CONTENTS	*PAGE*

The Directors present their report on the Condensed Consolidated Financial Statements for the half year ended 31 March 2017.

Directors

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

Mr DM Gonski, AC	Chairman
Mr SC Elliott	Director and Chief Executive Officer
Ms IR Atlas	Director
Ms PJ Dwyer	Director
Ms SJ Halton, AO, PSM	Director, appointed 21 October 2016
Mr Lee Hsien Yang	Director
Mr GR Liebelt	Director
Mr IJ Macfarlane, AC	Director, retired on 16 December 2016
Mr JT Macfarlane	Director

Result

The consolidated profit attributable to shareholders of the Company was $2,911 million. Further details are contained in Group Results on pages 17 to 41 which forms part of this report, and in the Condensed Consolidated Financial Statements.

Review of operations

A review of the operations of the Group during the half year and the results of those operations are contained in the Group Results on pages 17 to 41 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 103 which forms part of this report.

Rounding of amounts

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

Significant events since balance date

On 21 April 2017, the Group announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business in Vietnam included approximately $320 million in lending assets and $800 million in deposits as at 31 March 2017. The premium to book value for the sale is not material to the ANZ Group. The transaction is expected to be completed by the end of 2017.

Other than the matter above, there have been no significant events from 31 March 2017 to the date of signing of this report.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

1 May 2017

Australia and New Zealand Banking Group Limited

		Half Year			Movement	
	Note	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Interest income		**14,426**	14,861	15,090	-3%	-4%
Interest expense		**(7,010)**	(7,334)	(7,522)	-4%	-7%
Net interest income	2	**7,416**	7,527	7,568	-1%	-2%
Other operating income[1]	2	**1,711**	1,598	1,548	7%	11%
Net funds management and insurance income	2	**696**	907	857	-23%	-19%
Share of associates' profit	2,17	**173**	240	301	-28%	-43%
Operating income		**9,996**	10,272	10,274	-3%	-3%
Operating expenses[1]	3	**(4,731)**	(4,951)	(5,488)	-4%	-14%
Profit before credit impairment and income tax		**5,265**	5,321	4,786	-1%	10%
Credit impairment charge	9	**(719)**	(1,025)	(904)	-30%	-20%
Profit before income tax		**4,546**	4,296	3,882	6%	17%
Income tax expense	4	**(1,627)**	(1,318)	(1,140)	23%	43%
Profit for the period		**2,919**	2,978	2,742	-2%	6%
Comprising:						
Profit attributable to non-controlling interests		**8**	7	4	14%	100%
Profit attributable to shareholders of the Company		**2,911**	2,971	2,738	-2%	6%
Earnings per ordinary share (cents)						
Basic	6	**100.2**	102.6	94.8	-2%	6%
Diluted	6	**96.7**	98.3	89.7	-2%	8%
Dividend per ordinary share (cents)	5	**80**	80	80	0%	0%

1. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated (Sep16 half: $8 million; Mar16 half: $9 million).*

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Profit for the period	**2,919**	2,978	2,742	-2%	6%
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss	**20**	(73)	5	large	large
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
Exchange differences taken to equity[1]	**(689)**	559	(1,015)	large	-32%
Exchange differences transferred to income statement	**-**	-	(126)	n/a	-100%
Other reserve movements	**(263)**	117	(56)	large	large
Share of associates' other comprehensive income[2]	**2**	10	(6)	-80%	large
Other comprehensive income net of tax	**(930)**	613	(1,198)	large	-22%
Total comprehensive income for the period	**1,989**	3,591	1,544	-45%	29%
Comprising total comprehensive income attributable to:					
Non-controlling interests	**9**	8	(4)	13%	large
Shareholders of the Company	**1,980**	3,583	1,548	-45%	28%

1. *Includes foreign currency translation differences attributable to non-controlling interests of $1 million gain (Sep 16 half: $1 million gain; Mar 16 half: $8 million loss).*
2. *Share of associates' other comprehensive income includes an available for sale revaluation reserve loss of $4 million (Sep 16 half: $21 million gain; Mar 16 half: $11 million loss) and a foreign currency translation reserve gain of $6 million (Sep 16 half: $5 million loss; Mar 16 half: $5 million gain) that may be reclassified subsequently to profit or loss, and the remeasurement of defined benefit plans of $nil (Sep 16 half: $6 million loss; Mar 16 half: nil) that will not be reclassified subsequently to profit or loss.*

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at			Movement	
Assets	**Note**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Cash		**56,419**	48,675	49,144	16%	15%
Settlement balances owed to ANZ		**21,696**	21,951	26,048	-1%	-17%
Collateral paid		**11,179**	12,723	12,783	-12%	-13%
Trading securities		**44,085**	47,188	50,073	-7%	-12%
Derivative financial instruments		**63,882**	87,496	88,747	-27%	-28%
Available for sale assets		**64,685**	63,113	50,377	2%	28%
Net loans and advances	8	**564,035**	575,852	561,768	-2%	0%
Regulatory deposits		**2,154**	2,296	2,135	-6%	1%
Assets held for sale	11	**14,145**	-	-	n/a	n/a
Investment in associates		**2,286**	4,272	4,213	-46%	-46%
Current tax assets		**242**	126	289	92%	-16%
Deferred tax assets		**572**	623	578	-8%	-1%
Goodwill and other intangible assets		**7,053**	7,672	7,585	-8%	-7%
Investments backing policy liabilities		**37,602**	35,656	34,541	5%	9%
Premises and equipment		**1,979**	2,205	2,188	-10%	-10%
Other Assets		**4,497**	5,021	4,809	-10%	-6%
Total assets		**896,511**	914,869	895,278	-2%	0%
Liabilities						
Settlement balances owed by ANZ		**9,736**	10,625	13,626	-8%	-29%
Collateral received		**5,189**	6,386	6,615	-19%	-22%
Deposits and other borrowings	10	**581,407**	588,195	578,071	-1%	1%
Derivative financial instruments		**65,050**	88,725	91,706	-27%	-29%
Current tax liabilities		**185**	188	129	-2%	43%
Deferred tax liabilities		**224**	227	286	-1%	-22%
Liabilities held for sale	11	**17,166**	-	-	n/a	n/a
Policy liabilities		**37,111**	36,145	35,159	3%	6%
External unit holder liabilities (life insurance funds)		**4,227**	3,333	3,265	27%	29%
Provisions		**1,179**	1,209	1,202	-2%	-2%
Payables and other liabilities		**8,054**	8,865	9,251	-9%	-13%
Debt issuances		**88,778**	91,080	81,947	-3%	8%
Subordinated debt	12	**20,297**	21,964	17,557	-8%	16%
Total liabilities		**838,603**	856,942	838,814	-2%	0%
Net assets		**57,908**	57,927	56,464	0%	3%
Shareholders' equity						
Ordinary share capital		**29,036**	28,765	28,625	1%	1%
Reserves		**115**	1,078	377	-89%	-69%
Retained earnings		**28,640**	27,975	27,361	2%	5%
Share capital and reserves attributable to shareholders of the Company	15	**57,791**	57,818	56,363	0%	3%
Non-controlling interests	15	**117**	109	101	7%	16%
Total shareholders' equity	15	**57,908**	57,927	56,464	0%	3%

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Half Year		
	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
	Mar 17 $M	Sep 16 $M	Mar 16 $M
Profit after income tax	**2,911**	2,971	2,738
Adjustments to reconcile to net cash provided by/(used in) operating activities			
Provision for credit impairment	**719**	1,025	904
Depreciation and amortisation	**504**	465	1,010
(Profit)/loss on sale of premises and equipment	**(114)**	6	(10)
Net derivatives/foreign exchange adjustment	**(1,576)**	(1,691)	257
Impairment of investment in AmBank	**-**	-	260
Profit on Esanda Dealer Finance divestment	**-**	-	(66)
Reclassification of SRCB to held for sale	**230**	-	-
Reclassification of Asia Retail & Wealth to held for sale	**324**	-	-
Other non-cash movements	**(85)**	(106)	(232)
Net (increase)/decrease in operating assets:			
Trading securities	**4,075**	2,492	(2,160)
Collateral paid	**1,468**	279	(3,462)
Net loans and advances	**(6,414)**	(8,357)	(6,440)
Investments backing policy liabilities	**(1,450)**	(1,678)	(384)
Other assets	**50**	215	(656)
Net increase/(decrease) in operating liabilities:			
Deposits and other borrowings	**16,089**	2,845	20,283
Settlement balances owed by ANZ	**(831)**	(3,106)	2,517
Collateral received	**(1,174)**	(283)	(744)
Life insurance contract policy liabilities	**1,436**	1,566	355
Other liabilities	**(1,002)**	2,763	(2,735)
Total adjustments	**12,249**	(3,565)	8,697
Net cash provided by/(used in) operating activities[1]	**15,160**	(594)	11,435
Cash flows from investing activities			
Available for sale assets			
Purchases	**(14,495)**	(22,696)	(21,486)
Proceeds from sale or maturity	**12,527**	10,288	13,457
Premises and equipment			
Purchases	**(117)**	(151)	(186)
Proceeds from sale	**271**	(20)	37
Esanda Dealer Finance divestment	**-**	-	6,682
Other assets	**98**	(640)	305
Net cash (used in) investing activities	**(1,716)**	(13,219)	(1,191)
Cash flows from financing activities			
Debt issuances			
Issue proceeds	**15,371**	18,593	10,611
Redemptions	**(15,045)**	(11,143)	(16,816)
Subordinated debt			
Issue proceeds	**-**	5,234	943
Redemptions	**(1,069)**	(900)	-
Dividends paid	**(2,087)**	(2,079)	(2,485)
Net cash (used in) / provided by financing activities	**(2,830)**	9,705	(7,747)
Net increase in cash and cash equivalents	**10,614**	(4,108)	2,497
Cash and cash equivalents at beginning of period	**66,220**	68,711	69,278
Effects of exchange rate changes on cash and cash equivalents	**(1,649)**	1,617	(3,064)
Cash and cash equivalents at end of period	**75,185**	66,220	68,711
Cash and cash equivalents is reflected in the related items in the Balance Sheet as follows:			
Cash	**56,419**	48,675	49,144
Settlement balances owed to ANZ	**18,766**	17,545	19,567

1. Net cash provided by/(used in) operating activities includes income taxes paid of $1,497 million (Sep 16: $1,285 million; Mar 16 $1,555 million).

The notes appearing on pages 80 to 101 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital	Reserves	Retained earnings	Share capital and reserves attributable to shareholders of the Company	Non-controlling interests	Total Shareholders' equity
	$M	$M	$M	$M	$M	$M
As at 1 October 2015	28,367	1,571	27,309	**57,247**	106	**57,353**
Profit or loss	-	-	2,738	**2,738**	4	**2,742**
Other comprehensive income for the period	-	(1,195)	5	**(1,190)**	(8)	**(1,198)**
Total comprehensive income for the period	-	(1,195)	2,743	**1,548**	(4)	**1,544**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,711)	**(2,711)**	(1)	**(2,712)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Dividend reinvestment plan	215	-	-	**215**	-	**215**
Other equity movements:						
Treasury shares Wealth adjustment	(13)	-	-	**(13)**	-	**(13)**
Other items	56	1	8	**65**	-	**65**
As at 31 March 2016	28,625	377	27,361	**56,363**	101	**56,464**
Profit or loss	-	-	2,971	**2,971**	7	**2,978**
Other comprehensive income for the period	-	691	(79)	**612**	1	**613**
Total comprehensive income for the period	-	691	2,892	**3,583**	8	**3,591**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,290)	**(2,290)**	-	**(2,290)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	**12**	-	**12**
Dividend reinvestment plan	198	-	-	**198**	-	**198**
Other equity movements:						
Treasury shares Wealth adjustment	(140)	-	-	**(140)**	-	**(140)**
Other items	82	10	-	**92**	-	**92**
As at 30 September 2016	28,765	1,078	27,975	**57,818**	109	**57,927**
Profit or loss	-	-	2,911	**2,911**	8	**2,919**
Other comprehensive income for the period	-	(951)	20	**(931)**	1	**(930)**
Total comprehensive income for the period	-	(951)	2,931	**1,980**	9	**1,989**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,300)	**(2,300)**	(1)	**(2,301)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	14	**14**	-	**14**
Dividend reinvestment plan	199	-	-	**199**	-	**199**
Other equity movements:						
Treasury shares Wealth adjustment	71	-	-	**71**	-	**71**
Other items	1	(12)	20	**9**	-	**9**
As at 31 March 2017	**29,036**	**115**	**28,640**	**57,791**	**117**	**57,908**

The notes appearing on pages 80 to 101 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 2016 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the half year ended 31 March 2017 in accordance with the continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules;
- do not include all notes of the type normally included in ANZ's Annual Financial Statements;
- are presented in Australian dollars unless otherwise stated; and
- were approved by the Board of Directors on 1 May 2017.

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

Except as outlined below, 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 2016 ANZ Annual Financial Statements.

Held for Sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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;
- assets and liabilities designated at fair value through profit and loss; and
- assets and liabilities held for sale (except those at carrying value as per note (ii)).

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 2016 Annual Financial Statements. Such estimates and judgements are reviewed on an ongoing basis.

At 31 March 2017, the impairment assessment of non-lending assets identified that two of the Group's associate investments (AMMB Holdings Berhad (AmBank) and PT Bank Pan Indonesia (PT Panin) had indicators of impairment. Although their market value (based on share price) was below their carrying value, no impairment was recognised as the carrying value was supported by their value in use (VIU).

The VIU calculation is sensitive to a number of key assumptions, including discount rate, long term growth rates, future profitability and capital levels. The key assumptions used in the value in use calculations are outlined below:

	As at 31 Mar 17	
	AmBank	**PT Panin**
Pre-tax discount rate	9.5%	13.4%
Terminal growth rate	5.0%	6.0%
Expected NPAT growth (compound annual growth rate – 5 years)	5.3%	9.6%
Core equity tier 1 ratio	10% to 12.6%	11.3%

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 Corporations Instrument 2016/191.

vi) 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 ('AASB 9')

The Australian Accounting Standards Board (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.

The Group early adopted, in isolation, the part of AASB 9 relating to gains and losses attributable to changes in own credit risk of financial liabilities designated as fair value through profit or loss effective from 1 October 2013.

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

The AASB issued the final version of AASB 15 in December 2014. The standard is not mandatorily effective for the Group until 1 October 2018. 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.

AASB 16 Leases ('AASB 16')

The AASB issued the final version of AASB 16 in February 2016. The standard is not mandatorily effective for the Group until 1 October 2019. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

2. Income

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Interest income	**14,426**	14,861	15,090	-3%	-4%
Interest expense	**(7,010)**	(7,334)	(7,522)	-4%	-7%
Net interest income	**7,416**	7,527	7,568	-1%	-2%
i) Fee and commission income					
Lending fees[1]	**369**	388	391	-5%	-6%
Non-lending fees and commissions[2]	**1,518**	1,468	1,460	3%	4%
Total fee and commission income	**1,887**	1,856	1,851	2%	2%
Fee and commission expense[3]	**(661)**	(588)	(574)	12%	15%
Net fee and commission income[3]	**1,226**	1,268	1,277	-3%	-4%
ii) Net funds management and insurance income					
Funds management income	**472**	486	446	-3%	6%
Investment income	**1,608**	1,880	470	-14%	large
Insurance premium income	**812**	782	780	4%	4%
Commission (expense)	**(260)**	(265)	(192)	-2%	35%
Claims	**(380)**	(376)	(358)	1%	6%
Changes in policy liabilities[4]	**(1,474)**	(1,520)	(323)	-3%	large
Elimination of treasury share (gain)/loss	**(82)**	(80)	34	3%	large
Total net funds management and insurance income	**696**	907	857	-23%	-19%
iii) Share of associates' profit	**173**	240	301	-28%	-43%
iv) Other income					
Net foreign exchange earnings and other financial instruments income	**867**	502	365	73%	large
Impairment of AmBank	**-**	-	(260)	n/a	-100%
Gain on cessation of equity accounting of investment in Bank of Tianjin (BoT)	**-**	-	29	n/a	-100%
Gain on the Esanda Dealer Finance divestment	**-**	-	66	n/a	-100%
Derivative CVA methodology change	**-**	(237)	-	-100%	n/a
Reclassification of Asia Retail & Wealth to held for sale	**(324)**	-	-	n/a	n/a
Gain on sale of 100 Queen Street, Melbourne	**114**	-	-	n/a	n/a
Reclassification of SRCB to held for sale	**(230)**	-	-	n/a	n/a
Other[5]	**58**	65	71	-11%	-18%
Total other income[6]	**485**	330	271	47%	79%
Total other operating income[7]	**2,580**	2,745	2,706	-6%	-5%
Total income	**17,006**	17,606	17,796	-3%	-4%

1. *Lending fees exclude fees treated as part of the effective yield calculation in interest income.*
2. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from other operating income to operating expenses to more accurately reflect the nature of these items. Comparatives have been restated accordingly (Sep 16 half: $8 million; Mar 16 half: $9 million).*
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. *Other includes Brokerage income that was presented as a separate category for 2016 financial reporting.*
6. *Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit and loss.*
7. *Total other operating income includes external dividend income of nil (Sep 16 half: $27.3 million; Mar 16 half: nil).*

3. Operating expenses

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Personnel					
Salaries and related costs	**2,329**	2,412	2,467	-3%	-6%
Superannuation costs	**163**	168	169	-3%	-4%
Other	**156**	160	165	-3%	-5%
Total personnel expenses	**2,648**	2,740	2,801	-3%	-5%
Premises					
Rent	**248**	240	245	3%	1%
Other	**209**	230	213	-9%	-2%
Total premises expenses	**457**	470	458	-3%	0%
Technology					
Depreciation and amortisation[1]	**376**	328	870	15%	-57%
Licences and outsourced services[2]	**303**	330	284	-8%	7%
Other	**152**	176	179	-14%	-15%
Total technology expenses	**831**	834	1,333	0%	-38%
Restructuring	**36**	140	138	-74%	-74%
Other					
Advertising and public relations	**123**	129	132	-5%	-7%
Professional fees	**189**	227	186	-17%	2%
Freight, stationery, postage and telephone	**132**	142	135	-7%	-2%
Other	**315**	269	305	17%	3%
Total other expenses	**759**	767	758	-1%	0%
Total operating expenses	**4,731**	4,951	5,488	-4%	-14%

1. *The March 2016 half includes a $556 million charge for accelerated amortisation associated with software capitalisation policy changes.*
2. *In the March 2017 half, a change was made to the classification of certain fees payable. These items have been reclassified from operating income to other operating expenses to more accurately reflect the nature of these items. Comparatives have been restated accordingly (Sep 16 half: $8 million; Mar 16 half: $9 million).*

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 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Profit before income tax	**4,546**	4,296	3,882	6%	17%
Prima facie income tax expense at 30%	**1,364**	1,288	1,165	6%	17%
Tax effect of permanent differences:					
Overseas tax rate differential	**(5)**	(20)	(25)	-75%	-80%
Share of associates' profit	**(52)**	(72)	(90)	-28%	-42%
Wealth Australia - policyholders income and contributions tax	**113**	129	23	-12%	large
Write down of investment in AmBank	**-**	-	78	n/a	-100%
Reclassification of SRCB to held for sale	**156**	-	-	n/a	n/a
Gain on cessation of equity accounting for BoT	**-**	-	(9)	n/a	-100%
Tax provisions no longer required	**-**	(43)	(28)	-100%	-100%
Interest on Convertible Instruments	**35**	35	35	0%	0%
Other	**17**	14	1	21%	large
	1,628	1,331	1,150	22%	42%
Income tax under/(over) provided in previous years	**(1)**	(13)	(10)	-92%	-90%
Total income tax expense charged in the income statement	**1,627**	1,318	1,140	23%	43%
Australia	**1,190**	953	799	25%	49%
Overseas	**437**	365	341	20%	28%
	1,627	1,318	1,140	23%	43%
Effective Tax Rate - Group	**35.8%**	30.7%	29.4%		

5. Dividends

	Half Year			Movement	
Dividend per ordinary share (cents)	**Mar 17**	**Sep 16**	**Mar 16**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Interim (fully franked)	**80**	-	80	n/a	0%
Final (fully franked)	**-**	80	-	n/a	n/a
Total	**80**	80	80	0%	0%
Ordinary share dividend ($M)[1]					
Interim dividend	**-**	2,334	-	n/a	n/a
Final dividend	**2,342**	-	2,758	n/a	-15%
Bonus option plan adjustment	**(42)**	(44)	(47)	-5%	-11%
Total	**2,300**	2,290	2,711	0%	-15%
Ordinary share dividend payout ratio (%)[2]	**80.7%**	78.8%	85.2%		

1. *Dividends paid to ordinary equity holders of the Company. Excludes dividends paid by subsidiaries of the Group to non-controlling equity holders for the March 2017 half of $1.3 million (Sep 16 half: nil; Mar 16 half: $1.4 million).*
2. *Dividend payout ratio is calculated using the proposed 2017 interim dividend of $2,349 million (not shown in the above table). The proposed 2017 interim dividend of $2,349 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September and March 2016 half year are calculated using actual dividends paid of $2,342 million and $2,334 million respectively.*

Ordinary Shares

The Directors propose that an interim dividend of 80 cents be paid on each eligible fully paid ANZ ordinary share on 3 July 2017. The proposed 2017 interim dividend will be fully franked for Australian tax purposes, and New Zealand imputation credits of NZ 9 cents per ordinary share will also be attached.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2017 interim dividend. For the 2017 interim dividend, ANZ intends to neutralise shares issued under the DRP by acquiring an equivalent number of shares on market (as approved by APRA). 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 12 May 2017, 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 2017 interim dividend must be received by ANZ's Share Registrar by 5.00pm (Australian Eastern Standard Time) on 10 May 2017.

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 12 May 2017.

6. Earnings per share

	Half Year			Movement	
	Mar 17	**Sep 16**	**Mar 16**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Earnings reconciliation					
Profit for the period ($M)	**2,919**	2,978	2,742	-2%	6%
Less: profit attributable to non-controlling interests ($M)	**8**	7	4	14%	100%
Earnings used in calculating basic earnings per share ($M)	**2,911**	2,971	2,738	-2%	6%
Weighted average number of ordinary shares (M)[1]	**2,906.6**	2,894.7	2,889.3	0%	1%
Basic earnings per share (cents)	**100.2**	102.6	94.8	-2%	6%
Earnings reconciliation					
Earnings used in calculating basic earnings per share ($M)	**2,911**	2,971	2,738	-2%	6%
Add: interest on convertible subordinated debt ($M)	**148**	150	147	-1%	1%
Earnings used in calculating diluted earnings per share ($M)	**3,059**	3,121	2,885	-2%	6%
Weighted average number of shares on issue[1]					
Shares used in calculating basic earnings per share (M)	**2,906.6**	2,894.7	2,889.3	0%	1%
Add: Weighted average dilutive potential ordinary shares (M)					
Convertible subordinated debt (M)	**247.1**	274.3	321.2	-10%	-23%
Share based payments (options, rights and deferred shares) (M)	**10.0**	6.7	6.9	49%	45%
Adjusted weighted average number of shares - diluted (M)	**3,163.7**	3,175.7	3,217.4	0%	-2%
Diluted earnings per share (cents)	**96.7**	98.3	89.7	-2%	8%

1. *Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST and Wealth Australia as summarised in the table below:*

	Mar 17 (Million)	*Sep 16 (Million)*	*Mar 16 (Million)*
ANZEST Pty Ltd	*8.8*	*10.9*	*10.7*
Wealth Australia	*17.1*	*16.9*	*12.1*
Total treasury shares	*25.9*	*27.8*	*22.8*

7. Segment analysis

(i) Description of segments

During the March 2017 half, the Group made changes to the Group's operating model for technology, operations and shared services to accelerate delivery of its technology and digital roadmap, bring operations closer to its customers and continue operational efficiency gains. As a result of these organisational changes, divisional operations from Technology, Services & Operations ("TSO") and Group Centre have been realigned to divisions. The residual TSO and Group Centre now contains Technology, Group Hubs, Enterprise Services and Group Property, and Group Centre. The Group operates on a divisional structure with six divisions: Australia, New Zealand, Institutional, Asia Retail & Pacific, Wealth Australia and Technology, Services and Operations and Group Centre. For further information on the composition of divisions refer to the Definitions on page 119.

Other than the changes described above, there have been no other significant structural changes in the March 2017 half. However, certain prior period comparatives have been restated to align with current period presentation. The divisions reported below are consistent with internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

(ii) Operating segments

	Half Year			Movement	
Operating Income	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia	**4,735**	4,722	4,686	0%	1%
Institutional	**2,945**	2,464	2,716	20%	8%
New Zealand	**1,577**	1,571	1,521	0%	4%
Wealth Australia	**544**	610	645	-11%	-16%
Asia Retail & Pacific[1]	**192**	582	594	-67%	-68%
TSO and Group Centre[2]	**310**	320	163	-3%	90%
Subtotal	**10,303**	10,269	10,325	0%	0%
Other[3]	**(307)**	3	(51)	large	large
Group total	**9,996**	10,272	10,274	-3%	-3%

	Half Year			Movement	
Profit	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia	**1,798**	1,778	1,769	1%	2%
Institutional	**1,021**	408	633	large	61%
New Zealand	**677**	622	646	9%	5%
Wealth Australia	**123**	157	167	-22%	-26%
Asia Retail & Pacific[1]	**(217)**	99	60	large	large
TSO and Group Centre[2]	**9**	43	(493)	-79%	large
Subtotal	**3,411**	3,107	2,782	10%	23%
Other[3]	**(500)**	(136)	(44)	large	large
Group total	**2,911**	2,971	2,738	-2%	6%

1. Includes $324 million of charges related to the reclassification of Asia Retail & Wealth businesses to held for sale in the March 2017 half.
2. Includes a $260 million impairment of the investment in AmBank, a $66 million gain on the Esanda Dealer Finance divestment, and the $29 million gain on cessation of equity accounting of BoT in the March 2016 half. The March 2017 half includes the $114 million gain on sale of 100 Queen Street, Melbourne.
3. In evaluating the performance of the operating divisions, certain items are removed from the operating division results where they are not considered integral to the ongoing performance of the segment and are evaluated separately.

(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 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Treasury shares adjustment	Wealth	**(76)**	(73)	29	4%	large
Revaluation of policy liabilities	Wealth	**(36)**	40	14	large	large
Economic hedges	Institutional, TSO and Group Centre	**(178)**	26	(128)	large	39%
Revenue hedges	TSO and Group Centre	**105**	(131)	39	large	large
Structured credit intermediation trades	Institutional	**1**	2	2	-50%	-50%
Reclassification of SRCB to held for sale	TSO and Group Centre	**(316)**	-	-	n/a	n/a
Total profit after tax		**(500)**	(136)	(44)	large	large

8. Net loans and advances

	As at			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Australia					
Overdrafts	**5,786**	6,248	6,175	-7%	-6%
Credit cards outstanding	**8,846**	8,864	8,872	0%	0%
Commercial bills outstanding	**9,232**	9,868	10,439	-6%	-12%
Term loans - housing	**255,721**	246,351	242,426	4%	5%
Term loans - non-housing	**123,464**	123,006	118,456	0%	4%
Lease receivables	**1,084**	1,158	1,255	-6%	-14%
Hire purchase contracts	**641**	829	957	-23%	-33%
Other	**415**	81	255	large	63%
Total Australia	**405,189**	396,405	388,835	2%	4%
Asia Pacific, Europe & America					
Overdrafts	**743**	825	1,175	-10%	-37%
Credit cards outstanding	**1,351**	1,396	1,446	-3%	-7%
Commercial bills outstanding	**2,065**	2,724	2,692	-24%	-23%
Term loans - housing	**6,501**	6,866	7,226	-5%	-10%
Term loans - non-housing	**50,066**	54,567	56,429	-8%	-11%
Lease receivables	**163**	232	254	-30%	-36%
Other	**320**	448	341	-29%	-6%
Total Asia Pacific, Europe & America	**61,209**	67,058	69,563	-9%	-12%
New Zealand					
Overdrafts	**1,158**	1,080	1,017	7%	14%
Credit cards outstanding	**1,503**	1,586	1,517	-5%	-1%
Term loans - housing	**68,592**	69,927	63,649	-2%	8%
Term loans - non-housing	**40,247**	41,625	39,003	-3%	3%
Lease receivables	**198**	215	206	-8%	-4%
Hire purchase contracts	**1,115**	1,048	901	6%	24%
Total New Zealand	**112,813**	115,481	106,293	-2%	6%
Sub-total	**579,211**	578,944	564,691	0%	3%
Unearned income	**(458)**	(544)	(596)	-16%	-23%
Capitalised brokerage/mortgage origination fees[1]	**1,040**	1,064	1,013	-2%	3%
Customer liability for acceptances	**565**	571	760	-1%	-26%
Gross loans and advances (including assets classified as held for sale)	**580,358**	580,035	565,868	0%	3%
Provision for credit impairment (refer to Note 9)	**(4,054)**	(4,183)	(4,100)	-3%	-1%
Net loans and advances (including assets classified as held for sale)	**576,304**	575,852	561,768	0%	3%
Net loans and advances held for sale (refer to Note 11)	**(12,269)**	-	-	n/a	n/a
Net loans and advances	**564,035**	575,852	561,768	-2%	0%

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

9. Provision for credit impairment

	Half Year			Movement	
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Individual provision					
Balance at start of period	**1,307**	1,238	1,061	6%	23%
New and increased provisions	**1,121**	1,308	1,137	-14%	-1%
Write-backs	**(221)**	(151)	(160)	46%	38%
Adjustment for exchange rate fluctuations and transfers	**(12)**	17	(26)	large	-54%
Discount unwind	**(24)**	(39)	(26)	-38%	-8%
Bad debts written-off	**(902)**	(1,066)	(656)	-15%	38%
Esanda Dealer Finance divestment	**-**	-	(92)	n/a	-100%
Total individual provision[2]	**1,269**	1,307	1,238	-3%	3%
Collective provision					
Balance at start of period	**2,876**	2,862	2,956	0%	-3%
Charge/(release) to income statement	**(67)**	(9)	26	large	large
Adjustment for exchange rate fluctuations and transfers	**(24)**	28	(47)	large	-49%
Esanda Dealer Finance divestment	**-**	(5)	(73)	-100%	-100%
Total collective provision[1,2]	**2,785**	2,876	2,862	-3%	-3%
Total provision for credit impairment	**4,054**	4,183	4,100	-3%	-1%

1. *The collective provision includes amounts for off-balance sheet credit exposures of $574 million as at 31 March 2017 (Sep 2016: $631 million; Mar 2016: $663 million). The impact on the income statement for the half year ended 31 March 2017 was a $46 million release (Sep 2016 half: $35 million release; Mar 2016 half: $3 million charge).*
2. *Includes credit impairment provisions related to assets held for sale as at 31 March 2017 (Individual provision $6 million; Collective provision $155 million).*

	Half Year			Movement	
Provision movement analysis	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
New and increased individual provisions	**1,121**	1,308	1,137	-14%	-1%
Write-backs	**(221)**	(151)	(160)	46%	38%
	900	1,157	977	-22%	-8%
Recoveries of amounts previously written-off	**(114)**	(123)	(99)	-7%	15%
Individual credit impairment charge	**786**	1,034	878	-24%	-10%
Collective credit impairment charge/(release)	**(67)**	(9)	26	large	large
Credit impairment charge	**719**	1,025	904	-30%	-20%

10. Deposits and other borrowings

	As at			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Australia					
Certificates of deposit	**51,875**	52,295	56,513	-1%	-8%
Term deposits	**72,471**	69,740	68,427	4%	6%
On demand and short term deposits	**179,928**	169,773	169,268	6%	6%
Deposits not bearing interest	**9,268**	8,729	8,116	6%	14%
Deposits from banks	**34,580**	34,368	24,532	1%	41%
Commercial paper	**6,786**	13,842	15,106	-51%	-55%
Securities sold under repurchase agreements	**3,244**	151	653	large	large
Total Australia	**358,152**	348,898	342,615	3%	5%
Asia Pacific, Europe & America					
Certificates of deposit	**4,629**	7,001	6,888	-34%	-33%
Term deposits	**90,449**	84,583	90,112	7%	0%
On demand and short term deposits	**23,468**	24,968	25,010	-6%	-6%
Deposits not bearing interest	**4,650**	4,745	4,586	-2%	1%
Deposits from banks	**24,401**	22,837	19,340	7%	26%
Commercial paper	**-**	393	1,045	-100%	-100%
Securities sold under repurchase agreements	**364**	330	495	10%	-26%
Total Asia Pacific, Europe & America	**147,961**	144,857	147,476	2%	0%
New Zealand					
Certificates of deposit	**924**	2,133	1,675	-57%	-45%
Term deposits	**40,236**	37,824	33,871	6%	19%
On demand and short term deposits	**38,762**	40,360	39,276	-4%	-1%
Deposits not bearing interest	**7,832**	7,418	6,552	6%	20%
Deposits from banks	**662**	73	127	large	large
Commercial paper	**2,696**	5,114	4,913	-47%	-45%
Borrowing corporation debt	**1,192**	1,518	1,566	-21%	-24%
Total New Zealand	**92,304**	94,440	87,980	-2%	5%
Total deposits and other borrowings (including liabilities classified as held for sale)	**598,417**	588,195	578,071	2%	4%
Deposits and other borrowings held for sale (refer to Note 11)	**(17,010)**	-	-	n/a	n/a
Total deposits and other borrowings	**581,407**	588,195	578,071	-1%	1%

11. Disposal groups held for sale

The Group announced the following strategic divestments in line with the Group's strategy to simplify the businesses and improve capital efficiency. Accordingly, they are presented as disposal groups held for sale.

- **Asia Retail & Wealth Businesses**

  On 31 October 2016, the Group announced that it had agreed to sell Retail and Wealth businesses in Singapore, Hong Kong, China, Taiwan and Indonesia to Singapore's DBS Bank. Subject to regulatory approval, the Group expects the sale to be completed in stages throughout 2017 and early 2018. This business is part of the Asia Retail and Pacific division.

- **UDC Finance**

  On 11 January 2017, the Group announced that it had agreed to sell UDC Finance to HNA Group. Completion is expected late in the second half of the 2017 calendar year. The sale is subject to closing steps and conditions including engaging with investors on the replacement of the Secured Investment program and regulatory approvals. This business is part of the New Zealand division.

- **Shanghai Rural Commercial Bank**

  On 3 January 2017, the Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB) to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited. This agreement will see COSCO and Sino-Poland Enterprise each acquire 10% of SRCB. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed by mid-2017. This business is part of the Technology, Services & Operations (TSO) and Group Centre division.

Impairment losses and other charges relating to the disposal group

During the March 2017 half, the Group recognised the following charges from the reclassification of assets and liabilities to held for sale:

- $324 million of charges relating to the sale of Group's Retail and Wealth businesses in Asia comprising of $225 million of software, goodwill and other assets impairment charges and $99 million of various other charges.
- $316 million of charges relating to the Group's investment in SRCB comprising of a $219 million impairment to the investment, $11 million of foreign exchange losses, and $86 million of tax expenses.

The net result of these disposals is included in 'Other income' (refer to Note 2 Income).

Assets and liabilities of disposal group held for sale

At 31 March 2017, the disposal groups held for sale comprised of the following assets and liabilities, which are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement.

	Asia Retail & Wealth Businesses $M	UDC Finance $M	Shanghai Rural Commercial Bank $M	Total $M
Net loans and advances	9,776	2,493	-	**12,269**
Investment in associates	-	-	1,735	**1,735**
Goodwill and other intangible assets	-	118	-	**118**
Other assets	-	23	-	**23**
Total assets held for sale	**9,776**	**2,634**	**1,735**	**14,145**
Customer deposits	15,818	1,192	-	**17,010**
Current tax liabilities	-	31	-	**31**
Payables and other liabilities	44	30	-	**74**
Provisions	50	1	-	**51**
Total liabilities held for sale	**15,912**	**1,254**	**-**	**17,166**

12. Subordinated debt

	Half Year			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Additional Tier 1 Capital[1]					
Convertible Preference Shares (ANZ CPS)					
ANZ CPS2[2]	**-**	1,068	1,969	-100%	-100%
ANZ CPS3[3]	**1,340**	1,340	1,338	0%	0%
ANZ Capital Notes (ANZ CN)					
ANZ CN1[4]	**1,116**	1,115	1,113	0%	0%
ANZ CN2[5]	**1,603**	1,602	1,600	0%	0%
ANZ CN3[6]	**962**	962	961	0%	0%
ANZ CN4[7]	**1,607**	1,604	-	0%	n/a
ANZ Capital Securities[8]	**1,218**	1,329	-	-8%	n/a
ANZ NZ Capital Notes[9]	**454**	473	446	-4%	2%
Tier 2 Capital[10]					
Perpetual subordinated notes	**1,156**	1,190	1,145	-3%	1%
Term subordinated notes	**10,841**	11,281	8,985	-4%	21%
Total subordinated debt	**20,297**	21,964	17,557	-8%	16%

1. *ANZ Capital Notes, ANZ Capital Securities and the ANZ NZ Capital Notes are Basel 3 compliant instruments. APRA has granted transitional capital treatment for ANZ CPS3 until 1 September 2019.*
2. *On 17 December 2009, ANZ issued convertible preference shares (CPS2). The CPS2, which were not reinvested into CN4, were bought back and cancelled on 15 December 2016.*
3. *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.*
4. *On 7 August 2013, ANZ issued capital notes (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.*
5. *On 31 March 2014, ANZ issued capital notes (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.*
6. *On 5 March 2015, ANZ acting through its New Zealand Branch issued capital notes (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.*
7. *On 27 September 2016, ANZ issued capital notes (CN4) which will convert into ANZ ordinary shares on 20 March 2026 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 20 March 2024 the notes are redeemable or convertible into ANZ ordinary shares (on similar terms to the mandatory conversion) by ANZ.*
8. *On 15 June 2016, ANZ acting through its London branch issued fully-paid perpetual subordinated contingent convertible securities (ANZ Capital Securities). If ANZ's Common Equity Tier 1 capital ratio is equal to or less than 5.125%, or ANZ receives a notice of non-viability from APRA, then the securities will immediately convert into ANZ ordinary shares at a 1% discount subject to a maximum conversion number. Subject to certain conditions, on the First Reset Date (15 June 2026) and each 5 year anniversary, ANZ has the right to redeem all of the securities at its discretion.*
9. *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.*
10. *The convertible dated subordinated notes are Basel 3 compliant instruments. 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 (December 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.*

13. Credit risk

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. 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 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Net loans and advances[1]	**576,304**	575,852	561,768	0%	3%
Other financial assets[2]	**265,526**	284,671	280,101	-7%	-5%
On-balance sheet sub total	**841,830**	860,523	841,869	-2%	0%
Undrawn facilities	**198,368**	207,410	219,086	-4%	-9%
Contingent facilities	**37,686**	37,779	38,750	0%	-3%
Off-balance sheet sub total	**236,054**	245,189	257,836	-4%	-8%
Total exposure to credit risk	**1,077,884**	1,105,712	1,099,705	-3%	-2%

1. Net loans and advances includes individual and collective provisions for credit impairment held in respect of credit related commitments.
2. Certain other financial assets totalling $39.2 billion (Sep 16 half: $38.0 billion; Mar 16 half: $37.1 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[1,2]		
	As at			As at			As at		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Neither past due nor impaired	**559,905**	561,092	545,953	**265,516**	284,657	280,082	**235,395**	244,448	257,099
Past due but not impaired	**15,397**	13,649	14,926	**-**	-	-	**-**	-	-
Restructured	**367**	403	226	**-**	-	-	**-**	-	-
Net impaired	**1,225**	1,368	1,355	**10**	14	19	**69**	81	45
Total	**576,894**	576,512	562,460	**265,526**	284,671	280,101	**235,464**	244,529	257,144

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[1]		
	As at			As at			As at		
	Mar 17 $M	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**
Strong credit profile[2]	**434,466**	432,049	419,296	**260,717**	279,747	275,339	**193,358**	200,510	211,147
Satisfactory risk[3]	**107,576**	110,861	109,110	**4,595**	4,567	4,525	**39,403**	41,500	42,913
Sub-standard but not past due or impaired[4]	**17,863**	18,182	17,547	**204**	343	218	**2,634**	2,438	3,039
Total	**559,905**	561,092	545,953	**265,516**	284,657	280,082	**235,395**	244,448	257,099

1. Comprises undrawn commitments and customer contingent liabilities net of collective provisions.
2. 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.
3. 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 "B1" and "BB" to "B+" of Moody's and Standard & Poor's respectively.
4. 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 "B2" to "Caa" and "B" to "CCC" of Moody's and Standard & Poor's respectively.

13. Credit Risk, 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 supporting collateral is sufficient to cover amounts outstanding.

	As at			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
1-29 days	**9,123**	7,966	8,868	15%	3%
30-59 days	**2,355**	1,910	2,292	23%	3%
60-89 days	**1,148**	1,070	1,193	7%	-4%
>90 days	**2,771**	2,703	2,573	3%	8%
Total	**15,397**	13,649	14,926	13%	3%

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 2016 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 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 $M	Sep 16 $M	Mar 16 $M
Derivative financial instruments[1]	**10**	14	19	**-**	-	-
Net loans and advances	**2,478**	2,646	2,564	**1,253**	1,278	1,209
Credit related commitments[2]	**85**	110	74	**16**	29	29
Total	**2,573**	2,770	2,657	**1,269**	1,307	1,238

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

	As at			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Less than $10 million	**1,724**	1,784	1,597	-3%	8%
$10 million to $100 million	**1,106**	899	970	23%	14%
Greater than $100 million	**110**	490	316	-78%	-65%
Gross impaired assets[1]	**2,940**	3,173	2,883	-7%	2%
Less: Individual provision for credit impairment	**(1,269)**	(1,307)	(1,238)	-3%	3%
Net impaired assets	**1,671**	1,866	1,645	-10%	2%

1. *Gross impaired assets includes $367 million of restructured items (Sep 16: $403 million; Mar 16: $226 million).*

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 classification of financial assets and financial liabilities and assets held for sale measured at fair value less cost to sell and, in respect of the fair value either recognised or disclosed, 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) Assets and 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 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 – Fair Value Measurement 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 with 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 debt instruments, and Investments backing policy liabilities, fair value measurements are derived by using modelled valuation 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 external unit holder's share of the net assets of the consolidated investment funds, which are carried at fair value. The fair value of policy liabilities, being liabilities of the insurance business is directly linked to the performance and value of the assets backing the liabilities. These liabilities are carried at fair value using observable inputs.
- For the non-financial instrument component of assets held for sale, the fair value has been derived from the agreed foreign currency sales price combined with the applicable foreign exchange rate less the costs to sell the Assets.

Further details of valuation techniques and significant unobservable inputs used in measuring fair values are described in (ii)(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 and assets held for sale measured at fair value less cost to sell 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. The fair value has been allocated in full to the category in the fair value hierarchy which most appropriately reflects the determination of the fair value.

	Fair value measurements			
As at March 2017	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Trading securities[1]	40,714	3,371	-	**44,085**
Derivative financial instruments	378	63,407	97	**63,882**
Available for sale assets[1]	58,353	6,111	221	**64,685**
Net loans and advances (measured at fair value)	-	314	18	**332**
Investments backing policy liabilities[1]	26,640	10,603	359	**37,602**
Assets held for sale[2]	-	1,735	-	**1,735**
Total	**126,085**	**85,541**	**695**	**212,321**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	2,771	-	**2,771**
Derivative financial instruments	600	64,352	98	**65,050**
Policy liabilities[3]	-	36,847	-	**36,847**
External unit holder liabilities (life insurance funds)	-	4,227	-	**4,227**
Payables and other liabilities[4]	2,001	126	-	**2,127**
Debt issuances (designated at fair value)	-	1,786	-	**1,786**
Total	**2,601**	**110,109**	**98**	**112,808**
As at September 2016				
Assets				
Trading securities	44,856	2,332	-	47,188
Derivative financial instruments	453	86,934	109	87,496
Available for sale assets	55,294	7,580	239	63,113
Net loans and advances (measured at fair value)	-	397	15	412
Investments backing policy liabilities	24,270	10,879	507	35,656
Total	**124,873**	**108,122**	**870**	**233,865**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	5,193	-	5,193
Derivative financial instruments	408	88,215	102	88,725
Policy liabilities[3]	-	35,955	-	35,955
External unit holder liabilities (life insurance funds)	-	3,333	-	3,333
Payables and other liabilities[4]	2,294	86	-	2,380
Debt issuances (designated at fair value)	-	2,192	-	2,192
Total	**2,702**	**134,974**	**102**	**137,778**
As at March 2016				
Assets				
Trading securities	46,988	3,080	5	50,073
Derivative financial instruments	519	88,143	85	88,747
Available for sale assets	43,262	6,819	296	50,377
Net loans and advances (designated at fair value)	-	574	14	588
Investments backing policy liabilities	17,550	16,473	518	34,541
Total	**108,319**	**115,089**	**918**	**224,326**
Liabilities				
Deposits and other borrowings (designated at fair value)	-	4,986	-	4,986
Derivative financial instruments	635	90,988	83	91,706
Policy liabilities[3]	-	34,854	-	34,854
External unit holder liabilities (life insurance funds)	-	3,265	-	3,265
Payables and other liabilities[4]	2,761	201	-	2,962
Debt issuances (designated at fair value)	-	2,823	-	2,823
Total	**3,396**	**137,117**	**83**	**140,596**

1. *During the period there were transfers from Level 1 to Level 2 of $621 million (Sep 2016: $50 million; Mar 2016: $599 million) following a reassessment of available pricing information. Of the total transfers $326 million (Sep 2016: $36 million; Mar 2016: $486 million) relates to Available for sale assets, $194 million (Sep 2016: $0 million; Mar 2016: $0 million) relates to Trading Securities and $101 million (Sep 2016: $14 million; Mar 2016: $113 million) relates to Investments backing policy liabilities. During the period there were no transfers from Level 2 to Level 1 and prior period transfers from Level 2 to Level 1 were insignificant.*
2. *The amount classified as assets held for sale relate to non-financial instruments required to be measured at fair value less costs to sell in accordance with AASB 5 - Non-current Assets Held for Sale and Discontinued Operations.*
3. *Policy liabilities relate to life investment contract liabilities only as these are designated at fair value through profit or loss.*
4. *Represents securities short sold.*

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

(a) Composition of Level 3 fair value measurements

There have been no significant changes in the composition of the balance of Level 3 instruments carried at fair value during the current or prior periods. Financial instruments which incorporate significant unobservable inputs primarily include Structured credit products relating to the structured credit intermediation trades where these trades are valued using complex models with certain inputs relating to the reference assets and derivative counterparties not being observable in the market, including credit spreads and default probabilities; Other derivative financial instruments including reverse mortgage swaps where the mortality rate cannot be observed; Asset backed securities and Illiquid corporate bonds where the effect on the fair value of issuer credit cannot be directly or indirectly observed in the market; and Investments in illiquid or suspended managed funds that are not currently redeemable.

(b) Movements in Level 3 fair value measurements

The movement in the Level 3 balances were not significant during the current or prior periods.

(c) Sensitivity to Level 3 data inputs

Where valuation techniques are employed and assumptions are required due to significant data inputs not being directly observable in the market place (Level 3 inputs), changing these assumptions changes the Group's estimate of the instrument's fair value. The majority of transactions in this category are 'back-to-back' in nature where the Group either acts as a financial intermediary or hedges the market risks. As a result, changes in the Level 3 inputs generally have a minimal impact on the income statement and net assets of the Group.

(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 Day 1 gains and losses deferred are not significant and predominately relate to derivative financial instruments. This is consistent with the low level of derivative transactions entered into by the Group which incorporate significant unobservable inputs.

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

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

	Carrying amount in the balance sheet			Fair Value
As at March 2017	**At amortised cost $M**	**At fair value $M**	**Total $M**	**$M**
Financial assets				
Net loans and advances[1, 2]	**575,972**	**332**	**576,304**	**576,650**
Financial liabilities				
Deposits and other borrowings[2]	595,646	2,771	**598,417**	598,654
Debt issuances[1]	86,992	1,786	**88,778**	89,566
Subordinated debt[1]	20,297	-	**20,297**	20,612
	702,935	**4,557**	**707,492**	**708,832**
As at September 2016				
Financial assets				
Net loans and advances[1]	575,440	412	575,852	576,636
Financial liabilities				
Deposits and other borrowings	583,002	5,193	588,195	588,613
Debt issuances[1]	88,888	2,192	91,080	91,600
Subordinated debt[1]	21,964	-	21,964	22,110
	693,854	**7,385**	**701,239**	**702,323**
As at March 2016				
Financial assets				
Net loans and advances[1]	561,180	588	561,768	562,545
Financial liabilities				
Deposits and other borrowings	573,085	4,986	578,071	578,432
Debt issuances[1]	79,124	2,823	81,947	81,842
Subordinated debt[1]	17,557	-	17,557	17,545
	669,766	**7,809**	**677,575**	**677,819**

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 original amortised cost.*
2. *Net loans and advances and deposits and other borrowings include amounts reclassified to assets and liabilities held for sale (refer to Note 11).*

15. Shareholders' equity

Issued and quoted securities

Ordinary share capital	**Half Year** Mar 17 No.	Sep 16 No.	Mar 16 No.
Closing balance	**2,936,037,009**	2,927,476,660	2,917,560,098
Issued during the period[1]	**8,560,349**	9,916,562	14,845,737

1. *The Company issued 8.6 million shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2016 final dividend (9.7 million shares for the 2016 interim dividend; 9.7 million shares for the 2015 final dividend) and nil shares to satisfy obligations under the Group's Employee share acquisition plans during the March 2017 half (Sep 16 half: 0.2 million shares; March 16 half: 5.1 million shares).*

	Half Year			**Movement**	
Shareholders' equity	**Mar 17 $M**	**Sep 16 $M**	**Mar 16 $M**	**Mar 17 v. Sep 16**	**Mar 17 v. Mar 16**
Ordinary share capital	**29,036**	28,765	28,625	1%	1%
Reserves					
Foreign currency translation reserve	(140)	544	(9)	large	large
Share option reserve	67	79	69	-15%	-3%
Available for sale revaluation reserve	31	149	101	-79%	-69%
Cash flow hedge reserve	180	329	239	-45%	-25%
Transactions with non-controlling interests reserve	(23)	(23)	(23)	0%	0%
Total reserves	115	1,078	377	-89%	-69%
Retained earnings	28,640	27,975	27,361	2%	5%
Share capital and reserves attributable to shareholders of the Company	**57,791**	57,818	56,363	0%	3%
Non-controlling interests	**117**	109	101	7%	16%
Total shareholders' equity	**57,908**	57,927	56,464	0%	3%

16. Changes in composition of the Group

There were no acquisitions or disposals of material controlled entities for the half year ended 31 March 2017.

17. Investments in Associates

	Half Year			Movement	
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 v. Sep 16	Mar 17 v. Mar 16
Share of associates' profit	**173**	240	301	-28%	-43%

Contributions to profit[1]	Contribution to Group profit after tax			Ownership interest held by Group		
Associates	Half Year			As at		
	Mar 17 $M	Sep 16 $M	Mar 16 $M	Mar 17 %	Sep 16 %	Mar 16 %
P.T. Bank Pan Indonesia	**50**	47	17	**39**	39	39
AMMB Holdings Berhad	**48**	51	43	**24**	24	24
Shanghai Rural Commercial Bank[2]	**58**	122	137	**20**	20	20
Bank of Tianjin (up to 30 March 2016)[3]	**-**	-	86	**12**	12	12
Other associates	**17**	20	18	**n/a**	n/a	n/a
Share of associates' profit	**173**	240	301			

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. *On 3 January 2017, the Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB) to China COSCO Shipping Corporation Limited and Shanghai Sino-Poland Enterprise Management Development Corporation Limited. The agreement states COSCO and Sino-Poland Enterprise will each acquire 10% of SRCB. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed in the September 2017 half. As a consequence, the Group ceased equity accounting for the investment in SRCB and commenced accounting for it as an asset held for sale.*
3. *On 30 March 2016, the Bank of Tianjin (BoT) completed a capital raising and initial public offering (IPO) on the Hong Kong Stock Exchange. As a result, the Group's equity interest reduced from 14% to 12% and the Group ceased equity accounting the investment due to losing the ability to appoint directors to the Board of BoT at this date. From 31 March 2016, the investment is classified as an available for sale asset.*

18. Related party disclosure

There have been no transactions with related parties that are significant to understanding the changes in financial position and performance of the Group since 30 September 2016.

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 41 of the 2016 ANZ Annual Financial Statements for a description of contingent liabilities and contingent assets as at 30 September 2016. A summary of some of those contingent liabilities, and new contingent liabilities that have arisen in the current reporting period, is set out below.

- **Bank fees litigation**

  A litigation funder commenced a class action against ANZ in 2010, followed by a second similar class action in March 2013. The applicants contended that certain exception fees (honour, dishonour and non-payment fees on transaction accounts and late payment and over-limit fees on credit cards) were unenforceable penalties and that various of the fees were also unenforceable under statutory provisions governing unconscionable conduct, unfair contract terms and unjust transactions. A further action, limited to late payment fees only, commenced in August 2014.

  The penalty and statutory claims in the March 2013 class action failed and the claims have been dismissed. The August 2014 action was discontinued in October 2016.

  The original claims in the 2010 class action have been dismissed. A new claim has been added to the 2010 class action, in relation to ANZ's entitlement to charge certain periodical payment fees. This new claim is at an early stage.

- **Benchmark/rate actions**

  In March 2016, ASIC commenced court proceedings against ANZ in respect of interbank trading and the bank bill swap rate (BBSW). ASIC is seeking declarations and civil penalties for alleged contraventions including alleged market manipulation, unconscionable conduct, misleading or deceptive conduct, and alleged breaches by ANZ of certain statutory obligations as a financial services licensee. ASIC has subsequently initiated similar proceedings against two other Australian banks. ASIC's case against ANZ concerns transactions in the Australian interbank BBSW market in the period from March 2010 to May 2012. ANZ is defending the proceedings. The potential civil penalty or other financial impact is uncertain.

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

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

- **Regulatory reviews and customer exposures**

  In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of these investigations and reviews can be wide ranging and, for example, currently include a range of matters including responsible lending practices, product suitability, wealth advice, conduct in financial markets and capital market transactions. During the year, ANZ has received various notices and requests for information from its regulators as part of both industry-wide and ANZ-specific reviews. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

- **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.

20. Subsequent events since balance date

On 21 April 2017, the Group announced it had entered into an agreement to sell its retail business in Vietnam to Shinhan Bank Vietnam. The retail business in Vietnam included approximately $320 million in lending assets and $800 million in deposits as at 31 March 2017. The premium to book value for the sale is not material to the ANZ Group. The transaction is expected to be completed by the end of 2017.

Other than the matter above, there have been no significant events from 31 March 2017 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 in the Corporations Regulations 2001; and
   - section 305, that they give a true and fair view of the financial position of the Group as at 31 March 2017 and of its performance for the half year ended on that date; and
2. in the Directors' opinion as at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

David M Gonski, AC
Chairman

Shayne C Elliott
Director

1 May 2017

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

Report on the half year Condensed Consolidated Financial Statements

Conclusion

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

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

i) giving a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the half year ended on that date; and
ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

The half year Condensed Consolidated Financial Statements comprise:

- the condensed consolidated balance sheet as at 31 March 2017;
- the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the half-year ended on 31 March 2017;
- Notes 1 to 20 comprising a basis of preparation and other explanatory information; and
- the Directors' Declaration.

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

Responsibilities of the Directors 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
- such internal control as the Directors determine is necessary to enable the preparation of the half year Condensed Consolidated Financial Statements that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the 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 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of 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.

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

KPMG
Melbourne
1 May 2017

Alison Kitchen
Partner

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

To the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Australia and New Zealand Banking Group Limited for the half-year ended 31 March 2017, 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
1 May 2017

Alison Kitchen
Partner