin decline. Net interest margin declined by 12 bps driven largely by Global Loans in Australia due to price competition and excess liquidity, and Global Markets from a change in the mix of liquid holdings to lower margin bonds.
- Other operating income increased by $292 million (20%) with strong performance across most lines of business. Global Markets other operating income increased due to stronger customer flow driven by increased FX and Interest Rate volatility. Payments and Cash Management and Retail Asia Pacific increased mainly due to volume growth and Asia Partnerships increased reflecting the strong performance of our equity investments.
- Operating expenses increased by $116 million (7%). The increase was driven largely by investment in key infrastructure projects, partially offset by $40 million spend in the September 2014 half associated with the integration of the new IIB organizational structure and transformation workstreams.
- Credit impairment charges increased by $44 million (81%), primarily due to increased individual credit impairment charge in the March 2015 half and to higher collective provision releases in the September 2014 half from improved customer credit ratings.

New Zealand

The New Zealand division comprises Retail and Commercial business units.

	Half Year		
New Zealand	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Net interest income	1,161	1,106	1,065
Other operating income	183	171	178
Operating income	1,344	1,277	1,243
Operating expenses	(539)	(518)	(513)
Profit before credit impairment and income tax	805	759	730
Credit impairment charge	(19)	(26)	34
Profit before income tax	786	733	764
Income tax expense	(220)	(205)	(214)
Profit after income tax	**566**	**528**	**550**
Consisting of:			
Retail	223	205	209
Commercial	344	320	343
Operations & Support	(1)	3	(2)
Profit after income tax	**566**	**528**	**550**
Balance Sheet			
Net loans & advances	97,679	86,063	88,247
Other assets	3,631	3,380	3,763
Assets	**101,310**	**89,443**	**92,010**
Customer deposits	60,293	51,360	51,749
Other liabilities	25,540	21,722	20,035
Liabilities	**85,833**	**73,082**	**71,784**
Risk weighted assets	53,990	48,682	50,391
Average gross loans and advances	91,908	88,071	85,396
Average deposits and other borrowings	62,314	57,180	54,516
Ratios			
Return on assets	1.20%	1.16%	1.24%
Net interest margin	2.52%	2.49%	2.49%
Operating expenses to operating income	40.1%	40.6%	41.3%
Operating expenses to average assets	1.14%	1.13%	1.16%
Individual credit impairment charge/(release)	22	50	13
Individual credit impairment charge/(release) as a % of average GLA	0.05%	0.11%	0.03%
Collective credit impairment charge/(release)	(3)	(24)	(47)
Collective credit impairment charge/(release) as a % of average GLA	(0.01%)	(0.05%)	(0.11%)
Gross impaired assets	434	532	668
Gross impaired assets as a % of GLA	0.44%	0.61%	0.75%
Total full time equivalent staff (FTE)	5,090	5,059	5,215

Comparison of March 2015 Half with March 2014 Half

Profit after income tax increased $16 million (3%). Profit before credit impairment and income tax increased $75 million (10%) reflecting good net interest income growth and the impact of foreign exchange translation.

Key factors affecting the result were:

- Net interest income increased $96 million (9%), primarily due to above system growth in lending and foreign exchange translation. Average gross loans and advances grew $7 billion (8%), with good growth across both the housing and non-housing portfolios. Net interest margin increased 3 bps despite intense lending competition. Net interest margin growth was driven by lower wholesale funding costs, partly offset by lending mix, with customers continuing to favor lower margin fixed rate products.
- Other operating income increased $5 million (3%) due to higher commissions from distribution of KiwiSaver and foreign exchange translation.
- Operating expenses increased $26 million (5%) driven by inflationary impacts, investment activity and foreign exchange translation partly offset by productivity measures. The operating expenses to operating income ratio improved 120 bps to 40.1%.
- Credit impairment charges increased $53 million (large) from a net release of $34 million in the first half of 2014 to a charge of $19 million in the first half of 2015. The individual credit impairment charge increased 69% reflecting a slowing in the level of write-backs particularly in the CommAgri portfolio and foreign exchange translation, partly offset by lower levels of new and top-up provisions. The release from collective provisions was $44 million lower due to portfolio growth and the reduced rate of improvement in credit quality compared to the March 2014 half.

Comparison of March 2015 Half with September 2014 Half

Profit after income tax increased $38 million (7%), driven by the impact of foreign exchange translation and strong deposit and lending growth.

Key factors affecting the result were:

- Net interest income increased $55 million (5%), due to strong lending growth, margin management and foreign exchange translation. Net interest margin increased 3 bps due to lower wholesale funding costs, partly offset by lending mix, with customers continuing to favor lower margin fixed rate products.
- Other operating income increased $12 million (7%) driven primarily by Retail and foreign exchange translation. Growth was driven by credit card earnings reflecting seasonal customer behavior and higher commissions from distribution of KiwiSaver and insurance products.
- Operating expenses increased $21 million (4%) driven by foreign exchange translation, inflationary and investment impacts, partly offset by productivity measures.
- Credit impairment charges decreased $7 million (-27%). The individual credit impairment charge decreased 56%, reflecting a slowing in the level of new provisions, partly offset by lower write-backs. The release from collective provisions was $21 million lower due to a lower release of economic overlay provisions and the impact of lending growth.

Global Wealth

The Global Wealth division comprises Funds Management, Insurance and Private Wealth business units which provide solutions to customers across the Asia Pacific region, principally in Australia and New Zealand.

	Half Year		
Global Wealth	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Net interest income	88	88	80
Other operating income[1]	97	208	120
Net funds management and insurance income	665	642	607
Operating income	850	938	807
Operating expenses	(489)	(520)	(484)
Profit before credit impairment and income tax	361	418	323
Credit impairment charge	1	1	1
Profit before income tax	362	419	324
Income tax expense	(103)	(111)	(90)
Profit after income tax	**259**	**308**	**234**
Consisting of			
Funds Management[2]	78	55	65
Insurance	143	126	98
Private Wealth[1]	43	137	44
Corporate and Other[3]	(5)	(10)	27
Total Global Wealth	**259**	**308**	**234**
Geography			
Australia	199	248	161
New Zealand[4]	62	56	71
Asia Pacific, Europe & America	(2)	4	2
Total Global Wealth	**259**	**308**	**234**
Income from invested capital[5]	**55**	55	53
Key Metrics			
Funds under management	68,405	61,411	61,652
Average funds under management	64,615	62,106	60,552
In-force premiums	2,154	2,038	1,955
Net loans & advances	6,163	5,678	6,012
Customer deposits	17,357	13,844	12,699
Ratios			
Operating expenses to operating income	57.5%	55.4%	60.0%
Funds management expenses to average FUM[6]			
Australia	0.51%	0.60%	0.58%
New Zealand	0.31%	0.36%	0.41%
Insurance expenses to in-force premiums			
Australia	10.4%	11.0%	11.9%
New Zealand	32.1%	35.8%	34.6%
Retail insurance lapse rates			
Australia	11.6%	12.5%	12.1%
New Zealand	14.3%	16.7%	14.9%
Total full time equivalent staff (FTE)	2,538	2,290	2,284
Aligned adviser numbers[7]	1,823	2,022	2,061

1. *Other operating income within Private Wealth for the September 2014 half includes $125 million gain on the sale of ANZ Trustees.*
2. *Funds Management includes the Pensions & Investments business and E*TRADE.*
3. *Corporate and Other includes cash profits from the Advice and Distribution business.*
4. *Includes $26 million cross border settlement of an insurance claim in March 2014 involving both Australia and New Zealand on a net basis. For statutory purposes, the individual components of this settlement have been recognized in their respective geographies.*
5. *Income from invested capital represents after tax revenue generated from investing all Insurance and Funds Management business' capital balances held for regulatory purposes (previously reported net of funding charges and for ANZ Wealth Australia Ltd group of companies only). The invested capital as of March 31, 2015 was $3.6 billion (Sep 14: $3.3 billion; Mar 14: $3.0 billion), which comprised of fixed interest securities of 49% and cash deposits of 51% (Sep 14: 49% fixed interest securities and 51% cash deposits; Mar 14: 41% fixed interest securities and 59% cash deposits).*
6. *Funds management expense and Funds Under Management (FUM) only relates to the Pensions & Investments business.*
7. *Includes corporate authorized representatives of dealer groups wholly or partially owned by ANZ Wealth and ANZ Group financial planners. Prior period aligned adviser numbers included authorized representatives of a dealer group no longer owned by ANZ Wealth (Sep 14: 211; Mar 14: 231).*

Comparison of March 2015 Half with March 2014 Half

Profit after income tax increased by $25 million (11%), with a $43 million (5%) increase in operating income and a $5 million (1%) increase in operating expenses.

Key factors affecting the result were:

- Net interest income increased by 10% primarily due to higher average interest earning assets as a result of the utilization of higher customer deposit volumes in the Private Wealth business.
- Other operating income decreased by $23 million (-19%) primarily due to the disposal of ANZ Trustees in the September 2014 half and the discontinuation of the associated income from the Private Wealth business.
- Net funds management and insurance income increased by $58 million (10%). This was driven by solid growth in average Funds Under Management (FUM) as a result of strong performance in investment markets, growth in insurance in-force premiums, improved insurance lapse experience as well as a one-off $47 million experience loss due to the exit of a Group Life Insurance plan in in the March 2014 half.
- Operating expenses were relatively flat at $5 million (1%).

Comparison of March 2015 Half with September 2014 Half

Profit after income tax decreased by $49 million (-16%), with an $88 million (9%) decrease in operating income and a $31 million (6%) decrease in operating expenses.

Key factors affecting the result were:

- Other operating income decreased by $111 million (53%) primarily driven by the gain on sale of ANZ Trustees and related income being included in the September 2014 half.
- Net funds management and insurance income increased by $23 million (4%). This was driven by increased average FUM as a result of market performance and stable net FUM flows, solid in-force insurance premium growth and improved insurance claims experience offsetting the seasonal impact of group annual risk premiums which are predominantly re-priced in the second half of the fiscal year.
- Operating expenses decreased by $31 million (6%). Excluding the net impact of the sale of ANZ Trustees and the write-down of intangibles in the September 2014 half, expenses increased $16 million (3%) in line with business growth.

Excluding the $64 million net impact of the ANZ Trustees sale and subsequent investment in productivity initiatives in the September 2014 half, profit after income tax increased by $18 million (6%).

Results by geographic region

	Half Year		
Australia geographic region	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Net interest income	4,880	4,888	4,673
Other operating income	1,472	2,092	1,273
Operating income	6,352	6,980	5,946
Operating expenses	(2,782)	(2,750)	(2,648)
Profit before credit impairment and income tax	3,570	4,230	3,298
Credit impairment charge	(412)	(377)	(478)
Profit before income tax	3,158	3,853	2,820
Income tax expense	(1,194)	(1,292)	(889)
Non-controlling interests	-	-	-
Profit after income tax	**1,964**	**2,561**	**1,931**

	Half Year		
Asia Pacific, Europe & America geographic region	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Net interest income	927	864	855
Other operating income	1,096	893	1,038
Operating income	2,023	1,757	1,893
Operating expenses	(1,120)	(1,046)	(977)
Profit before credit impairment and income tax	903	711	916
Credit impairment charge	(53)	(54)	(85)
Profit before income tax	850	657	831
Income tax expense	(120)	(120)	(142)
Non-controlling interests	(8)	(6)	(6)
Profit after income tax	**722**	**531**	**683**

	Half Year		
New Zealand geographic region	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Net interest income	1,331	1,280	1,250
Other operating income	524	503	445
Operating income	1,855	1,783	1,695
Operating expenses	(691)	(678)	(661)
Profit before credit impairment and income tax	1,164	1,105	1,034
Credit impairment charge	(29)	(28)	36
Profit before income tax	1,135	1,077	1,070
Income tax expense	(315)	(290)	(292)
Non-controlling interests	-	-	-
Profit after income tax	**820**	**787**	**778**

Condensed balance sheet

	As of		
	Mar 15 $B	Sep 14 $B	Mar 14 $B
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**79.3**	58.3	56.1
Trading and available-for-sale assets	**89.7**	80.6	73.5
Derivative financial instruments	**73.6**	56.4	43.8
Net loans and advances	**558.2**	521.8	509.3
Investments backing policy liabilities	**36.5**	33.6	33.2
Other	**22.8**	21.4	21.9
Total assets	**860.1**	772.1	737.8
Liabilities			
Settlement balances owed by ANZ / Collateral received	**12.6**	15.7	12.0
Deposits and other borrowings	**567.2**	510.1	498.3
Derivative financial instruments	**73.2**	52.9	45.9
Debt issuances	**85.7**	80.1	73.6
Policy liabilities and external unit holder liabilities	**40.3**	37.7	36.7
Other	**29.0**	26.3	24.3
Total liabilities	**808.0**	722.8	690.8
Total equity	**52.1**	49.3	47.0

Comparison of March 2015 Half with March 2014 Half

- Cash, settlement balances and collateral paid increased by $23 billion (41%), with $5 billion due to foreign exchange translation. The increase was primarily driven by increased short term deposits with the US Federal Reserve and Bank of England, following the introduction of Basel 3 liquidity risk standards in Australia on January 1, 2015, and higher collateral paid on derivative liabilities with collateralized counterparties.
- Trading and available-for-sale assets increased $16 billion (22%), with $4 billion due to foreign exchange translation. The increase was primarily driven by larger holdings in the prime liquidity portfolio.
- Derivative financial instruments increased on higher customer demand for interest rate hedging products in light of low interest rates, along with increased customer demand for foreign exchange spot and forward products driven by business growth in Asia and market volatility. Net derivative financial instruments increased by $2 billion primarily driven by movements in foreign exchange and interest rates, along with the impact of foreign exchange translation.
- Net loans and advances increased $49 billion (10%), with $19 billion due to foreign exchange rate translation, $20 billion growth in Australia division home loan and non-housing term loans, a $5 billion increase in New Zealand home loans and non-housing term loans and a $5 billion increase in IIB term loans.
- Deposits and other borrowings increased $69 billion (14%), with $28 billion due to foreign exchange rate translation impacts, $18 billion growth in IIB term deposits, other current account deposit products and deposits from banks, $7 billion increase in Australia division from an increase of $14 billion in deposits products partially offset by a reduction in term deposits of $7 billion, a $7 billion increase in New Zealand term deposits and other call deposit products and growth of $6 billion in Group Treasury certificates of deposit and commercial paper.

Comparison of March 2015 Half with September 2014 Half

- Cash, settlement balances and collateral paid increased by $21 billion (36%), with $4 billion due to foreign exchange translation. The increase was primarily driven by an increase in short term deposits with the US Federal Reserve and Bank of England, following the introduction of Basel 3 liquidity risk standards in Australia on January 1, 2015, and higher collateral paid on derivative liabilities with collateralized counterparties.
- Derivative financial instruments increased on higher customer demand for interest hedging products in light of low interest rates, along with increased customer demand for foreign exchange spot and forward products driven by business growth in Asia and market volatility. Net derivative financial instruments decreased by $3 billion with the impact of movements in foreign exchange and interest rates offsetting the impact of foreign exchange translation.
- Net loans and advances increased $36 billion (7%), with $20 billion due to foreign exchange translation, $9 billion growth in Australia division home loans, growth of $3 billion in New Zealand home loans and non-housing term loans and a $4 billion increase in IIB term loans partially offset by a reduction in commercial bills.
- Deposits and other borrowings increased $57 billion (11%), with $26 billion due to foreign exchange translation, $11 billion growth in IIB term deposits, commercial paper and deposits from banks, $4 billion growth in New Zealand deposit products and $12 billion increase in Group Treasury certificates of deposits and commercial paper.

Capital management

		As of		
Qualifying Capital		**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Tier 1				
Shareholders' equity and non-controlling interests		52,051	49,284	47,038
Prudential adjustments to shareholders' equity	Table 1	(519)	(1,211)	(1,071)
Gross Common Equity Tier 1 capital		51,532	48,073	45,967
Deductions	Table 2	(17,796)	(16,297)	(15,947)
Common Equity Tier 1 capital		33,736	31,776	30,020
Additional Tier 1 capital instruments	Table 3	7,352	6,825	7,279
Tier 1 capital		41,088	38,601	37,299
Tier 2 capital	Table 4	7,716	7,138	6,335
Total qualifying capital		48,804	45,739	43,634
Capital adequacy ratios				
Common Equity Tier 1		8.7%	8.8%	8.3%
Tier 1		10.6%	10.7%	10.3%
Tier 2		2.0%	2.0%	1.8%
Total		12.6%	12.7%	12.1%
Risk weighted assets	Table 5	386,863	361,529	360,740

APRA implementation of Basel 3 capital reforms

Effective January 1, 2013, APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios may not be directly comparable with international peers.

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

Deductions

- Investment in insurance and banking associates – APRA requires full deduction against CET1. On an internationally comparable basis, these investments are subject to a concessional threshold before a deduction is required.
- Deferred tax assets – A full deduction is required from CET1 for deferred tax assets (DTA) relating to temporary differences. On an Internationally Comparable basis, this is first subject to a concessional threshold before the deduction is required.
- Capitalized expenses net of deferred fee income – Adjustments to CET1 for capitalized expenses and deferred fee income are not required under an internationally comparable basis.

Risk Weighted Assets

- IRRBB RWA – APRA requires inclusion of Interest Rate Risk in the Banking Book (IRRBB) within the RWA base for the CET1 ratio calculation. This is not required under an internationally comparable basis.
- Mortgages RWA – APRA imposes a floor of 20% on the downturn Loss Given Default (LGD) used in credit RWA calculations for residential mortgages. The internationally comparable Basel 3 framework only requires downturn LGD floor of 10%.
- Specialized Lending – APRA requires the supervisory slotting approach be used in determining credit RWA for specialized lending exposures. The internationally comparable basis allows for the advanced internal ratings based approach to be used when calculating RWA for these exposures.
- Unsecured Corporate Lending LGD – Adjustment to align ANZ's unsecured corporate lending LGD to 45% to be consistent with banks in other jurisdictions. The 45% LGD rate is also used in the Foundation Internal Ratings-based approach (FIRB).
- Undrawn Corporate Lending Exposure at Default (EAD) – To adjust ANZ's credit conversion factors (CCF) for undrawn corporate loan commitments to 75% (used in FIRB approach) to align with banks in other jurisdictions.

Comparison of March 2015 Half with March 2014 Half

ANZ's CET1 ratio decreased 7 bps to 8.7% in the March 2015 half. Key drivers for the CET1 ratio movement during the half were:

- Capital generation from statutory profit which more than offset capital usage from RWA growth and other business capital deductions. Net organic capital generation is 58 bps or $2.1 billion;
- Offset by payment of the September 2014 Final Dividend (net of shares issued under the dividend reinvestment plan) which reduced CET1 ratio by 64 bps;
- Other impacts of -1 bp mainly due to net impacts of net deferred tax asset balance movements, RWA measurement changes and other miscellaneous capital impacts.

Comparison of March 2015 Half with September 2014 Half

ANZ's CET1 ratio increased 47 bps to 8.8% in the September 2014 half. Key drivers for the CET1 ratio movement during the half were:

- Capital generation from statutory profit which more than offset capital usage from RWA growth and other business capital deductions. Net organic capital generation is 86 bps or $3.1 billion;
- Offset by payment of the March 2014 Interim Dividend (net of shares issued under the dividend reinvestment plan) which reduced CET1 ratio by 52 bps;
- Other impacts of 13 bps mainly due to net impacts of RWA measurement changes, net deferred tax asset balance movements, net foreign exchange movements and other miscellaneous capital impacts.

	As of		
	Mar 15 $M	Sep 14 $M	Mar 14 $M
Table 1: Prudential adjustments to shareholders' equity			
Treasury shares attributable to ANZ Wealth policyholders	**287**	249	275
Reclassification of preference share capital	**-**	(871)	(871)
Accumulated retained profits and reserves of insurance and funds management entities	**(951)**	(794)	(727)
Deferred fee revenue including fees deferred as part of loan yields	**397**	392	391
Available-for-sale reserve attributable to deconsolidated subsidiaries	**(150)**	(105)	(81)
Other	**(102)**	(82)	(58)
Total	**(519)**	(1,211)	(1,071)
Table 2: Deductions from Common Equity Tier 1 capital			
Unamortized goodwill & other intangibles (excluding ANZ Wealth Australia and New Zealand)	**(4,369)**	(3,995)	(4,126)
Intangible component of investments in ANZ Wealth Australia and New Zealand	**(2,117)**	(2,096)	(2,107)
Capitalized software	**(2,631)**	(2,401)	(2,252)
Capitalized expenses including loan and lease origination fees	**(1,197)**	(1,099)	(1,058)
Applicable deferred net tax assets	**(610)**	(809)	(934)
Expected losses in excess of eligible provisions	**(374)**	(240)	(145)
Investment in other insurance and funds management subsidiaries	**(401)**	(402)	(428)
Investment in ANZ Wealth Australia and New Zealand	**(990)**	(979)	(984)
Investment in banking associates	**(4,499)**	(3,811)	(3,565)
Other deductions	**(608)**	(465)	(348)
Total	**(17,796)**	(16,297)	(15,947)
Table 3: Additional Tier 1 capital			
Convertible Preference Shares			
ANZ CPS1	**-**	-	454
ANZ CPS2	**1,969**	1,967	1,965
ANZ CPS3	**1,335**	1,333	1,331
ANZ Capital Notes	**1,110**	1,109	1,107
ANZ Capital Notes 2	**1,597**	1,595	1,593
ANZ Capital Notes 3	**958**	-	-
ANZ Bank NZ Capital Notes	**484**	-	-
Preference Shares	**-**	871	871
Regulatory adjustments and deductions	**(101)**	(50)	(42)
Total	**7,352**	6,825	7,279
Table 4: Tier 2 capital			
General reserve for impairment of financial assets	**249**	228	212
Perpetual subordinated notes	**1,211**	1,087	1,108
Subordinated debt	**7,799**	6,516	5,668
Regulatory adjustments and deductions	**(336)**	(399)	(354)
Transitional adjustments	**(1,207)**	(294)	(299)
Total	**7,716**	7,138	6,335

Table 5: Risk weighted assets	As of Mar 15 $M	Sep 14 $M	Mar 14 $M
On balance sheet	**241,807**	221,147	217,606
Commitments	**56,683**	53,140	53,777
Contingents	**16,212**	14,658	12,903
Derivatives	**24,995**	19,940	21,042
Total credit risk	**339,697**	308,885	305,328
Market risk - Traded	**6,042**	7,048	7,104
Market risk - IRRBB	**7,690**	13,627	16,359
Operational risk	**33,434**	31,969	31,949
Total risk weighted assets	**386,863**	361,529	360,740

Table 6: Credit risk weighted assets by Basel asset class	As of Mar 15 $M	Sep 14 $M	Mar 14 $M
Subject to Advanced IRB approach			
Corporate	**140,451**	129,087	123,743
Sovereign	**5,385**	4,923	4,545
Bank	**22,078**	20,329	20,269
Residential mortgage	**53,501**	50,068	50,426
Qualifying revolving retail (credit cards)	**7,775**	7,546	7,260
Other retail	**31,664**	26,858	26,416
Credit risk weighted assets subject to Advanced IRB approach	**260,854**	238,811	232,659
Credit risk specialized lending exposures subject to slotting criteria	**31,442**	29,505	28,522
Subject to Standardized approach			
Corporate	**27,033**	23,121	26,255
Residential mortgage	**2,603**	2,344	1,966
Qualifying revolving retail (credit cards)	**2,080**	1,908	1,796
Other retail	**1,191**	1,081	1,073
Credit risk weighted assets subject to Standardized approach	**32,907**	28,454	31,090
Credit Valuation Adjustment and Qualifying Central Counterparties	**9,630**	7,394	8,065
Credit risk weighted assets relating to securitization exposures	**1,067**	1,030	1,253
Other assets	**3,797**	3,691	3,739
Total credit risk weighted assets	**339,697**	308,885	305,328

	Collective & Individual Provision			Regulatory Expected Loss		
	As of			As of		
Table 7: Total provision for credit impairment and regulatory expected loss by division	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 $M	Sep 14 $M	Mar 14 $M
Australia	**1,796**	1,777	1,889	**2,563**	2,446	2,481
International and Institutional Banking	**1,681**	1,618	1,770	**1,456**	1,329	1,570
New Zealand	**536**	520	594	**779**	718	784
Global Wealth	**12**	15	17	**12**	13	14
Other	**3**	3	43	**-**	-	-
Collective provision and regulatory expected loss	**4,028**	3,933	4,313	**4,810**	4,506	4,849

Table 8: Expected loss in excess of eligible provisions	As of Mar 15 $M	Sep 14 $M	Mar 14 $M
Basel expected loss: non-defaulted	**2,735**	2,486	2,476
Less: Qualifying collective provision			
Collective provision	**(2,914)**	(2,757)	(2,843)
Non-qualifying collective provision	**304**	283	300
Standardized collective provision	**249**	228	212
Non-defaulted excess included in deduction	**374**	240	145
Basel expected loss: defaulted	**2,075**	2,020	2,373
Less: Qualifying individual provision			
Individual provision	**(1,114)**	(1,176)	(1,470)
Additional individual provision for partial write offs[1]	**(859)**	(777)	(797)
Standardized individual provision	**103**	150	153
Collective provision on advanced defaulted	**(271)**	(256)	(275)
	(66)	(39)	(16)
Shortfall in expected loss not included in deduction	**66**	39	16
Defaulted excess included in deduction	**-**	-	-
Gross deduction	**374**	240	145

1. *Included in eligible provisions post September 2013 due to a change in RWA calculation methodology.*

Table 9: APRA Basel 3 Common Equity Tier 1

	Half Year Mar 15 vs Sep 14		Half Year Sep 14 vs Mar 14	
APRA Basel 3 Common Equity Tier 1				
Statutory profit after preference share dividends	+97 bps	($3.5B)	+108 bps	($3.7B)
Risk weighted assets				
Portfolio growth and mix	-39 bps		-13 bps	
Risk migration and expected losses in excess of eligible provisions	+2 bps		+0 bp	
Non-credit risk	+15 bps		+2 bps	
Capital retention in insurance businesses and associates	-12 bps		-6 bps	
Capitalized software and intangibles	-5 bps		-5 bps	
Organic capital generation	**+58 bps**		**+86 bps**	
Ordinary share dividends (net of dividend reinvestment plan)	-64 bps		-52 bps	
Other	-1 bps		+13 bps	
Total Common Equity Tier 1 movement	**-7 bps**		**+47 bps**	

Liquidity risk

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

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

- **Scenario modeling of funding sources**

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

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

  A key component of this framework is the Liquidity Coverage Ratio (LCR) which was implemented in Australia on January 1, 2015. The LCR is a severe short term liquidity stress scenario, introduced as part of the Basel 3 international framework for liquidity risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF has been established as a solution to a High Quality Liquid Asset (HQLA) shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

	As of		
Liquidity Coverage Ratio[1]	**Mar 15 $B**	**Sep 14 $B**	**Mar 14 $B**[2]
Cash outflows[3,4]	174.8	157.1	156.3
Cash inflows[3]	29.4	22.4	25.8
Net cash outflows	145.4	134.7	130.5
Total High Quality Liquid Assets[4,5]	173.0	149.6	120.4
Liquidity Coverage Ratio (%)	119%	111%	92%

1. *All currency Group LCR.*
2. *March 2014 LCR reported on a best endeavors basis.*
3. *Derivative cash flows are included on a net basis.*
4. *RBA open-repo arrangement netted down by exchange settlement account cash balance.*
5. *Market value post discount as defined in APRA Prudential Standard APS 210 Liquidity.*

- **Liquid assets**

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

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

The Group monitors and manages the composition of liquid assets to ensure diversification by asset class, counterparty, currency and tenor. Minimum levels of liquid assets held are set annually based on a range of ANZ specific and general market liquidity stress scenarios such that potential cash flow obligations can be met over the short to medium term, and holdings are appropriate to existing and future business activities, regulatory requirements and in line with the approved risk appetite.

Market Values Post Discount[1]	As of		
	Mar 15 $B	**Sep 14 $B**	**Mar 14 $B**
HQLA1[2]	**103.8**	81.0	70.9
HQLA2	**3.0**	2.7	-
Internal Residential Mortgage Backed Securities (Australia)	**43.5**	43.5	29.6
Internal Residential Mortgage Backed Securities (New Zealand)	**5.6**	5.1	5.1
Other ALA[3]	**17.1**	17.3	14.8
Total Liquid Assets	**173.0**	149.6	120.4

1. *Discount as defined in APRA Prudential Standard APS 210 Liquidity.*
2. *RBA open-repo arrangement netted down by exchange settlement account cash balance.*
3. *Comprised of assets qualifying as collateral for the Committed Liquidity Facility (CLF), excluding Internal RMBS, up to approved facility limit; and any liquid assets contained in the RBNZ's Liquidity Policy - Annex: Liquidity Assets - Prudential Supervision Department Document BS13A12.*

Funding

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

$10.9 billion of term wholesale debt (with a remaining term greater than one year as at March 31, 2015) was issued during the March 2015 half. Furthermore, $1.5 billion of Additional Tier 1 Capital was also issued during the March 2015 Half. The weighted average tenor of new term debt was 4.6 years (2014: 4.9 years).

The following tables show the Group's total funding composition:

	As of		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Customer deposits and other liabilities[1]			
Australia	**162,587**	160,683	156,080
International and Institutional Banking	**201,124**	183,126	172,252
New Zealand	**60,293**	51,360	51,749
Global Wealth	**17,357**	13,844	12,699
GTSO and Group Centre	**(5,214)**	(5,294)	(4,758)
Customer deposits	**436,147**	403,719	388,022
Other funding liabilities[2]	**12,315**	14,502	10,895
Total customer liabilities (funding)	**448,462**	418,221	398,917
Wholesale funding[3]			
Debt issuances[4]	**84,859**	79,291	72,747
Subordinated debt	**16,463**	13,607	13,226
Certificates of deposit	**59,646**	52,754	57,707
Commercial paper	**22,729**	15,152	16,041
Other wholesale borrowings[5,6]	**53,625**	42,460	43,871
Total wholesale funding	**237,322**	203,264	203,592
Shareholders' Equity (excl. preference shares)	**52,051**	48,413	46,167
Total Funding	**737,835**	669,898	648,676

	As of		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Funded Assets			
Other short term assets & trade finance assets[7]	**87,755**	74,925	79,118
Liquids[6]	**123,835**	100,951	85,655
Short term funded assets	**211,590**	175,876	164,773
Lending & fixed assets[8]	**526,245**	494,022	483,903
Total Funded Assets	**737,835**	669,898	648,676
Funding Liabilities[3,4,6]			
Other short term liabilities	**30,858**	22,676	25,023
Short term funding	**60,394**	46,466	55,294
Term funding < 12 months	**31,860**	23,888	18,637
Other customer deposits[1,9]	**101,223**	89,825	84,940
Total short term funding liabilities	**224,335**	182,855	183,894
Stable customer deposits[1,10]	**370,331**	347,237	331,488
Term funding > 12 months	**83,665**	84,519	79,805
Shareholders' equity and hybrid debt	**59,504**	55,287	53,489
Total Stable Funding	**513,500**	487,043	464,782
Total Funding	**737,835**	669,898	648,676

1. *Includes term deposits, other deposits and an adjustment recognized in Group Centre to eliminate Global Wealth investments in ANZ deposit products.*
2. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in Global Wealth.*
3. *Excludes liability for acceptances as they do not provide net funding.*
4. *Excludes term debt issued externally by Global Wealth.*
5. *Includes borrowings from banks, net derivative balances, special purpose vehicles, other borrowings and Euro Trust securities (preference shares). The Euro Trust Securities were bought back by ANZ for cash at face value and cancelled on December 15, 2014.*
6. *RBA open-repo arrangement netted down by the exchange settlement account cash balance.*
7. *Includes short-dated assets such as trading securities, available-for-sale securities, trade dated assets and trade finance loans.*
8. *Excludes trade finance loans.*
9. *Total customer liabilities (funding) plus Central Bank deposits less Stable customer deposits.*
10. *Stable customer deposits represent operational type deposits or those sourced from retail / business / corporate customers and the stable component of Other funding liabilities.*

Term debt maturity profile

The values disclosed below are quoted at historical hedged rates.

	Half year ended March 31					
Year of maturity	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	>2019 $M
Senior term debt	8,052	22,888	15,836	11,896	8,515	9,538
Covered bonds	53	5,958	2,220	2,726	1,034	8,388
Subordinated and perpetual debt	-	-	2,726	1,456	2,033	2,269
Total	**8,105**	**28,846**	**20,782**	**16,078**	**11,582**	**20,195**

	As of March 31, 2015		
Credit Ratings of ANZBGL	**Short-Term**	**Long-Term**	**Outlook**
Moody's Investor Services	P-1	Aa2	Stable
Standard & Poor's	A-1+	AA-	Stable
Fitch Ratings	F1+	AA-	Stable

Supplementary financial information

Loan quality

ANZ's policy relating to the recognition and measurement of impaired assets conforms with APRA's guidelines.

Loans are classified as either performing or impaired. Impaired assets are on and off-balance sheet facilities where there is doubt as to whether the full contractual amount (including interest) will be received.

Impaired assets and loans

	As of		
	Mar 15 $M	Sep 14 $M	Mar 14 $M
Gross impaired assets			
Impaired loans	2,466	2,682	3,314
Restructured items	146	67	60
Non-performing commitments and contingencies	96	140	246
Gross impaired assets	**2,708**	**2,889**	**3,620**
Individual provisions			
Impaired loans	(1,081)	(1,130)	(1,396)
Non-performing commitments and contingencies	(33)	(46)	(74)
Net impaired assets	**1,594**	**1,713**	**2,150**
Gross impaired assets by division			
Australia	**1,245**	1,253	1,463
International and Institutional Banking	**1,021**	1,093	1,471
New Zealand	**434**	532	668
Global Wealth	**8**	11	18
Gross impaired assets	**2,708**	2,889	3,620
Gross impaired assets by size of exposure			
Less than $10 million	**1,903**	1,896	2,204
$10 million to $100 million	**607**	683	897
Greater than $100 million	**198**	310	519
Gross impaired assets	**2,708**	**2,889**	**3,620**

	As of		
Gross impaired assets	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Impaired loans			
Australia	1,220	1,238	1,452
International and Institutional Banking	824	931	1,197
New Zealand	414	502	647
Global Wealth	8	11	18
Total gross impaired loans	**2,466**	**2,682**	**3,314**
Restructured items			
Australia	17	-	-
International and Institutional Banking	113	53	46
New Zealand	16	14	14
Total restructured items	**146**	**67**	**60**
Non-performing commitments and contingencies			
Australia	8	15	11
International and Institutional Banking	84	109	228
New Zealand	4	16	7
Total non-performing commitments and contingencies[1]	**96**	**140**	**246**

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

Comparison of March 2015 Half with March 2014 Half

Gross impaired assets reduced by $912 million (25%) over the March 2015 half driven by improved portfolio credit quality across all divisions resulting in lower levels of new impairments. The Group has an individual provision coverage ratio on impaired assets of 41.1% as of March 31, 2015, up from 40.6% as of March 31, 2014.

Comparison of March 2015 Half with September 2014 Half

Gross impaired assets decreased by $181 million (6%) over the March 2015 half driven by reductions across all divisions, but most notably New Zealand. The Group has an individual provision coverage ratio on impaired assets of 41.1% as of March 31, 2015, up from 40.7% as of September 30, 2014.

	As of		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
New impaired assets			
Impaired loans	1,141	1,303	1,431
Restructured items	26	7	10
Non-performing commitments and contingencies	30	17	100
Total new impaired assets	**1,197**	**1,327**	**1,541**
New impaired assets by division			
Australia	778	830	758
International and Institutional Banking	236	183	516
New Zealand	165	308	263
Global Wealth	18	6	4
Total new impaired assets	**1,197**	**1,327**	**1,541**

Comparison of March 2015 Half with March 2014 Half

New impaired assets decreased $344 million (22%) primarily due to the non-recurrence of a few large customer downgrades in IIB in the March 2014 half, along with ongoing portfolio credit quality improvement in New Zealand.

Comparison of March 2015 Half with September 2014 Half

New impaired assets decreased $130 million (10%) primarily due to decreases in the Australia and New Zealand as portfolio credit quality improved. This was partially offset by increase in IIB due to the downgrade of a few large customers.

Other potential problem loans

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

Accruing loans – past due 90 days or more

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

	As of		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Australia	1,922	1,728	1,756
International and Institutional Banking	96	96	78
New Zealand	227	154	222
Global Wealth	3	4	5
Total past due loans	2,248	1,982	2,061

Comparison of March 2015 Half with March 2014 Half

The 90 days past due but not impaired increased by $187 million (9%), primarily within Australia Home Loans. This was driven by changes in impairment criteria for past due loans attributable to hardship.

Comparison of March 2015 Half with September 2014 Half

The 90 days past due but not impaired increased by $266 million (13%), primarily within Australia Home Loans and New Zealand division. The increase in Australia Home Loans was driven by changes in impairment criteria for past due loans attributable to hardship. The increase in New Zealand division is attributable to seasonal factors.

Provision for credit impairment

The provision for credit impairment represents management's best estimate of the losses incurred in the loan portfolio at balance date.

For further discussion on credit impairment charges, refer to "Section 3: Operating and Financial Review and Prospects – Credit Impairment Charge" of this U.S. Disclosure Document.

	As of		
Individual provision for credit impairment	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Australia	587	630	746
International and Institutional Banking	350	352	426
New Zealand	175	190	218
Global Wealth	2	5	6
GTSO and Group Center	-	(1)	74
Total individual provision for credit impairment	1,114	1,176	1,470

	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Collective provision			
Balance at start of period	2,757	2,843	2,887
Charge/(release) to income statement	55	(81)	(74)
Adjustment for exchange rate fluctuations	102	(5)	30
Total collective provision[1]	2,914	2,757	2,843
Individual provision			
Balance at start of period	1,176	1,470	1,467
New and increased provisions	806	846	966
Write-backs	(260)	(190)	(257)
Adjustment for exchange rate fluctuations	33	(4)	12
Discount unwind	(32)	(35)	(30)
Bad debts written-off	(609)	(911)	(688)
Total individual provision	1,114	1,176	1,470
Total provision for credit impairment	4,028	3,933	4,313

1. *The collective provision includes amounts for off-balance sheet credit exposures $646 million at March 31, 2015 (Sep 2014: $613 million, Mar 2014: $597 million). The impact on the income statement for the half year ended March 31, 2015 was a $7 million charge (Sep 2014 half: $9 million charge, Mar 2014 half: $8 million release).*

	Half Year		
Provision movement analysis	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
New and increased impairments			
Australia	530	557	557
International and Institutional Banking	202	151	295
New Zealand	90	138	112
Global Wealth	-	1	3
GTSO and Group Center	(16)	(1)	(1)
	806	846	966
Write-backs	(260)	(190)	(257)
	546	656	709
Recoveries of amounts previously written-off	(107)	(116)	(108)
Individual credit impairment charge on loans and advances	439	540	601
Collective credit impairment charge/(release) to income statement	55	(81)	(74)
Credit impairment charge to income statement	494	459	527

Concentrations of credit risk/loans and advances by industry category

Although ANZ's loan portfolio is spread across many countries, as of March 31, 2015, 65% of gross loans and advances were recorded in Australia (Sep 2014: 67%, Mar 2014: 66%), and 19% were recorded in New Zealand (Sep 2014: 18%, Mar 2014: 19%). The inherent risk characteristics of ANZ's loan portfolio are therefore very much linked to general economic conditions in Australia and New Zealand, where the portfolio is diversified across different regions, industries, customer types, and products.

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

Also refer to Note 31 of the 2014 Financial Statements included in ANZ's 2014 Annual Report (extracts attached as Annex A to the 2014 Annual U.S. Disclosure Document dated November 10, 2014).

Derivative financial instruments

Derivatives

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

The following table provides an overview of the Group's foreign exchange, interest rate, commodity and credit derivatives. They include all trading and balance sheet risk management contracts. Notional principal amounts measure the amount of the underlying physical or financial commodity and represent the volume of outstanding transactions. They are not a measure of the risk associated with a derivative. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market rates relative to the terms of the derivative. Notional amounts of the contracts are presented gross and are not recorded on the balance sheet.

	As of March 31, 2015			As of September 30, 2014		
	Notional Principal amount $M	Total fair value: Assets $M	Total fair value: Liabilities $M	Notional Principal amount $M	Total fair value: Assets $M	Total fair value: Liabilities $M
Foreign exchange contracts						
Spot and forward contracts	**1,074,571**	**11,972**	**(10,515)**	746,023	10,264	(9,328)
Swap agreements	**629,811**	**15,369**	**(19,220)**	640,600	19,257	(19,043)
Options purchased	**83,983**	**2,539**	**-**	105,985	2,079	-
Options sold	**104,981**	**-**	**(2,333)**	139,062	-	(1,923)
	1,893,346	**29,880**	**(32,068)**	1,631,670	31,600	(30,294)
Commodity contracts						
Derivative contracts	**43,747**	**2,232**	**(1,668)**	33,886	1,612	(946)
Interest rate contracts						
Forward rate agreements	**165,216**	**10**	**(21)**	65,754	4	(11)
Swap agreements	**3,595,286**	**39,878**	**(37,062)**	2,837,264	22,341	(20,436)
Futures contracts	**150,374**	**49**	**(255)**	128,208	33	(93)
Options purchased	**72,937**	**1,140**	**-**	56,573	505	-
Options sold	**68,070**	**-**	**(1,722)**	47,827	-	(823)
	4,051,883	**41,077**	**(39,060)**	3,135,626	22,883	(21,363)
Credit default swaps						
Structured credit derivatives purchased	**753**	**59**	**-**	1,171	58	-
Other credit derivatives purchased[1]	**19,947**	**277**	**(323)**	17,060	162	(224)
Total credit derivatives purchased	**20,700**	**336**	**(323)**	18,231	220	(224)
Structured credit derivatives sold	**753**	**-**	**(77)**	1,171	-	(80)
Other credit derivatives sold[1]	**19,305**	**55**	**(14)**	17,359	54	(18)
Total credit derivatives sold	**20,058**	**55**	**(91)**	18,530	54	(98)
Total credit default swaps	**40,758**	**391**	**(414)**	36,761	274	(322)
Total	**6,029,734**	**73,580**	**(73,210)**	4,837,943	56,369	(52,925)

1. *The notional amounts comprise vanilla credit default swap transactions including credit indices such as iTraxx (Europe and Australia) and CDX. These credit default swap trades are transacted in conjunction with other financial instruments by reference to the traded market risk limit framework which includes VaR, name and rating specific concentration limits, sensitivity limits and stress testing limits.*

	As of March 31, 2015			As of March 31, 2014		
	Notional Principal amount $M	Total fair value		Notional Principal amount $M	Total fair value	
		Assets $M	Liabilities $M		Assets $M	Liabilities $M
Foreign exchange contracts						
Spot and forward contracts	**1,074,571**	**11,972**	**(10,515)**	542,709	7,001	(7,408)
Swap agreements	**629,811**	**15,369**	**(19,220)**	393,063	11,159	(14,100)
Options purchased	**83,983**	**2,539**	**-**	92,030	2,017	-
Options sold	**104,981**	**-**	**(2,333)**	129,306	-	(1,812)
	1,893,346	**29,880**	**(32,068)**	1,157,108	20,177	(23,320)
Commodity contracts						
Derivative contracts	**43,747**	**2,232**	**(1,668)**	28,670	1,277	(1,194)
Interest rate contracts						
Forward rate agreements	**165,216**	**10**	**(21)**	75,950	2	(4)
Swap agreements	**3,595,286**	**39,878**	**(37,062)**	2,249,000	20,303	(19,032)
Futures contracts	**150,374**	**49**	**(255)**	151,466	330	(333)
Options purchased	**72,937**	**1,140**	**-**	43,803	1,373	-
Options sold	**68,070**	**-**	**(1,722)**	48,735	-	(1,590)
	4,051,883	**41,077**	**(39,060)**	2,568,954	22,008	(20,959)
Credit default swaps						
Structured credit derivatives purchased	**753**	**59**	**-**	4,777	103	-
Other credit derivatives purchased[1]	**19,947**	**277**	**(323)**	15,452	189	(227)
Total credit derivatives purchased	**20,700**	**336**	**(323)**	20,229	292	(227)
Structured credit derivatives sold	**753**	**-**	**(77)**	4,777	-	(127)
Other credit derivatives sold[1]	**19,305**	**55**	**(14)**	14,081	75	(49)
Total credit derivatives sold	**20,058**	**55**	**(91)**	18,858	75	(176)
Total credit default swaps	**40,758**	**391**	**(414)**	39,087	367	(403)
Total	**6,029,734**	**73,580**	**(73,210)**	3,793,819	43,829	(45,876)

1. *The notional amounts comprise vanilla credit default swap transactions including credit indices such as iTraxx (Europe and Australia) and CDX. These credit default swap trades are transacted in conjunction with other financial instruments by reference to the traded market risk limit framework which includes VaR, name and rating specific concentration limits, sensitivity limits and stress testing limits.*

Refer to "Section 4: Directors, Senior Management/Executives and Employees" on pages 60 to 81 of ANZ's 2014 Annual U.S. Disclosure Document dated November 10, 2014 for a comprehensive discussion of the Group's Directors, Senior Management and Executives, and Corporate Governance.

During the period since the 2014 Annual U.S. Disclosure Document to the date of this U.S. Disclosure Document, there were no material changes to these matters with the exception of the following:

Changes to Senior Management and Executives

On April 3, 2015, Mr. Mark Whelan succeeded Mr. Philip Chronican as Chief Executive Officer, Australia, following Mr. Chronican's decision to pursue a non-executive career. Mr. Whelan reports to Chief Executive Officer Mr. Mike Smith.

Mr. Whelan has been a member of the ANZ Management Board since October 2014. Mr. Whelan previously held the following roles with ANZ: Managing Director Global Commercial Banking, Managing Director Commercial Banking Australia and Managing Director Asia, Europe and America Institutional, Commercial and Private Bank.

Major Shareholders

We are not directly or indirectly controlled by another corporation, any government or any other natural or legal person(s), separately or jointly. As of the date of this U.S. Disclosure Document, we know of no person who is the beneficial owner of 5% or more of our ordinary shares. Refer to the Remuneration Report and Shareholder Information sections of our 2014 Annual Report (extracts attached as Annex A to the 2014 Annual U.S. Disclosure Document dated November 10, 2014) for further information (as at the relevant dates referred to therein) regarding major shareholders (including share and option holdings by key management personnel (including directors)).

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

Description of Ordinary Shares and Constituent Documents

Constitution

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

Dividend rights

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

The Company must not pay a dividend unless:

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

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

Voting rights

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

Right to share in surplus assets

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

Rights to redemption

Ordinary shareholders have no right to redeem their shares.

Further calls

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

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

Preference shares

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

Changes to the rights of shareholders

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

An ADI statutory manager appointed by APRA has power under the Banking Act 1959 to, among other things, cancel shares or rights to acquire shares in the Company or vary or cancel rights attached to shares, notwithstanding the Constitution, the Corporations Act, the terms of any contract to which the Company is party or the listing rules of any financial market in whose list the Company is included.

Share rights – American Depositary Shares ("ADSs")

Each ADS confers an interest in 5 fully paid ordinary shares in the Company which have been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American depositary receipts, which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Convening of and admission to general meetings

The Board may call a meeting of the Company's shareholders. The directors must call and arrange to hold a general meeting of the Company if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting or at least 100 shareholders entitled to vote at the general meeting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of the Company at their own expense.

At least 28 days' notice must be given of a meeting of the Company's shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders are entitled to attend to vote at general meetings of the Company. Voting rights attaching to other classes of shares in the Company may differ.

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

Transfer

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

Limitations on ownership and changes in control

The Constitution contains certain limitations on the rights to own securities in the Company. However, there are detailed Australian laws and regulations which govern the acquisition of interests in the Company, and a summary of those is set out in Item 7 above in "Major Shareholders" and below in "Related Party Transactions".

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

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

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

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

Constitution provisions governing disclosure of shareholdings

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

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

Changes in capital

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

Change in Control

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

Related Party Transactions

All related party loans were made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with others, and did not involve more than the normal risk of collectability or present other unfavorable features. For further information on related party transactions, refer to Note 20 of the Consolidated Condensed Financial Statements and Note 46 of the 2014 Financial Statements included in ANZ's 2014 Annual Report (extracts attached as Annex A to the 2014 Annual U.S. Disclosure Document dated November 10, 2014).

CHESS

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

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary on +61-3-8654-8576 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Legal proceedings

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 necessary have been made. In some instances ANZ has 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. For more information, refer to Note 19 of the Condensed Consolidated Financial Statements and Note 43 of the 2014 Financial Statements included in ANZ's 2014 Annual Report (extracts attached as Annex A to the 2014 Annual U.S. Disclosure Document dated November 10, 2014).

Significant events since the end of the financial period

On April 8, 2015, the Full Federal Court delivered judgment in respect of appeals by both parties in the class action litigation brought by IMF Bentham Limited in March 2013. The Full Federal Court found in ANZ's favor in respect of all fees subject to appeal (in relation to both the penalty and statutory claims). On May 6, 2015, IMF Bentham Limited filed an application seeking special leave from the High Court of Australia to appeal the parts of the Full Federal Court decision concerning late payment fees. Refer to Note 19 of the Condensed Consolidated Financial Statements for further details.

On May 4, 2015, the Group announced its intention to sell the Esanda Dealer Finance business (representing approximately $8.3 billion in lending assets).

Other than the matters above, there have been no other significant events for ANZ from March 31, 2015 to the date of this U.S. Disclosure Document.

Dividend distribution policy

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

ANZ has a dividend reinvestment plan ("DRP") and a bonus option plan ("BOP"). For the 2015 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. The 'Acquisition Price' to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on May 15, 2015 (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. Eligibility criteria applies to the participation in the DRP and BOP, please refer to the DRP terms and conditions upon availability.

Exchange controls

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

1. The Autonomous Sanctions Regulations 2011 (Cth) prohibit dealing with certain "designated persons or entities" by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit. "Designated persons or entities" include:
   - (a) persons who have been indicted for an offense by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia, as well as certain supporters of the former Milosevic regime;
   - (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
   - (c) certain persons or entities associated with the weapons of mass-destruction or missiles program of the Democratic People's Republic of Korea (North Korea);
   - (d) certain persons associated with the Myanmar regime;
   - (e) certain persons or entities who have contributed or are contributing to Iran's nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
   - (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya;
   - (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; and
   - (h) persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.
2. Under Part 4 of the Charter of the United Nations Act 1945 (Cth) and pursuant to the Charter of the United Nations ("Dealings with Assets") Regulations 2008 (Cth), sanctions against using or dealing with financial or other assets of persons or entities listed by the Minister for Foreign Affairs in the Commonwealth of Australia Gazette from time to time. Such persons or entities include those in:
   - (a) Liberia (see the Charter of the United Nations (Sanctions – Liberia) Regulations 2008 (Cth));
   - (b) Côte d'Ivoire (see the Charter of the United Nations (Sanctions – Côte d'Ivoire) Regulations 2008 (Cth));
   - (c) Democratic Republic of the Congo (see the Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008 (Cth));

(d) Democratic People's Republic of Korea (North Korea) (see the Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008 (Cth));

(e) Sudan (see the Charter of the United Nations (Sanctions – Sudan) Regulations 2008 (Cth));

(f) Iran (see the Charter of the United Nations (Sanctions – Iran) Regulations 2008 (Cth));

(g) Iraq (see the Charter of the United Nations (Sanctions – Iraq) Regulations 2008 (Cth));

(h) Al-Qaida and the Taliban (see the Charter of the United Nations (Sanctions – Al-Qaida) Regulations 2008 (Cth) and the Charter of the United Nations (Sanctions – the Taliban) Regulation 2013 (Cth));

(i) Somalia (see the Charter of the United Nations (Sanctions – Somalia) Regulations 2008 (Cth));

(j) Lebanon (see the Charter of the United Nations (Sanctions – Lebanon) Regulations 2008 (Cth));

(k) Eritrea (see the Charter of the United Nations (Sanctions – Eritrea) Regulations 2010 (Cth)); and

(l) Libya (see the Charter of the United Nations (Sanctions – Libya) Regulations 2011 (Cth)).

3. Under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)(or, where applicable, the Financial Transaction Reports Act 1988 (Cth)), transfer of physical currency or e-currency of A$10,000 (or the foreign equivalent) and above must be reported by certain persons (including ANZ) to AUSTRAC.

Limitations affecting security holders

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

- Foreign Acquisitions and Takeovers Act 1975 (Cth)

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

  - a foreign person or foreign-controlled corporation alone or together with any associates being in a position to control 15% or more of the voting power or potential voting power or hold any legal or equitable interest in 15% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business; or
  - two or more foreign persons or foreign-controlled corporations, together with any associates of any of those foreign persons or foreign-controlled corporations being in a position to control 40% or more of the voting power or potential voting power or hold any legal or equitable interest in 40% or more of the issues shares or rights to issued shares in a corporation carrying on an Australian business.

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

- Financial Sector (Shareholdings) Act 1998 (Cth)

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

- Corporations Act and ASX Listing Rules

  Shareholding restrictions

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

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

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

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

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

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

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

Divestment of shares in relation to control transactions

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

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

Restrictions on voting under the Corporations Act and ASX Listing Rules

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

- Competition and Consumer Act 2010 (Cth)

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

Withholding taxes

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

Constitution

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

Material contracts

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

AASs - Australian Accounting Standards.

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

ADIs - Authorized Deposit-taking Institutions.

APRA - Australian Prudential Regulation Authority.

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

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

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

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

GLA – Gross Loans and Advances. This is made up of loans and advances, acceptances and capitalized brokerage/mortgage origination fees less unearned income.

IFRS – International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

Annex: Condensed Consolidated Financial Statements for the half year ended March 31, 2015

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Half year ended
March 31, 2015

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The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2015.

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 MRP Smith, OBE	Director and Chief Executive Officer
Ms IR Atlas	Director
Ms PJ Dwyer	Director
Mr Lee Hsien Yang	Director
Mr GR Liebelt	Director
Mr IJ Macfarlane, AC	Director
Mr JT Macfarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $3,506 million. Further details are contained in the CFO's Overview on pages 19 to 45 which forms part of this report, and in the Condensed Consolidated Financial Statements.

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the CFO's Overview on pages 19 to 45 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 125 which forms part of this report.

Rounding of amounts

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

Significant events since balance date

On 8 April 2015, the Full Federal Court delivered judgment in respect of appeals by both parties in the class action litigation brought by IMF Bentham Limited in March 2013. The Full Federal Court found in ANZ's favour in respect of all fees subject to appeal (in relation to both the penalty and statutory claims). IMF Bentham Limited has indicated that it intends to seek special leave to appeal the decision to the High Court of Australia. Refer to Note 19 for further information.

On 4 May 2015, the Group announced its intention to sell the Esanda dealer finance business (representing approximately $8.3 billion in lending assets).

Other than the matters above, there have been no significant events from 31 March 2015 to the date of this report.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Michael R P Smith, OBE
Director

4 May 2015

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Interest income		**15,394**	15,094	14,430	2%	7%
Interest expense		**(8,256)**	(8,062)	(7,652)	2%	8%
Net interest income	2	**7,138**	7,032	6,778	2%	5%
Other operating income	2	**1,799**	2,291	1,898	-21%	-5%
Net funds management and insurance income	2	**979**	927	611	6%	60%
Share of associates' profit	2,18	**314**	270	247	16%	27%
Operating income		**10,230**	10,520	9,534	-3%	7%
Operating expenses	3	**(4,593)**	(4,474)	(4,286)	3%	7%
Profit before credit impairment and income tax		**5,637**	6,046	5,248	-7%	7%
Credit impairment charge	8	**(494)**	(459)	(527)	8%	-6%
Profit before income tax		**5,143**	5,587	4,721	-8%	9%
Income tax expense	4	**(1,629)**	(1,702)	(1,323)	-4%	23%
Profit for the period		**3,514**	3,885	3,398	-10%	3%
Comprising:						
Profit attributable to non-controlling interests		**8**	6	6	33%	33%
Profit attributable to shareholders of the Company		**3,506**	3,879	3,392	-10%	3%
Earnings per ordinary share (cents)						
Basic	6	**128.0**	142.3	124.8	-10%	3%
Diluted	6	**124.6**	136.5	120.6	-9%	3%
Dividend per ordinary share (cents)	5	**86**	95	83	-9%	4%

The notes appearing on pages 100 to 123 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Profit for the period	**3,514**	3,885	3,398	-10%	3%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement gain/(loss) on defined benefit plans	**(2)**	7	36	large	large
Fair value gain/(loss) attributable to changes in own credit risk of financial liabilities designated at fair value	**13**	(19)	(16)	large	large
Income tax on items that will not be reclassified subsequently to profit or loss					
Remeasurement gain/(loss) on defined benefit plans	**3**	(1)	(10)	large	large
Fair value gain/(loss) attributable to changes in own credit risk of financial liabilities designated at fair value	**(4)**	5	5	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
Exchange differences taken to equity[1]	**2,181**	(83)	570	large	large
Exchange differences transferred to income statement	**-**	48	(11)	-100%	-100%
Available-for-sale revaluation reserve					
Valuation gain/(loss) taken to equity	**117**	1	133	large	-12%
Transferred to income statement	**(50)**	(2)	(45)	large	11%
Cash flow hedge reserve					
Valuation gain/(loss) taken to equity	**237**	165	-	44%	n/a
Transferred to income statement	**(12)**	(15)	(16)	-20%	-25%
Share of associates' other comprehensive income[2]	**50**	8	(32)	large	large
Income tax on items that may be reclassified subsequently to profit or loss					
Available-for-sale assets revaluation reserve	**(17)**	3	(26)	large	-35%
Cash flow hedge reserve	**(69)**	(44)	3	57%	large
Other comprehensive income net of tax	**2,447**	73	591	large	large
Total comprehensive income for the period	**5,961**	3,958	3,989	51%	49%
Comprising total comprehensive income attributable to:					
Non-controlling interests	**18**	10	6	80%	large
Shareholders of the Company	**5,943**	3,948	3,983	51%	49%

1. *Includes foreign currency translation differences attributable to non-controlling interests of $10 million gain (Sept 14 half: $4 million gain; Mar 14: nil)*
2. *Share of associates other comprehensive income is comprised of Available-for-sale assets reserve gain of $47 million (Sep 14 half: gain of $7 million; Mar 14 half: loss of $32 million); Foreign currency translation reserve gain of $3 million (Sep 14 half: nil; Mar 14 half: nil) and Cash flow hedge reserve gain of nil (Sep 14 half: gain of $1 million; Mar 14 half: nil).*

The notes appearing on pages 100 to 123 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at			Movement	
Assets	**Note**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Cash		**46,004**	32,559	33,651	41%	37%
Settlement balances owed to ANZ		**22,570**	20,241	16,209	12%	39%
Collateral paid		**10,707**	5,459	6,219	96%	72%
Trading securities		**51,386**	49,692	46,170	3%	11%
Derivative financial instruments		**73,580**	56,369	43,829	31%	68%
Available-for-sale assets		**38,336**	30,917	27,330	24%	40%
Net loans and advances	7	**558,203**	521,752	509,250	7%	10%
Regulatory deposits		**1,804**	1,565	2,205	15%	-18%
Investment in associates		**5,315**	4,582	4,323	16%	23%
Current tax assets		**38**	38	64	0%	-41%
Deferred tax assets		**162**	417	446	-61%	-64%
Goodwill and other intangible assets		**8,384**	7,950	7,969	5%	5%
Investments backing policy liabilities		**36,495**	33,579	33,197	9%	10%
Premises and equipment		**2,203**	2,181	2,150	1%	2%
Other assets		**4,900**	4,791	4,803	2%	2%
Total assets		**860,087**	772,092	737,815	11%	17%
Liabilities						
Settlement balances owed by ANZ		**7,759**	10,114	8,133	-23%	-5%
Collateral received		**4,844**	5,599	3,880	-13%	25%
Deposits and other borrowings	10	**567,215**	510,079	498,318	11%	14%
Derivative financial instruments		**73,210**	52,925	45,876	38%	60%
Current tax liabilities		**123**	449	285	-73%	-57%
Deferred tax liabilities		**322**	120	41	large	large
Policy liabilities		**36,820**	34,554	33,402	7%	10%
External unit holder liabilities (life insurance funds)		**3,489**	3,181	3,334	10%	5%
Payables and other liabilities		**10,999**	10,984	9,615	0%	14%
Provisions		**1,128**	1,100	1,115	3%	1%
Debt issuances		**85,664**	80,096	73,552	7%	16%
Subordinated debt	11	**16,463**	13,607	13,226	21%	24%
Total liabilities		**808,036**	722,808	690,777	12%	17%
Net assets		**52,051**	49,284	47,038	6%	11%
Shareholders' equity						
Ordinary share capital		**24,152**	24,031	23,529	1%	3%
Preference share capital		**-**	871	871	-100%	-100%
Reserves		**2,188**	(239)	(334)	large	large
Retained earnings		**25,616**	24,544	22,905	4%	12%
Share capital and reserves attributable to shareholders of the Company	13	**51,956**	49,207	46,971	6%	11%
Non-controlling interests	13	**95**	77	67	23%	42%
Total shareholders' equity	13	**52,051**	49,284	47,038	6%	11%

The notes appearing on pages 100 to 123 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Note	Half Year Inflows (Outflows) Mar 15 $M	Inflows (Outflows) Sep 14 $M	Inflows (Outflows) Mar 14 $M
Cash flows from operating activities				
Interest received		**15,398**	15,018	14,309
Interest paid		**(8,313)**	(7,497)	(7,389)
Dividends received		**29**	108	19
Other operating income received		**11,405**	680	2,024
Other operating expenses paid		**(4,260)**	(3,907)	(4,216)
Income taxes paid		**(1,649)**	(1,340)	(1,867)
Net cash flows from funds management and insurance business				
Premiums, other income and life investment deposits received		**3,589**	3,997	3,552
Investment income and policy deposits received		**191**	572	48
Claims and policy liability payments		**(2,996)**	(2,936)	(2,642)
Commission expense paid		**(321)**	(241)	(230)
Cash flows from operating activities before changes in operating assets and liabilities		**13,073**	4,454	3,608
Changes in operating assets and liabilities arising from cash flow movements				
(Increase)/decrease in operating assets				
Collateral paid		**(4,505)**	875	396
Trading securities		**410**	(3,610)	(4,990)
Net loans and advances		**(16,726)**	(14,079)	(21,075)
Net cash flows from investments backing policy liabilities				
Purchase of insurance assets		**(3,581)**	(2,382)	(2,474)
Proceeds from sale/maturity of insurance assets		**3,738**	2,408	2,217
Increase/(decrease) in operating liabilities				
Deposits and other borrowings		**30,583**	9,195	27,397
Settlement balances owed by ANZ		**(2,695)**	1,982	(624)
Collateral received		**(1,364)**	1,505	(70)
Payables and other liabilities		**432**	563	347
Change in operating assets and liabilities arising from cash flow movements		**6,292**	(3,543)	1,124
Net cash provided by operating activities		**19,365**	911	4,732
Cash flows from investing activities				
Available-for-sale assets				
Purchases		**(15,203)**	(5,939)	(6,713)
Proceeds from sale or maturity		**10,321**	3,189	7,947
Controlled entities and associates				
Proceeds from sale (net of cash disposed)		**4**	242	9
Premises and equipment				
Purchases		**(119)**	(235)	(135)
Other assets		**(147)**	564	(856)
Net cash provided by/(used in) investing activities		**(5,144)**	(2,179)	252
Cash flows from financing activities				
Debt issuances				
Issue proceeds		**8,597**	6,342	10,814
Redemptions		**(9,132)**	(1,850)	(8,860)
Subordinated debt				
Issue proceeds		**2,497**	1,384	1,874
Redemptions		**-**	(1,081)	(1,505)
Dividends paid		**(2,310)**	(1,857)	(1,970)
Share capital issues		**-**	2	2
Share buyback		**(755)**	-	(500)
Net cash provided by/(used in) financing activities		**(1,103)**	2,940	(145)
Net increase in cash and cash equivalents		**13,118**	1,672	4,839
Cash and cash equivalents at beginning of period		**48,229**	45,853	41,111
Effects of exchange rate changes on cash and cash equivalents		**4,115**	704	(97)
Cash and cash equivalents at end of period	16	**65,462**	48,229	45,853

The notes appearing on pages 100 to 123 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital	Preference share capital	Reserves[1]	Retained earnings	Share capital and reserves attributable to shareholders of the Company	Non-controlling interests	Total Shareholders' equity
	$M	$M	$M	$M	$M	$M	$M
As at 1 October 2013	23,641	871	(907)	21,936	**45,541**	62	**45,603**
Profit or loss	-	-	-	3,392	**3,392**	6	**3,398**
Other comprehensive income for the period	-	-	576	15	**591**	-	**591**
Total comprehensive income for the period	-	-	576	3,407	**3,983**	6	**3,989**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,458)	**(2,458)**	(1)	**(2,459)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	12	**12**	-	**12**
Dividend reinvestment plan	476	-	-	-	**476**	-	**476**
Other equity movements:							
Share based payments	-	-	5	-	**5**	-	**5**
Group share option scheme	2	-	-	-	**2**	-	**2**
Treasury shares Global Wealth adjustment	(2)	-	-	-	**(2)**	-	**(2)**
Group employee share acquisition scheme	(88)	-	-	-	**(88)**	-	**(88)**
Group share buyback	(500)	-	-	-	**(500)**	-	**(500)**
Transfer of options/rights lapsed	-	-	(8)	8	**-**	-	**-**
As at 31 March 2014	23,529	871	(334)	22,905	**46,971**	67	**47,038**
Profit or loss	-	-	-	3,879	**3,879**	6	**3,885**
Other comprehensive income for the period	-	-	77	(8)	**69**	4	**73**
Total comprehensive income for the period	-	-	77	3,871	**3,948**	10	**3,958**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,242)	**(2,242)**	-	**(2,242)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	10	**10**	-	**10**
Dividend reinvestment plan	375	-	-	-	**375**	-	**375**
Transactions with non-controlling interests	-	-	10	-	**10**	-	**10**
Other equity movements:							
Share based payments	-	-	8	-	**8**	-	**8**
Group share option scheme	2	-	-	-	**2**	-	**2**
Treasury shares Global Wealth adjustment	26	-	-	-	**26**	-	**26**
Group employee share acquisition scheme	99	-	-	-	**99**	-	**99**
As at 30 September 2014	24,031	871	(239)	24,544	**49,207**	77	**49,284**
Profit or loss	-	-	-	3,506	**3,506**	8	**3,514**
Other comprehensive income for the period	-	-	2,427	10	**2,437**	10	**2,447**
Total comprehensive income for the period	-	-	2,427	3,516	**5,943**	18	**5,961**
Transactions with equity holders in their capacity as equity holders:							
Dividends paid	-	-	-	(2,579)	**(2,579)**	-	**(2,579)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	-	12	**12**	-	**12**
Dividend reinvestment plan	257	-	-	-	**257**	-	**257**
Transactions with non-controlling interests	-	-	-	-	**-**	-	**-**
Preference shares bought back	-	(871)	-	-	**(871)**	-	**(871)**
Other equity movements:							
Share based payments	-	-	7	-	**7**	-	**7**
Group share option scheme	-	-	-	-	**-**	-	**-**
Treasury shares Global Wealth adjustment	(39)	-	-	-	**(39)**	-	**(39)**
Group employee share acquisition scheme	(97)	-	-	-	**(97)**	-	**(97)**
Transfer of options/rights lapsed	-	-	(7)	7	**-**	-	**-**
Foreign exchange gains on preference share capital bought back	-	-	-	116	**116**	-	**116**
As at 31 March 2015	24,152	-	2,188	25,616	51,956	95	52,051

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

The notes appearing on pages 100 to 123 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 2014 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2015 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules;
- are Condensed Consolidated Financial Statements as defined in the AASB 134 *Interim Financial Reporting* ("AASB 134"). This report does not include all notes of the type normally included in ANZ's Annual Financial Statements;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 4 May 2015.

i) Statement of compliance

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

ii) Accounting policies

These Condensed Consolidated Financial Statements have been prepared on the basis of accounting policies and using methods of computation consistent with those applied in the 2014 ANZ Annual Financial Statements.

iii) Basis of measurement

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

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

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

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

iv) Use of estimates, assumptions and judgments

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments, are covered in Note 2 of the 2014 Annual Financial Statements. Such estimates and judgements are reviewed on an ongoing basis.

v) Rounding of amounts

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

vi) Comparatives

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

vii) New accounting standards not yet effective

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

- AASB 9 *Financial Instruments*

The AASB issued the final version of AASB 9 in December 2014. When operative, this standard will replace AASB *139 Financial Instruments: Recognition and Measurement*. AASB 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. AASB 9 is not mandatorily effective for the Group until 1 October 2018. The Group is in the process of assessing the impact of application of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements.

- AASB 15 *Revenue from Contracts with Customers*

The AASB issued AASB 15 in December 2014. The standard is not mandatorily effective for the Group until 1 October 2017. AASB 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. While it is expected that a significant proportion of the Group's revenue will be outside the scope of AASB 15, the Group is in the process of assessing the impact of application of AASB 15 and is not yet able to reasonably estimate the impact on its financial statements.

2. Income

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Interest income	**15,394**	15,094	14,430	2%	7%
Interest expense	**(8,256)**	(8,062)	(7,652)	2%	8%
Net interest income	**7,138**	7,032	6,778	2%	5%
i) Fee and commission income					
Lending fees[1]	**422**	383	396	10%	7%
Non-lending fees and commissions[2]	**1,388**	1,343	1,305	3%	6%
Total fee and commission income[2]	**1,810**	1,726	1,701	5%	6%
Fee and commission expense[2,3]	**(502)**	(471)	(451)	7%	11%
Net fee and commission income[2]	**1,308**	1,255	1,250	4%	5%
ii) Net funds management and insurance income					
Funds management income	**478**	459	458	4%	4%
Investment income	**3,149**	1,424	1,232	large	large
Insurance premium income	**718**	780	534	-8%	34%
Commission income/(expense)	**(239)**	(241)	(230)	-1%	4%
Claims	**(341)**	(362)	(345)	-6%	-1%
Changes in policy liabilities[4]	**(2,700)**	(1,149)	(998)	large	large
Elimination of treasury share (gain)/loss	**(86)**	16	(40)	large	large
Total net funds management and insurance income	**979**	927	611	6%	60%
iii) Share of associates' profit	**314**	270	247	16%	27%
iv) Other income					
Net foreign exchange earnings	**259**	480	593	-46%	-56%
Net gains from trading securities and derivatives	**94**	123	15	-24%	large
Credit risk on credit intermediation trades	**5**	(31)	9	large	-44%
Movement on financial instruments measured at fair value through profit & loss[5]	**32**	221	(124)	-86%	large
Brokerage income	**34**	22	28	55%	21%
Loss on divestment of SSI	**-**	(21)	-	-100%	n/a
Dilution gain on investment in Bank of Tianjin	**-**	-	12	n/a	-100%
Insurance settlement	**-**	-	26	n/a	-100%
Gain on sale of ANZ Trustees	**-**	125	-	-100%	n/a
Other[2]	**67**	117	89	-43%	-25%
Total other income[2]	**491**	1,036	648	-53%	-24%
Total other operating income[6]	**3,092**	3,488	2,756	-11%	12%
Total income	**18,486**	18,582	17,186	-1%	8%

1. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
2. *Certain cards related fees that are integral to the generation of income have been reclassified within total income in the current period to better reflect the nature of the items. Comparatives have been restated. For the Sep 14 half fees of $252 million were moved from 'non-lending fees and commissions' and fees of $5 million were moved from 'Other income' and included in 'fee and commission expenses' (Mar 14 half: $236 million and $5 million respectively).*
3. *Includes interchange fees paid.*
4. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the super contributions made by members) debited to the policyholder account once a year in July when the statement is issued to the members at the end of the 30 June financial year.*
5. *Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cashflow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit and loss.*
6. *Total other operating income includes external dividend income of nil (Sep 14 half: $0.9 million; Mar 14 half: $0.2 million).*

3. Operating expenses

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Personnel					
Employee entitlements and taxes	**155**	147	131	5%	18%
Salaries and wages	**1,852**	1,750	1,745	6%	6%
Superannuation costs - defined benefit plans	**3**	6	4	-50%	-25%
Superannuation costs - defined contribution plans	**155**	152	148	2%	5%
Equity-settled share-based payments	**108**	105	110	3%	-2%
Other	**442**	398	392	11%	13%
Total personnel expenses	**2,715**	2,558	2,530	6%	7%
Premises					
Depreciation and amortisation	**97**	99	99	-2%	-2%
Rent	**238**	224	226	6%	5%
Utilities and other outgoings	**87**	89	89	-2%	-2%
Other	**33**	34	28	-3%	18%
Total premises expenses	**455**	446	442	2%	3%
Technology					
Data communications	**50**	43	61	16%	-18%
Depreciation and amortisation	**332**	285	265	16%	25%
Licences and outsourced services	**209**	204	196	2%	7%
Rentals and repairs	**78**	84	69	-7%	13%
Software impairment	**4**	14	1	-71%	large
Other	**28**	30	14	-7%	100%
Total technology expenses	**701**	660	606	6%	16%
Restructuring	**10**	78	35	-87%	-71%
Other					
Advertising and public relations	**128**	153	125	-16%	2%
Audit and other fees	**11**	8	11	38%	0%
Non-lending losses, frauds and forgeries	**35**	25	27	40%	30%
Professional fees	**142**	137	102	4%	39%
Travel and entertainment expenses	**100**	100	93	0%	8%
Amortisation and impairment of other intangible assets	**44**	73	45	-40%	-2%
Freight, stationery, postage and telephone	**127**	138	135	-8%	-6%
Other	**125**	98	135	28%	-7%
Total other expenses	**712**	732	673	-3%	6%
Total operating expenses	**4,593**	4,474	4,286	3%	7%

4. Income tax expense

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

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Profit before income tax	**5,143**	5,587	4,721	-8%	9%
Prima facie income tax expense at 30%	**1,543**	1,676	1,416	-8%	9%
Tax effect of permanent differences:					
Overseas tax rate differential	**(55)**	(37)	(59)	49%	-7%
Rebateable and non-assessable dividends	**(1)**	(1)	(1)	0%	0%
Profit from associates	**(94)**	(81)	(74)	16%	27%
Sale of ANZ Trustees and SSI	**-**	(11)	-	-100%	n/a
Offshore Banking Unit	**-**	6	(1)	-100%	-100%
Global Wealth - Policyholder income and contributions tax	**194**	149	21	30%	large
Tax provisions no longer required	**(17)**	(25)	(25)	-32%	-32%
Interest on Convertible Instruments	**37**	39	32	-5%	16%
Other	**22**	(14)	14	large	57%
	1,629	1,701	1,323	-4%	23%
Income tax under/(over) provided in previous years	**-**	1	-	-100%	n/a
Total income tax expense charged in the income statement	**1,629**	1,702	1,323	-4%	23%
Australia	**1,172**	1,251	885	-6%	32%
Overseas	**457**	451	438	1%	4%
	1,629	1,702	1,323	-4%	23%
Effective Tax Rate - Group	**31.7%**	30.5%	28.0%		

5. Dividends

Dividend per ordinary share (cents)	Half Year Mar 15	Sep 14	Mar 14	Movement Mar 15 v. Sep 14	Mar 15 v. Mar 14
Interim (fully franked)	**86**	n/a	83	n/a	4%
Final (fully franked)	**n/a**	95	n/a	n/a	n/a
Total	**86**	95	83	-9%	4%
Ordinary share dividend ($M)[1]					
Interim dividend	**-**	2,278	-	n/a	n/a
Final dividend	**2,619**	-	2,497	n/a	5%
Bonus option plan adjustment	**(41)**	(39)	(42)	5%	-2%
Total[2]	**2,578**	2,239	2,455	15%	5%
Ordinary share dividend payout ratio (%)[3]	**67.9%**	67.6%	67.2%		

1. *Dividends paid to ordinary equity holders of the Company. Excludes dividends payable by subsidiaries of the Group to non-controlling equity holders of nil (Sep 14 half: nil, Mar 14 half: $1 million).*
2. *Dividends payable are not accrued and are recorded when paid.*
3. *Dividend payout ratio is calculated using proposed 2015 interim dividend of $2,379 million (not shown in the above table). The proposed 2015 interim dividend of $2,379 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2014 half and March 2014 half are calculated using actual dividend paid of $2,619 million and $2,278 million respectively. Dividend payout ratio is calculated by adjusting profit attributable to shareholders of the Company by the amount of preference share dividends paid.*

Ordinary Shares

The Directors propose that an interim dividend of 86 cents be paid on each eligible fully paid ANZ ordinary share on 1 July 2015. The proposed 2015 interim dividend will be fully franked for Australian tax purposes, and New Zealand imputation credits of NZD 10 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2015 interim dividend. For the 2015 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. The “Acquisition Price” to be used in determining the number of shares to be provided under the DRP and BOP will be calculated by reference to the arithmetic average of the daily volume weighted average sale price of all fully paid ANZ ordinary shares sold in the ordinary course of trading on the ASX during the ten trading days commencing on 15 May 2015 (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 2015 interim dividend must be received by ANZ's Share Registrar by 5.00pm (Australian Eastern Standard Time) on 13 May 2015.

Subject to receiving effective contrary instructions from the shareholder, dividends payable to shareholders with a registered address in the United Kingdom (including the Channel Islands and the Isle of Man) or New Zealand will be converted to Pounds Sterling or New Zealand Dollars respectively at an exchange rate calculated on 15 May 2015.

Preference Shares

	Half Year Mar 15 $M	Sep 14 $M	Mar 14 $M	Movement Mar 15 v. Sep 14	Mar 15 v. Mar 14
Preference share dividend ($M)					
Euro Trust Securities[1]	**1**	3	3	-67%	-67%
Dividend per preference share					
Euro Trust Securities[1]	**€ 1.88**	€ 4.72	€ 4.60	-60%	-59%

1. *The Euro Trust Securities were bought back by ANZ for cash at face value and cancelled on 15 December 2014.*

6. Earnings per share[1]

	Half Year			Movement	
	Mar 15	**Sep 14**	**Mar 14**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Number of fully paid ordinary shares on issue (M)[2]	**2,766.0**	2,756.6	2,744.1	0%	1%
Basic					
Profit attributable to shareholders of the Company ($M)	**3,506**	3,879	3,392	-10%	3%
Less Preference share dividends ($M)	**(1)**	(3)	(3)	-67%	-67%
Profit less preference share dividends ($M)	**3,505**	3,876	3,389	-10%	3%
Weighted average number of ordinary shares (M)[3]	**2,737.3**	2,724.2	2,715.2	0%	1%
Basic earnings per share (cents)	**128.0**	142.3	124.8	-10%	3%
Diluted					
Profit less preference share dividends ($M)	**3,505**	3,876	3,389	-10%	3%
Interest on US Trust Securities ($M)[4]	**-**	-	7	n/a	-100%
Interest on ANZ Convertible Preference Shares ($M)[5]	**67**	70	85	-4%	-21%
Interest on ANZ Capital Notes ($M)[6]	**60**	57	24	5%	large
Interest on ANZ NZ Capital Notes ($M)[7]	**-**	-	-	n/a	n/a
Profit less preference share dividends and interest on US Trust Securities, ANZ Convertible Preference Shares, ANZ Capital Notes and ANZ NZ Capital Notes ($M)	**3,632**	4,003	3,505	-9%	4%
Weighted average number of shares on issue (M)[3]	**2,737.3**	2,724.2	2,715.2	0%	1%
Weighted average number of convertible options (M)	**6.2**	5.5	5.0	13%	24%
Weighted average number of convertible US Trust Securities (M)[4]	**-**	-	16.8	n/a	-100%
Weighted average number of ANZ Convertible Preference Shares (M)[5]	**91.2**	113.8	134.5	-20%	-32%
Weighted average number of convertible ANZ Capital Notes (M)[6]	**79.3**	89.2	34.5	-11%	large
Weighted average number of convertible ANZ NZ Capital Notes (M)[7]	**0.1**	-	-	n/a	n/a
Adjusted weighted average number of shares - diluted (M)	**2,914.1**	2,932.7	2,906.0	-1%	0%
Diluted earnings per share (cents)	**124.6**	136.5	120.6	-9%	3%

1. *The earnings per share calculation excludes the Euro Trust Securities (preference shares). The Euro Trust Securities were bought back by ANZ for cash at face value and cancelled on 15 December 2014.*
2. *Number of fully paid ordinary shares on issue includes Treasury shares of 24.6 million at 31 March 2015 (Sep 14: 25.6 million; Mar 14: 26.9 million), comprised of 11.5 million in ANZEST Pty Ltd (Sep 14: 13.8 million; Mar 14: 14.3 million) and 13.1 million Treasury shares held in Global Wealth (Sep 14: 11.8 million; Mar 14: 12.6 million).*
3. *Weighted average number of ordinary shares excludes 12.3 million weighted average number of ordinary Treasury shares held in ANZEST Pty Ltd (Sep 14: 14.5 million; Mar 14: 15.0 million) for the group employee share acquisition scheme and 12.7 million weighted average number of ordinary Treasury shares held in Global Wealth (Sep 14: 12.5 million; Mar 14: 12.8 million).*
4. *The US Trust Securities (issued on 27 November 2003) were due to convert to ANZ ordinary shares in 2053 at the market price of ANZ ordinary shares less 5% unless redeemed or bought back prior to that date. The US Trust Securities were redeemed by ANZ for cash at face value on 16 December 2013.*
5. *There are three "tranches" of convertible preference shares. The first were convertible preference shares (CPS1) issued on 30 September 2008 which were convertible to ANZ ordinary shares on 16 June 2014 (unless redeemed prior to that date) at the market price of ANZ ordinary shares less 2.5%. On 31 March 2014, 6.3 million CPS1 were cancelled and re-invested in ANZ Capital Notes 2 (CN2) issued on that date and on 16 June 2014, 4.5 million CPS1 were redeemed by ANZ for cash at face value. The second are convertible preference shares (CPS2) 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). The third are convertible preference shares (CPS3) issued on 28 September 2011 that convert to ordinary shares on 1 September 2019 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions).*
6. *There are three "tranches" of ANZ Capital Notes. The first are ANZ Capital Notes 1 (CN1) issued on 7 August 2013 which convert to ANZ ordinary shares on 1 September 2023 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions). The second are ANZ Capital Notes 2 (CN2) issued on 31 March 2014 which convert to ANZ ordinary shares on 24 March 2024 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions). The third are ANZ Capital Notes 3 (CN3) issued on 5 March 2015 which convert to ANZ ordinary shares on 24 March 2025 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions).*
7. *ANZ Bank New Zealand Limited issued ANZ NZ Capital Notes on 31 March 2015 which convert to ANZ ordinary shares on 25 May 2022 at the market price of ANZ ordinary shares less 1.0% (subject to certain conversion conditions).*

7. Net loans and advances

	As at			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Australia					
Overdrafts	**5,998**	6,199	5,756	-3%	4%
Credit card outstandings	**9,134**	8,791	8,852	4%	3%
Commercial bills outstanding	**10,859**	11,684	12,224	-7%	-11%
Term loans - housing	**217,756**	209,122	201,396	4%	8%
Term loans - non-housing	**118,027**	111,902	106,967	5%	10%
Lease receivables	**1,345**	1,481	1,563	-9%	-14%
Hire purchase	**1,293**	1,492	1,764	-13%	-27%
Other	**489**	56	490	large	0%
	364,901	350,727	339,012	4%	8%
Asia Pacific, Europe & America					
Overdrafts	**1,643**	1,312	1,456	25%	13%
Credit card outstandings	**1,370**	1,241	1,135	10%	21%
Commercial bills outstanding	**3,286**	3,343	2,431	-2%	35%
Term loans - housing	**7,430**	6,639	6,063	12%	23%
Term loans - non-housing	**74,041**	66,106	65,115	12%	14%
Lease receivables	**222**	177	140	25%	59%
Other	**31**	264	121	-88%	-74%
	88,023	79,082	76,461	11%	15%
New Zealand					
Overdrafts	**1,147**	1,118	1,221	3%	-6%
Credit card outstandings	**1,609**	1,408	1,430	14%	13%
Term loans - housing	**63,311**	55,627	57,254	14%	11%
Term loans - non-housing	**40,259**	35,316	35,790	14%	12%
Lease receivables	**250**	247	295	1%	-15%
Hire purchase	**862**	746	720	16%	20%
Other	**123**	112	117	10%	5%
	107,561	94,574	96,827	14%	11%
Subtotal	**560,485**	524,383	512,300	7%	9%
Unearned income	**(803)**	(892)	(922)	-10%	-13%
Capitalised brokerage/mortgage origination fees[1]	**1,127**	1,043	1,000	8%	13%
Customers' liabilities for acceptances	**1,422**	1,151	1,185	24%	20%
Total gross loans and advances	**562,231**	525,685	513,563	7%	9%
Provision for credit impairment (refer Note 8)	**(4,028)**	(3,933)	(4,313)	2%	-7%
Total net loans and advances	**558,203**	521,752	509,250	7%	10%

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

8. Provision for credit impairment

	Half Year			Movement	
Collective provision	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Balance at start of period	**2,757**	2,843	2,887	-3%	-5%
Charge/(release) to income statement	**55**	(81)	(74)	large	large
Adjustment for exchange rate fluctuations	**102**	(5)	30	large	large
Total collective provision[1]	**2,914**	2,757	2,843	6%	2%
Individual provision					
Balance at start of period	**1,176**	1,470	1,467	-20%	-20%
New and increased provisions	**806**	846	966	-5%	-17%
Write-backs	**(260)**	(190)	(257)	37%	1%
Adjustment for exchange rate fluctuations	**33**	(4)	12	large	large
Discount unwind	**(32)**	(35)	(30)	-9%	7%
Bad debts written-off	**(609)**	(911)	(688)	-33%	-11%
Total individual provision	**1,114**	1,176	1,470	-5%	-24%
Total provision for credit impairment	**4,028**	3,933	4,313	2%	-7%

1. *The collective provision includes amounts for off-balance sheet credit exposures of $646 million at 31 March 2015 (Sep 14: $613 million; Mar 14: $597 million). The impact on the income statement for the half year ended 31 March 2015 was a $7 million charge (Sep 14 half: $9 million charge; Mar 14 half: $8 million release).*

	Half Year			Movement	
Provision movement analysis	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
New and increased provisions					
Australia	**587**	604	688	-3%	-15%
Asia Pacific, Europe & America	**116**	94	152	23%	-24%
New Zealand	**103**	148	126	-30%	-18%
	806	846	966	-5%	-17%
Write-backs	**(260)**	(190)	(257)	37%	1%
	546	656	709	-17%	-23%
Recoveries of amounts previously written-off	**(107)**	(116)	(108)	-8%	-1%
Individual credit impairment charge	**439**	540	601	-19%	-27%
Collective credit impairment charge/(release)	**55**	(81)	(74)	large	large
Credit impairment charge	**494**	459	527	8%	-6%

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Individual provision balance					
Australia	**698**	740	941	-6%	-26%
Asia Pacific, Europe & America	**219**	236	296	-7%	-26%
New Zealand	**197**	200	233	-2%	-15%
Total individual provision	**1,114**	1,176	1,470	-5%	-24%
Collective provision balance					
Australia	**1,882**	1,829	1,887	3%	0%
Asia Pacific, Europe & America	**582**	515	492	13%	18%
New Zealand	**450**	413	464	9%	-3%
Total collective provision	**2,914**	2,757	2,843	6%	2%

9. Credit quality

Financial Assets maximum exposure to credit risk

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances, there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity investments which are primarily subject to market risk, 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 tables present the maximum exposure to credit risk of on-balance sheet and off-balance sheet financial assets before taking account of any collateral held or other credit enhancements.

	As at			Movement	
Maximum exposure to credit risk	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Net loans and advances[1]	**558,203**	521,752	509,250	7%	10%
Other financial assets[2]	**246,131**	198,751	182,141	24%	35%
On-balance sheet sub total	**804,334**	720,503	691,391	12%	16%
Undrawn facilities	**213,303**	193,984	177,386	10%	20%
Contingent facilities	**41,018**	40,075	39,268	2%	4%
Off-balance sheet sub total	**254,321**	234,059	216,654	9%	17%
Total exposure to credit risk	**1,058,655**	954,562	908,045	11%	17%

1. *Includes individual and collective provisions for credit impairment held in respect of credit related commitments.*
2. *Certain other financial assets totalling $38.2 billion (Sep 14 half: $35.1 billion; Mar 14 half: $34.7 billion) have been excluded. These are comprised of bank notes and coins within cash, equity instruments within available-for-sale financial assets and investments relating to the insurance business where the credit risk is passed onto the policy holder.*

Distribution of financial assets by credit quality

	Net loans and advances[1]			Other financial assets			Credit related commitments[2]		
	As at			As at			As at		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Neither past due nor impaired	**543,280**	508,540	494,860	**246,104**	198,714	182,083	**253,606**	233,343	215,869
Past due but not impaired	**14,071**	12,252	13,083	**-**	-	-	**-**	-	-
Restructured	**146**	67	60	**-**	-	-	**-**	-	-
Net impaired	**1,385**	1,552	1,918	**27**	37	58	**36**	57	114
Total	**558,882**	522,411	509,921	**246,131**	198,751	182,141	**253,642**	233,400	215,983

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

Credit quality of financial assets neither past due nor impaired

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

	Net loans and advances			Other financial assets			Credit related commitments[4]		
	As at			As at			As at		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Strong credit profile[1]	**412,909**	385,487	377,153	**241,170**	194,190	177,817	**211,380**	196,558	183,807
Satisfactory risk[2]	**112,049**	105,625	101,346	**4,574**	4,097	3,935	**39,773**	34,425	29,851
Sub-standard but not past due or impaired[3]	**18,322**	17,428	16,361	**360**	427	331	**2,453**	2,360	2,211
Total	**543,280**	508,540	494,860	**246,104**	198,714	182,083	**253,606**	233,343	215,869

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. *Comprises undrawn commitments and customer contingent liabilities net of collective provisions.*

9. Credit quality, cont'd

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

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

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

	As at			Movement	
Ageing analysis of net loans and advances that are past due but not impaired[1]	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
1-5 days	**3,323**	3,082	3,345	8%	-1%
6-29 days	**5,271**	4,559	4,660	16%	13%
30-59 days	**2,069**	1,624	2,037	27%	2%
60-89 days	**1,160**	1,005	980	15%	18%
>90 days	**2,248**	1,982	2,061	13%	9%
Total	**14,071**	12,252	13,083	15%	8%

1. *A policy change was implemented during the half whereby the Group changed the criteria for including past due loans attributable to hardship in the ageing analysis. Comparative information has not been restated.*

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 2014 Annual Financial Statements, impairment provisions are created for financial instruments that are reported on the balance sheet at amortised cost. For instruments reported at fair value, impairment provisions are treated as part of overall change in fair value and directly reduce the reported carrying amounts.

	Impaired instruments			Individual provision balances		
	As at			As at		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**
Derivative financial instruments[1]	**27**	37	58	**-**	-	-
Net loans and advances	**2,466**	2,682	3,314	**(1,081)**	(1,130)	(1,396)
Credit related commitments[2]	**69**	103	188	**(33)**	(46)	(74)
Total	**2,562**	2,822	3,560	**(1,114)**	(1,176)	(1,470)

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

	As at			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Less than $10 million	**1,903**	1,896	2,204	0%	-14%
$10 million to $100 million	**607**	683	897	-11%	-32%
Greater than $100 million	**198**	310	519	-36%	-62%
Gross impaired assets[1]	**2,708**	2,889	3,620	-6%	-25%
Less: Individual provision for credit impairment	**(1,114)**	(1,176)	(1,470)	-5%	-24%
Net impaired assets	**1,594**	1,713	2,150	-7%	-26%

1. *Includes $146 million restructured items (Sep 14: $67 million; Mar 14: $60 million).*

10. Deposits and other borrowings

	As at			Movement	
	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 v. Sep 14	Mar 15 v. Mar 14
Australia					
Certificates of deposit	**55,857**	49,446	51,217	13%	9%
Term deposits	**69,595**	78,779	77,900	-12%	-11%
Other deposits bearing interest and other borrowings	**151,436**	142,244	132,331	6%	14%
Deposits not bearing interest	**7,133**	6,845	6,157	4%	16%
Deposits from banks	**19,761**	15,613	13,617	27%	45%
Commercial paper	**11,446**	6,237	8,812	84%	30%
Borrowing corporations' debt	**1**	1	1	0%	0%
	315,229	299,165	290,035	5%	9%
Asia Pacific, Europe & America					
Certificates of deposit	**2,354**	2,083	4,986	13%	-53%
Term deposits	**101,087**	82,956	79,586	22%	27%
Other deposits bearing interest and other borrowings	**24,531**	20,885	19,077	17%	29%
Deposits not bearing interest	**4,684**	4,211	3,990	11%	17%
Deposits from banks	**27,716**	22,540	22,449	23%	23%
Commercial paper	**5,125**	3,516	2,166	46%	large
	165,497	136,191	132,254	22%	25%
New Zealand					
Certificates of deposit	**1,435**	1,226	1,504	17%	-5%
Term deposits	**34,211**	30,981	32,686	10%	5%
Other deposits bearing interest and other borrowings	**36,896**	30,330	29,841	22%	24%
Deposits not bearing interest	**6,148**	5,348	5,468	15%	12%
Deposits from banks	**43**	40	30	8%	43%
Commercial paper	**6,157**	5,399	5,063	14%	22%
Borrowing corporations' debt	**1,599**	1,399	1,437	14%	11%
	86,489	74,723	76,029	16%	14%
Total Deposits and other borrowings	**567,215**	510,079	498,318	11%	14%

11. Subordinated debt

	Half Year			Movement	
	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 v. Sep 14	Mar 15 v. Mar 14
Additional Tier 1 Capital[1]					
Convertible Preference Shares (ANZ CPS)					
ANZ CPS1[2]	**-**	-	454	n/a	-100%
ANZ CPS2[3]	**1,969**	1,967	1,965	0%	0%
ANZ CPS3[4]	**1,335**	1,333	1,331	0%	0%
ANZ Capital Notes (ANZ CN)					
ANZ CN1[5]	**1,110**	1,109	1,107	0%	0%
ANZ CN2[6]	**1,597**	1,595	1,593	0%	0%
ANZ CN3[7]	**958**	-	-	n/a	n/a
ANZ NZ Capital Notes[8]	**484**	-	-	n/a	n/a
Tier 2 Capital[9]					
Perpetual subordinated notes	**1,211**	1,087	1,108	11%	9%
Subordinated notes	**7,799**	6,516	5,668	20%	38%
Total subordinated debt	**16,463**	13,607	13,226	21%	24%

1. *ANZ Capital Notes and the ANZ NZ Capital Notes are Basel III compliant. APRA has granted transitional capital treatment for ANZ CPS2 and CPS3 until their first conversion date.*
2. *On 30 September 2008, ANZ issued convertible preference shares (CPS1). $627 million CPS1 were reinvested in ANZ Capital Notes 2 (CN2) on 31 March 2014 and the remaining $454 million CPS1 were bought back and cancelled on 16 June 2014.*
3. *On 17 December 2009, ANZ issued convertible preference shares (CPS2) which will convert into ANZ ordinary shares on 15 December 2016 at a 1% discount (subject to certain conditions being satisfied).*
4. *On 28 September 2011, ANZ issued convertible preference shares (CPS3) which will convert into ANZ ordinary shares on 1 September 2019 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125% then the convertible preference shares will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on and from 1 September 2017 the convertible preference shares are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
5. *On 7 August 2013, ANZ issued convertible notes (ANZ Capital Notes 1 or CN1) which will convert into ANZ ordinary shares on 1 September 2023 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 1 September 2021 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
6. *On 31 March 2014, ANZ issued convertible notes (ANZ Capital Notes 2 or CN2) which will convert into ANZ ordinary shares on 24 March 2024 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 24 March 2022 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
7. *On 5 March 2015, ANZ issued convertible notes (ANZ Capital Notes 3 or CN3) which will convert into ANZ ordinary shares on 24 March 2025 at a 1% discount (subject to certain conditions being satisfied). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on 24 March 2023 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
8. *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.*
9. *The convertible subordinated notes are Basel III compliant. APRA has granted transitional capital treatment for all other outstanding subordinated notes until their first call date or, in the case of the perpetual subordinated notes the earlier of the end of the transitional period (January 2021) and the first call date when a step-up event occurs. If ANZ receives a notice of non-viability from APRA, then the convertible subordinated notes will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number.*

12. Share capital

Issued and quoted securities	Half Year		
Ordinary shares	**Mar 15 No.**	**Sep 14 No.**	**Mar 14 No.**
Closing balance	**2,765,980,222**	2,756,627,771	2,744,118,670
Issued during the half year	**9,352,451**	12,509,101	16,352,516
Bought back during the half year	**-**	-	15,889,156

13. Shareholders' equity

	Half Year			Movement	
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Share capital					
Balance at start of period	**24,902**	24,400	24,512	2%	2%
Ordinary share capital movements					
Dividend reinvestment plan	**257**	375	476	-31%	-46%
Group employee share acquisition scheme[1]	**(97)**	99	(88)	large	10%
Treasury shares in Global Wealth[2]	**(39)**	26	(2)	large	large
Group share option scheme	**-**	2	2	-100%	-100%
Group share buyback	**-**	-	(500)	n/a	-100%
Preference share capital movements					
Preference shares bought back[3]	**(871)**	-	-	n/a	n/a
Total share capital	**24,152**	24,902	24,400	-3%	-1%
Foreign currency translation reserve					
Balance at start of period	**(605)**	(566)	(1,125)	7%	-46%
Transfer to the income statement	**-**	48	(11)	-100%	-100%
Currency translation adjustments net of hedges	**2,174**	(87)	570	large	large
Total foreign currency translation reserve	**1,569**	(605)	(566)	large	large
Share option reserve[4]					
Balance at start of period	**60**	52	55	15%	9%
Share based payments/(exercises)	**7**	8	5	-13%	40%
Transfer of options/rights lapsed to retained earnings	**(7)**	-	(8)	n/a	-13%
Total share option reserve	**60**	60	52	0%	15%

1. *As at 31 March 2015, there were 11.5 million ANZEST Treasury shares outstanding (Sep 14: 13.8 million, Mar 14: 14.3 million). Shares in the Company which are purchased on-market by ANZEST Pty Ltd (trustee of ANZ employee share and option plans) or issued by the Company to ANZEST Pty Ltd are classified as Treasury shares (to the extent that they relate to unvested employee share-based awards).*
2. *As at 31 March 2015, there were 13.1 million Global Wealth Treasury shares outstanding (Sep 14: 11.8 million, Mar 14: 12.6 million). Global Wealth purchases and holds shares in the Company to back policy liabilities. These shares are classified as Treasury shares.*
3. *All 500,000 Euro Trust Securities on issue were bought back by ANZ for cash at face value (€1,000 per security) and cancelled on 15 December 2014.*
4. *The share option reserve arises on the grant of share options/deferred share rights/performance rights ("options and rights") to selected employees under the ANZ Share Option Plan. Amounts are transferred from the share option reserve to other equity accounts when the options and rights are exercised and to retained earnings when lapsed or forfeited after vesting. Forfeited options and rights due to termination prior to vesting are credited to the income statement.*

13. Shareholders' equity, cont'd

	Half Year			Movement	
	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 v. Sep 14	Mar 15 v. Mar 14
Available-for-sale revaluation reserve[5]					
Balance at start of period	**160**	151	121	6%	32%
Gain /(loss) recognised	**132**	7	62	large	large
Transferred to income statement	**(35)**	2	(32)	large	9%
Total available-for-sale revaluation reserve	**257**	160	151	61%	70%
Cash flow hedge reserve[6]					
Balance at start of period	**169**	62	75	large	large
Gain /(loss) recognised	**164**	117	-	40%	n/a
Transferred to income statement	**(8)**	(10)	(13)	-20%	-38%
Total hedging reserve	**325**	169	62	92%	large
Transactions with non-controlling interests reserve					
Balance at start of period	**(23)**	(33)	(33)	-30%	-30%
Transfer to the income statement	**-**	10	-	-100%	n/a
Total transactions with non-controlling interests reserve	**(23)**	(23)	(33)	0%	-30%
Total reserves	**2,188**	(239)	(334)	large	large
Retained earnings					
Balance at start of period	**24,544**	22,905	21,936	7%	12%
Profit attributable to shareholders of the Company	**3,506**	3,879	3,392	-10%	3%
Transfer of options/rights lapsed from share option reserve	**7**	-	8	n/a	-13%
Total available for appropriation	**28,057**	26,784	25,336	5%	11%
Remeasurement gain/(loss) on defined benefit plans	**1**	6	26	-83%	-96%
Fair value gain/(loss) attributable to changes in own credit risk of financial liabilities designated at fair value	**9**	(14)	(11)	large	large
Ordinary share dividend paid	**(2,578)**	(2,239)	(2,455)	15%	5%
Dividend income on Treasury shares held within the Group's life insurance statutory funds	**12**	10	12	20%	0%
Preference share dividend paid	**(1)**	(3)	(3)	-67%	-67%
Foreign exchange gains on preference shares bought back[7]	**116**	-	-	n/a	n/a
Retained earnings at end of period	**25,616**	24,544	22,905	4%	12%
Share capital and reserves attributable to shareholders of the Company	**51,956**	49,207	46,971	6%	11%
Non-controlling interests	**95**	77	67	23%	42%
Total shareholders' equity	**52,051**	49,284	47,038	6%	11%

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

6. *The cash flow hedge 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.*

7. *The Euro Trust Securities were bought back by ANZ for cash at face value and cancelled on 15 December 2014. The foreign exchange gain between the issue date and 15 December 2014 was recognised directly in retained earnings.*

14. Fair Value Measurement

A significant number of financial instruments are carried on the balance sheet at fair value. The following disclosures set out the Group's fair value measurements, the various levels within which fair value measurements are categorised, and the valuation methodologies and techniques used. The fair value disclosure does not cover those instruments that are not considered financial instruments from an accounting perspective, such as intangible assets.

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

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

As at March 2015	Carrying amount in the balance sheet			Fair Value
	At amortised cost $M	At fair value $M	Total $M	
Financial assets				
Net loans and advances[1]	557,508	695	**558,203**	559,400
	557,508	**695**	**558,203**	**559,400**
Financial liabilities				
Deposits and other borrowings	560,937	6,278	**567,215**	567,711
Debt issuances[1]	82,163	3,501	**85,664**	86,405
Subordinated debt[1]	16,463	-	**16,463**	16,657
	659,563	**9,779**	**669,342**	**670,773**

As at September 2014	Carrying amount in the balance sheet			Fair Value
	At amortised cost $M	At fair value $M	Total $M	
Financial assets				
Net loans and advances[1]	521,384	368	521,752	522,252
	521,384	368	521,752	522,252
Financial liabilities				
Deposits and other borrowings	504,585	5,494	510,079	510,254
Debt issuances[1]	76,655	3,441	80,096	81,155
Subordinated debt[1]	13,607	-	13,607	13,764
	594,847	8,935	603,782	605,173

As at March 2014	Carrying amount in the balance sheet			Fair Value
	At amortised cost $M	At fair value $M	Total $M	
Financial assets				
Net loans and advances[1]	509,012	238	509,250	509,536
	509,012	238	509,250	509,536
Financial liabilities				
Deposits and other borrowings	493,255	5,063	498,318	498,423
Debt issuances[1]	70,871	2,681	73,552	74,506
Subordinated debt[1]	13,226	-	13,226	13,424
	577,352	7,744	585,096	586,353

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

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

(a) Valuation methodologies

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

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

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

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

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

(b) Valuation techniques and inputs used

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

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

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

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

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

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

(c) Fair value measurements

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

As at March 2015	Fair value measurements			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Trading securities	48,091	3,295	-	**51,386**
Derivative financial instruments	432	73,027	121	**73,580**
Available-for-sale financial assets[1]	31,502	6,514	320	**38,336**
Investments backing policy liabilities	19,141	16,615	739	**36,495**
Net loans and advances (designated at fair value)	-	695	-	**695**
Total	**99,166**	**100,146**	**1,180**	**200,492**
Financial liabilities				
Payables and other liabilities[2]	3,905	158	-	**4,063**
Derivative financial instruments	688	72,397	125	**73,210**
Deposits and other borrowings (designated at fair value)	-	6,278	-	**6,278**
Debt issuances (designated at fair value)	-	3,501	-	**3,501**
Policy liabilities[3]	-	36,449	-	**36,449**
External unit holder liabilities (life insurance funds)	-	3,489	-	**3,489**
Total	**4,593**	**122,272**	**125**	**126,990**

As at September 2014	Fair value measurements			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Trading securities	45,857	3,835	-	49,692
Derivative financial instruments	472	55,791	106	56,369
Available-for-sale financial assets	25,147	5,730	40	30,917
Investments backing policy liabilities	18,850	14,184	545	33,579
Net loans and advances (designated at fair value)	-	368	-	368
Total	90,326	79,908	691	170,925
Financial liabilities				
Payables and other liabilities[2]	3,851	19	-	3,870
Derivative financial instruments	376	52,444	105	52,925
Deposits and other borrowings (designated at fair value)	-	5,494	-	5,494
Debt issuances (designated at fair value)	-	3,441	-	3,441
Policy liabilities[3]	-	34,038	-	34,038
External unit holder liabilities (life insurance funds)	-	3,181	-	3,181
Total	4,227	98,617	105	102,949

As at March 2014	Fair value measurements			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets				
Trading securities	42,467	3,703	-	46,170
Derivative financial instruments	611	43,083	135	43,829
Available-for-sale financial assets	23,099	4,195	36	27,330
Investments backing policy liabilities	19,390	13,721	86	33,197
Net loans and advances (designated at fair value)	-	238	-	238
Total	85,567	64,940	257	150,764
Financial liabilities				
Payables and other liabilities[2]	3,212	76	-	3,288
Derivative financial instruments	636	45,098	142	45,876
Deposits and other borrowings (designated at fair value)	-	5,063	-	5,063
Debt issuances (designated at fair value)	-	2,681	-	2,681
Policy liabilities[3]	-	32,888	-	32,888
External unit holder liabilities (life insurance funds)	-	3,334	-	3,334
Total	3,848	89,140	142	93,130

1. *During the period $114 million of assets were transfers from Level 1 to Level 2 following a reassessment of available pricing information. During the period there were also transfers from Level 2 to Level 1 of $127 million following increased trading activity to support the quoted prices. Transfers into and out of Level 1 and Level 2 are deemed to have occurred as of the beginning of the reporting period in which the transfer occurred.*
2. *Represents securities short sold.*
3. *Policy liabilities relate to life investment contract liabilities only as these are designated at fair value through profit and loss.*

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

(a) Composition of Level 3 fair value measurements

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

As at March 2015	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Asset backed securities	-	1	191	-
Illiquid corporate bonds	-	289	5	-
Structured credit products	59	-	-	(77)
Managed funds (suspended)	-	-	5	-
Alternative assets	-	30	538	-
Other derivatives	62	-	-	(48)
Total	**121**	**320**	**739**	**(125)**

As at September 2014	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Asset backed securities	-	1	-	-
Illiquid corporate bonds	-	12	-	-
Structured credit products	58	-	-	(80)
Managed funds (suspended)	-	-	12	-
Alternative assets	-	27	533	-
Other derivatives	48	-	-	(25)
Total	106	40	545	(105)

As at March 2014	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Asset backed securities	-	2	2	-
Illiquid corporate bonds	-	8	-	-
Structured credit products	102	-	-	(127)
Managed funds (suspended)	-	-	23	-
Alternative assets	-	26	61	-
Other derivatives	33	-	-	(15)
Total	135	36	86	(142)

Structured credit products comprise the structured credit intermediation trades that the Group entered into from 2004 to 2007 whereby it sold protection using credit default swaps over certain structures, and mitigated risk by purchasing protection via credit default swaps from US financial guarantors over the same structures. These trades are valued using complex models with certain inputs relating to the reference assets and derivative counterparties not being observable in the market. Such unobservable inputs include credit spreads and default probabilities contributing from 13% to 33% of the valuation. The assets underlying the structured credit products are diverse instruments with a wide range of credit spreads and default probabilities relevant to the valuation.

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

(b) Movements in Level 3 fair value measurements

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

As at March 2015	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Opening balance	106	40	545	(105)
New purchases and issues	-	4	241	(1)
Disposals (sales)	(8)	(6)	(293)	-
Cash settlements	-	-	-	5
Transfers:				
Transfers into Level 3 category[1]	-	267	172	-
Transfers out of Level 3 category[1]	-	-	-	1
Fair value gain/(loss) recorded in other operating income in the income statement[2]	23	4	74	(25)
Fair value gain/(loss) recognised in reserves in equity	-	11	-	-
Closing balance	**121**	**320**	**739**	**(125)**

As at September 2014	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Opening balance	135	36	86	(142)
New purchases	-	-	447	-
Disposals (sales)	(9)	(8)	(19)	-
Cash settlements	-	-	-	18
Transfers:				
Transfers into Level 3 category	14	7	-	(13)
Transfers out of Level 3 category	(1)	-	(2)	-
Fair value gain/(loss) recorded in other operating income in the income statement[2]	(33)	-	33	32
Fair value gain/(loss) recognised in reserves in equity	-	5	-	-
Closing balance	106	40	545	(105)

As at March 2014	Financial assets			Financial liabilities
	Derivatives $M	Available-for-sale $M	Investments backing policy liabilities $M	Derivatives $M
Opening balance	200	36	105	(437)
New purchases	-	4	-	-
Disposals (sales)	-	(4)	(15)	-
Cash settlements	-	-	-	1
Transfers:				
Transfers into Level 3 category	-	1	-	-
Transfers out of Level 3 category	(31)	-	-	254
Fair value gain/(loss) recorded in other operating income in the income statement[2]	(34)	-	(4)	40
Fair value gain/(loss) recognised in reserves in equity	-	(1)	-	-
Closing balance	135	36	86	(142)

1. *There have been no significant transfers out of Level 3. The transfers into Level 3 relate principally to illiquid corporate bonds and asset backed securities where market activity has reduced, resulting in pricing to no longer be considered observable. Transfers into and out of Level 3 are deemed to have occurred as of the beginning of the reporting period in which the transfer occurred.*
2. *Relating to assets and liabilities that are held at the end of the period.*

(c) Sensitivity to Level 3 data inputs

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

Principal inputs used in the determination of fair value of financial instruments included in the structured credit portfolio include counterparty credit spreads, market-quoted CDS prices, recovery rates, default probabilities, correlation curves and other inputs, some of which may not be directly observable in the market. The potential effect of changing prevailing unobservable inputs to reasonably possible alternative assumptions for valuing those financial instruments could result in less than a (+/-) $5 million impact on profit. The ranges of reasonably possible alternative assumptions are established by application of professional judgement and analysis of the data available to support each assumption.

(d) Deferred fair value gains and losses

Where the fair value of a financial instrument at initial recognition is determined using unobservable data that is significant to the valuation of the instrument, the difference between the transaction price and the amount determined based on the valuation technique (day one gain or loss) is not immediately recognised in the income statement. Subsequently, the day one gain or loss is recognised in the income statement over the life of the transaction on a straight line basis or over the period until all inputs become observable.

The table below summarises the aggregate amount of day-one gains not yet recognised in the income statement and amounts which have been subsequently recognised.

	Half Year		
	Mar 15 $M	**Sep 14 $M**	**Mar 14 $M**
Opening balance	**3**	3	4
Deferral on new transactions	**-**	-	1
Amounts recognised in income statement during the period	**(1)**	-	(2)
Closing balance	**2**	3	3

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

15. Segment analysis

(i) Description of segments

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

During the March 2015 half, the Merchant Services and Commercial Credit Cards businesses were transferred out of the Cards and Payments business unit in Australia Retail and split between Australia C&CB and IIB based on customer ownership. Comparative information has been restated.

There have been no other major structure changes, however certain prior period comparatives have been restated to align with current period presentation resulting from minor changes to customer segmentation and the realignment of support functions.

(ii) Operating segments

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

	Half Year			Movement	
Segment Revenue	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Australia	**4,241**	4,192	4,001	1%	6%
International and Institutional Banking	**3,786**	3,483	3,622	9%	5%
New Zealand	**1,344**	1,277	1,243	5%	8%
Global Wealth	**850**	938	807	-9%	5%
GTSO and Group Centre	**(36)**	20	(5)	large	large
Subtotal	**10,185**	9,910	9,668	3%	5%
Other[1]	**45**	610	(134)	-93%	large
Group total	**10,230**	10,520	9,534	-3%	7%

1. *In evaluating the performance of the operating segments, certain items are removed from the operating segment results where they are not considered integral to the ongoing performance of the segment and are evaluated separately. These items are set out in part (iii) of this note (refer pages 85 to 92 for further analysis).*

	Half Year			Movement	
Segment Profit	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Australia	**1,602**	1,571	1,483	2%	8%
International and Institutional Banking	**1,459**	1,335	1,368	9%	7%
New Zealand	**566**	528	550	7%	3%
Global Wealth	**259**	308	234	-16%	11%
GTSO and Group Centre	**(210)**	(140)	(120)	50%	75%
Subtotal	**3,676**	3,602	3,515	2%	5%
Other[1]	**(170)**	277	(123)	large	38%
Group total	**3,506**	3,879	3,392	-10%	3%

1. *In evaluating the performance of the operating segments, certain items are removed from the operating segment results where they are not considered integral to the ongoing performance of the segment and are evaluated separately. These items are set out in part (iii) of this note (refer pages 85 to 92 for further analysis).*

	Half Year			Movement	
Segment Assets	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Australia	**300,527**	290,564	281,032	3%	7%
International and Institutional Banking	**405,057**	342,985	314,660	18%	29%
New Zealand	**101,310**	89,443	92,010	13%	10%
Global Wealth	**53,920**	50,469	49,803	7%	8%
GTSO and Group Centre	**(470)**	(1,209)	585	-61%	large
Subtotal	**860,344**	772,252	738,091	11%	17%
Other[2]	**(257)**	(160)	(276)	61%	-7%
Group total	**860,087**	772,092	737,815	11%	17%

2. *In evaluating the performance of the operating segments, certain items are removed from the operating segment where they are not considered integral to the ongoing performance of the segment.*

(iii) Other items

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

		Half Year			Movement	
Item gains/(losses)	**Related segment**	**Mar 15 $M**	**Sep 14 $M**	**Mar 14 $M**	**Mar 15 v. Sep 14**	**Mar 15 v. Mar 14**
Treasury shares adjustment	Global Wealth	**79**	(13)	37	large	large
Revaluation of policy liabilities	Global Wealth	**(67)**	(23)	(3)	large	large
Economic hedging	IIB	**(14)**	(150)	78	-91%	large
Revenue and net investment hedges	GTSO and Group Centre	**176**	(119)	18	large	large
Structured credit intermediation trades	IIB	**(4)**	28	(7)	large	-43%
Total profit after tax		**170**	(277)	123	large	38%

16. Note to the Cash Flow Statement

(i) Reconciliation of profit after income tax to net cash provided by/(used in) operating activities

	Half Year		
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	Mar 15 $M	Sep 14 $M	Mar 14 $M[1]
Profit after income tax	**3,506**	3,879	3,392
Adjustments to reconcile to net cash provided by/(used in) operating activities			
Provision for credit impairment	**494**	459	527
Depreciation and amortisation	**473**	429	410
(Profit)/loss on sale of businesses	**-**	(146)	-
(Profit)/loss on sale of premises and equipment	**-**	31	9
Net derivatives/foreign exchange adjustment	**9,684**	(1,496)	239
Equity settled share-based payments expense[2]	**(89)**	105	(78)
Other non-cash movements	**(300)**	(202)	(299)
Net (increase)/decrease in operating assets:			
Trading securities	**410**	(3,610)	(4,990)
Collateral paid	**(4,505)**	875	396
Net loans and advances	**(16,726)**	(14,079)	(21,075)
Investments backing policy liabilities	**(3,122)**	(564)	(1,238)
Interest receivable	**(31)**	(41)	(121)
Accrued income	**(44)**	45	(36)
Net tax assets	**(20)**	292	(474)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**30,583**	9,195	27,397
Settlement balances owed by ANZ	**(2,695)**	1,982	(624)
Collateral received	**(1,364)**	1,505	(70)
Life insurance contract policy liabilities	**2,760**	1,127	1,020
Payables and other liabilities	**432**	563	347
Interest payable	**(55)**	565	263
Accrued expenses	**(32)**	-	(136)
Provisions including employee entitlements	**6**	(3)	(127)
Total adjustments	**15,859**	(2,968)	1,340
Net cash provided by/(used in) operating activities	**19,365**	911	4,732

1. *During the second half of 2014, Net loans and advances with Financial Institution counterparties with original maturities of less than 90 days were removed from the definition of 'cash equivalents' and now form part of the cash flows from net loans and advances in operating activities. The March 2014 comparatives have been adjusted to reflect this change (refer to note 48 of the 2014 ANZ Annual Financial Statements for further information).*
2. *The equity settled share-based payments expense is net of on-market share purchases of $197 million (Sep 14 half: nil; Mar 14 half: $188 million) used to satisfy the obligation.*

(ii) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the period as shown in the Cash Flow Statement are reflected in the related items in the Balance Sheet as follows:

	As at		
	Mar 15 $M	Sep 14 $M	Mar 14 $M
Cash	**46,004**	32,559	33,651
Settlement balances owed to ANZ	**19,458**	15,670	12,202
	65,462	48,229	45,853

(iii) Non-cash financing and investing activities

	Half Year		
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Share capital issues	Mar 15 $M	Sep 14 $M	Mar 14 $M
Dividends satisfied by share issue	**257**	375	476
Dividends satisfied by bonus share issue	**41**	39	42
	298	414	518

17. Changes in composition of the Group

There were no material entities acquired or disposed of during the half year ended 31 March 2015.

18. Investments in Associates

	Half Year			Movement	
	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 v. Sep 14	Mar 15 v. Mar 14
Share of associates' profit	**314**	270	247	16%	27%

Contributions to profit[1]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 15 $M	Sep 14 $M	Mar 14 $M	Mar 15 %	Sep 14 %	Mar 14 %
P.T. Bank Pan Indonesia	**35**	46	40	**39**	39	39
Bank of Tianjin[2]	**80**	39	56	**14**	14	14
AMMB Holdings Berhad	**77**	88	67	**24**	24	24
Shanghai Rural Commercial Bank	**106**	74	68	**20**	20	20
Other associates	**16**	23	16	**n/a**	n/a	n/a
Share of associates' profit	**314**	270	247			

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

2. Significant influence was established via representation on the Board of Directors.

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 43 of the 2014 ANZ Annual Financial Statements for a description of contingent liabilities and contingent assets as at 30 September 2014. A summary of some of those contingent liabilities and a new contingent liability that has arisen in the current reporting period is set out below.

- **Bank fees litigation**

  Litigation funder IMF Bentham Limited commenced a class action against ANZ in 2010, followed by a second similar class action in March 2013. Together the class actions are claimed to be on behalf of more than 40,000 ANZ customers. The customers currently involved in these class actions are only part of ANZ's customer base for credit cards and transaction accounts.

  The applicants contended that the relevant exception fees (honour, dishonour and non-payment fees on transaction accounts and late payment and overlimit fees on credit cards) were unenforceable penalties (at law and in equity) and that various of the fees were also unenforceable under statutory provisions governing unconscionable conduct, unfair contract terms and unjust transactions.

  On 8 April 2015, the Full Federal Court delivered judgment in respect of appeals by both parties in the second class action. The Full Federal Court found in ANZ's favour in respect of all fees subject to appeal (in relation to both the penalty and statutory claims). IMF Bentham Limited has indicated that it intends to seek special leave to appeal the decision to the High Court of Australia. In the meantime, the first class action is in abeyance.

  In August 2014, IMF Bentham Limited commenced a separate class action against ANZ for late payment fees charged to ANZ customers in respect of commercial credit cards and other ANZ products (at this stage not specified). The action is expressed to apply to all relevant customers, rather than being limited to those who have signed up with IMF Bentham Limited. The action is at an early stage and has been put on hold.

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

- **ASIC review of interbank BBSW rate trading**

  On 19 November 2014, ANZ announced that in light of an investigation by the Australian Securities and Investments Commission (ASIC) into historic trading practices in the Australian interbank market known as the Bank Bill Swap Rate (BBSW) market, ANZ was taking the precaution of having seven staff involved in markets trading step down pending ANZ's own internal review. Since mid-2012 ASIC has been undertaking inquiries in relation to the BBSW rate process. ASIC's inquiries are ongoing and the range of potential outcomes from these inquiries include civil and criminal penalties and other actions under the relevant legislation.

- **Security recovery actions**

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

There is a risk that contingent liabilities described in Note 43 of the 2014 ANZ Annual Financial Statements and above may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

20. Related party disclosure

There have been no significant changes to the arrangements with related parties.

21. Significant events since balance date

On 8 April 2015, the Full Federal Court delivered judgment in respect of appeals by both parties in the class action litigation brought by IMF Bentham Limited in March 2013. Refer to Note 19 for further details.

On 4 May 2015, the Group announced its intention to sell the Esanda dealer finance business (representing approximately $8.3 billion in lending assets).

Other than the matters above, there have been no significant events from 31 March 2015 to the date of signing of this report.

Directors' Declaration

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

1. in the Directors' opinion the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements are in accordance with the Corporations Act 2001, including:
   - section 304, that they comply with the Australian Accounting Standards and any further requirements of the Corporations Regulations 2001; and
   - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2015 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

Michael R P Smith, OBE
Director

4 May 2015

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

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

the Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements for the half year ended 31 March 2015 and Directors' Report (including matters included by reference) and Directors' Declaration as set out on pages 94 to 124 as well as the additional information on pages 139 to 140 includes a fair review of:

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

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

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Michael R P Smith, OBE
Director

4 May 2015

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

Report on the condensed consolidated financial statements

We have reviewed the accompanying half year condensed consolidated financial statements of Australia and New Zealand Banking Group Limited (the "Company") which comprises the condensed consolidated balance sheet as at 31 March 2015, 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 21 comprising a basis of preparation and other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the half year condensed consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express a conclusion on the half year condensed consolidated financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year condensed consolidated financial statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 March 2015 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 March 2015 and of its performance for the half year ended on that date; and

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

KPMG

Melbourne, Australia

4 May 2015

Andrew Yates
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 2015, there have been:

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

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

KPMG

Melbourne, Australia
4 May 2015

Andrew Yates
Partner