Supplemental Information Memorandum
Dated 27 October 2017

Australia and New Zealand Banking Group Limited

Australian Business Number 11 005 357 522
(Incorporated with limited liability in Australia and registered in the State of Victoria)
as Issuer

ANZ Bank New Zealand Limited

(incorporated with limited liability in New Zealand)
as Issuer and Guarantor of Notes issued by ANZ New Zealand (Int'l) Limited

ANZ New Zealand (Int'l) Limited

(incorporated with limited liability in New Zealand)
as Issuer

US$60,000,000,000

Euro Medium Term Note Programme

This is a supplement (the **"Supplement"**) to the information memorandum dated 16 May 2017, which relates to the US$60,000,000,000 Euro Medium Term Note Programme established by Australia and New Zealand Banking Group Limited ("**ANZBGL**") (as Issuer), ANZ Bank New Zealand Limited (**"ANZ New Zealand"**) (as Issuer and Guarantor of Notes issued by ANZ New Zealand (Int'l) Limited (**"ANZNIL"**)) and ANZNIL (as Issuer) (the ("**Programme**"), as supplemented by all supplements to the base prospectus of ANZBGL which relates to the Programme (which are deemed to be incorporated by reference into such information memorandum and include the supplementary prospectuses dated 22 May 2017, 20 June 2017, 19 July 2017, 15 August 2017 and 23 October 2017) (together, the "**Information Memorandum**").

The purpose of this Supplement is to incorporate by reference into the Information Memorandum the following:

- ANZBGL's unaudited annual condensed consolidated financial statements (including the notes thereto) for the year ended 30 September 2017, as set out on pages 81 to 100 of ANZBGL's Full Year 30 September 2017 Consolidated Financial Report, Dividend Announcement and Appendix 4E and in Annexure A;
- the section entitled "Capital Management" set out on pages 102 to 105 of ANZBGL's Full Year 30 September 2017 Consolidated Financial Report, Dividend Announcement and Appendix 4E and in Annexure B; and
- the sections entitled "Liquidity Risk", "Funding", "Capital Management", "Leverage Ratio" and "Other Regulatory Developments" set out on pages 40 to 47 of ANZBGL's Full Year 30 September 2017 Consolidated Financial Report, Dividend Announcement and Appendix 4E and in Annexure C.

Terms defined in the Information Memorandum have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read and construed together with, the Information Memorandum.

To the extent that there is any inconsistency between any statement contained in this Supplement or in any information or document incorporated by reference into, and forming part of, this Supplement and any other statement contained in the Information Memorandum or in any information or in any document incorporated by reference into, and forming part of, the Information Memorandum, the statements contained in this Supplement will prevail.

ANNEXURE A

[PAGE INTENTIONALLY LEFT BLANK]

CONTENTS	***PAGE***

Australia and New Zealand Banking Group Limited

		Half Year			Full Year		
	Note	Sep 17 $M	Mar 17 $M	Movt	Sep 17 $M	Sep 16 $M	Movt
Interest income		**14,694**	14,426	2%	**29,120**	29,951	-3%
Interest expense		**(7,238)**	(7,010)	3%	**(14,248)**	(14,856)	-4%
Net interest income	2	**7,456**	7,416	1%	**14,872**	15,095	-1%
Other operating income[1]	2	**1,890**	1,711	10%	**3,601**	3,146	14%
Net funds management and insurance income	2	**804**	696	16%	**1,500**	1,764	-15%
Share of associates' profit	2,13	**127**	173	-27%	**300**	541	-45%
Operating income		**10,277**	9,996	3%	**20,273**	20,546	-1%
Operating expenses[1]	3	**(4,717)**	(4,731)	0%	**(9,448)**	(10,439)	-9%
Profit before credit impairment and income tax		**5,560**	5,265	6%	**10,825**	10,107	7%
Credit impairment charge	8	**(479)**	(719)	-33%	**(1,198)**	(1,929)	-38%
Profit before income tax		**5,081**	4,546	12%	**9,627**	8,178	18%
Income tax expense	4	**(1,579)**	(1,627)	-3%	**(3,206)**	(2,458)	30%
Profit for the period		**3,502**	2,919	20%	**6,421**	5,720	12%
Comprising:							
Profit attributable to non-controlling interests		**7**	8	-13%	**15**	11	36%
Profit attributable to shareholders of the Company		**3,495**	2,911	20%	**6,406**	5,709	12%
Earnings per ordinary share (cents)							
Basic	6	**119.9**	100.2	20%	**220.1**	197.4	11%
Diluted	6	**114.7**	96.7	19%	**210.8**	189.3	11%
Dividend per ordinary share (cents)	5	**80**	80	0%	**160**	160	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 full year: $17 million).*

The notes appearing on pages 87 to 100 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Full Year		
	Sep 17 $M	Sep 16 $M	Movt
Profit for the period	**6,421**	5,720	12%
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss	**26**	(82)	large
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve:			
Exchange differences taken to equity[1]	**(748)**	(456)	64%
Exchange differences transferred to Income Statement	**-**	(126)	-100%
Other reserve movements	**(339)**	75	large
Income tax attributable to the above items	**20**	-	n/a
Share of associates' other comprehensive income[2]	**1**	4	-75%
Other comprehensive income net of tax	**(1,040)**	(585)	78%
Total comprehensive income for the period	**5,381**	5,135	5%
Comprising total comprehensive income attributable to:			
Non-controlling interests	**9**	4	large
Shareholders of the Company	**5,372**	5,131	5%

1. *Includes foreign currency translation differences attributable to non-controlling interests of $6 million loss (Sep 16 full year: $7 million loss).*
2. *Share of associates' other comprehensive income includes an available for sale revaluation reserve loss of $1 million (Sep 16 full year: $10 million gain) and a foreign currency translation reserve gain of $2 million (Sep 16 full year: $nil) that may be reclassified subsequently to profit or loss, and the remeasurement of defined benefit plans of $nil (Sep 16 full year: $6 million loss) that will not be reclassified subsequently to profit or loss.*

The notes appearing on pages 87 to 100 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

		As at			Movement	
Assets	**Note**	**Sep 17 $M**	**Mar 17 $M**	**Sep 16 $M**	**Sep 17 v. Mar 17**	**Sep 17 v. Sep 16**
Cash and cash equivalents[1]		**68,048**	75,185	66,220	-9%	3%
Settlement balances owed to ANZ		**5,504**	2,930	4,406	88%	25%
Collateral paid		**8,987**	11,179	12,723	-20%	-29%
Trading securities		**43,605**	44,085	47,188	-1%	-8%
Derivative financial instruments		**62,518**	63,882	87,496	-2%	-29%
Available for sale assets		**69,384**	64,685	63,113	7%	10%
Net loans and advances	7	**574,331**	564,035	575,852	2%	0%
Regulatory deposits		**2,015**	2,154	2,296	-6%	-12%
Assets held for sale	10	**7,970**	14,145	-	-44%	n/a
Investment in associates		**2,248**	2,286	4,272	-2%	-47%
Current tax assets		**30**	242	126	-88%	-76%
Deferred tax assets		**675**	572	623	18%	8%
Goodwill and other intangible assets		**6,970**	7,053	7,672	-1%	-9%
Investments backing policy liabilities		**37,964**	37,602	35,656	1%	6%
Premises and equipment		**1,965**	1,979	2,205	-1%	-11%
Other assets		**5,112**	4,497	5,021	14%	2%
Total assets		**897,326**	896,511	914,869	0%	-2%
Liabilities						
Settlement balances owed by ANZ		**9,914**	9,736	10,625	2%	-7%
Collateral received		**5,919**	5,189	6,386	14%	-7%
Deposits and other borrowings	9	**595,611**	581,407	588,195	2%	1%
Derivative financial instruments		**62,252**	65,050	88,725	-4%	-30%
Current tax liabilities		**241**	185	188	30%	28%
Deferred tax liabilities		**257**	224	227	15%	13%
Liabilities held for sale	10	**4,693**	17,166	-	-73%	n/a
Policy liabilities		**37,448**	37,111	36,145	1%	4%
External unit holder liabilities (life insurance funds)		**4,435**	4,227	3,333	5%	33%
Payables and other liabilities		**8,350**	8,054	8,865	4%	-6%
Provisions		**1,158**	1,179	1,209	-2%	-4%
Debt issuances		**90,263**	88,778	91,080	2%	-1%
Subordinated debt		**17,710**	20,297	21,964	-13%	-19%
Total liabilities		**838,251**	838,603	856,942	0%	-2%
Net assets		**59,075**	57,908	57,927	2%	2%
Shareholders' equity						
Ordinary share capital		**29,088**	29,036	28,765	0%	1%
Reserves		**37**	115	1,078	-68%	-97%
Retained earnings		**29,834**	28,640	27,975	4%	7%
Share capital and reserves attributable to shareholders of the Company	11	**58,959**	57,791	57,818	2%	2%
Non-controlling interests	11	**116**	117	109	-1%	6%
Total shareholders' equity	11	**59,075**	57,908	57,927	2%	2%

1. *Includes settlement balances owed to ANZ that meet the definition of cash and cash equivalents.*

The notes appearing on pages 87 to 100 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Full Year	
	Inflows (Outflows) Sep 17 $M	Inflows (Outflows) Sep 16 $M
Profit after income tax	**6,406**	5,709
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Provision for credit impairment	**1,198**	1,929
Depreciation and amortisation	**972**	1,475
(Profit)/loss on sale of premises and equipment	**(114)**	(4)
Net derivatives/foreign exchange adjustment	**(3,409)**	(1,434)
Profit on Esanda Dealer Finance divestment	**-**	(66)
Impairment of investment in AmBank	**-**	260
Reclassification of SRCB to held for sale	**231**	-
Sale of Asia Retail and Wealth businesses	**338**	-
Other non-cash movements	**(242)**	(338)
Net (increase)/decrease in operating assets:		
Collateral paid	**3,533**	(3,183)
Trading securities	**2,081**	332
Net loans and advances	**(17,838)**	(14,797)
Investments backing policy liabilities	**(2,122)**	(2,062)
Other assets	**509**	(441)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings	**30,904**	23,128
Settlement balances owed by ANZ	**(627)**	(589)
Collateral received	**(310)**	(1,027)
Life insurance contract policy liabilities	**2,260**	1,921
Other liabilities	**202**	28
Total adjustments	**17,566**	5,132
Net cash provided by/(used in) operating activities[1]	**23,972**	10,841
Cash flows from investing activities		
Available for sale assets:		
Purchases	**(27,220)**	(44,182)
Proceeds from sale or maturity	**19,751**	23,745
Esanda Dealer Finance divestment	**-**	6,682
Sale of Asia Retail and Wealth businesses	**(5,213)**	-
Other assets	**(148)**	(655)
Net cash (used in) investing activities	**(12,830)**	(14,410)
Cash flows from financing activities		
Debt issuances:		
Issue proceeds	**23,973**	29,204
Redemptions	**(22,578)**	(27,959)
Subordinated debt:		
Issue proceeds	**1,155**	6,177
Redemptions	**(4,831)**	(900)
Dividends paid	**(4,210)**	(4,564)
Share buyback	**(176)**	-
Net cash (used in)/provided by financing activities	**(6,667)**	1,958
Net increase in cash and cash equivalents	**4,475**	(1,611)
Cash and cash equivalents at beginning of period	**66,220**	69,278
Effects of exchange rate changes on cash and cash equivalents	**(2,647)**	(1,447)
Cash and cash equivalents at end of period	**68,048**	66,220

1. *Net cash provided by/(used in) operating activities includes income taxes paid of $2,864 million (Mar 17 half year: $1,497 million; Sep 16 full year: $2,840 million).*

The notes appearing on pages 87 to 100 form an integral part of the Condensed Consolidated Financial Statements.

Australia and New Zealand Banking Group Limited

	Ordinary share capital	Reserves	Retained earnings	Shareholders' equity attributable to Equity holders of the Bank	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	-	-	5,709	**5,709**	11	**5,720**
Other comprehensive income for the period	-	(504)	(74)	**(578)**	(7)	**(585)**
Total comprehensive income for the period	-	(504)	5,635	**5,131**	4	**5,135**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(5,001)	**(5,001)**	(1)	**(5,002)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	24	**24**	-	**24**
Dividend reinvestment plan	413	-	-	**413**	-	**413**
Other equity movements:						
Treasury shares Wealth Australia adjustment	(153)	-	-	**(153)**	-	**(153)**
Group employee share acquisition scheme	138	-	-	**138**	-	**138**
Other items	-	11	8	**19**	-	**19**
As at 30 September 2016	28,765	1,078	27,975	**57,818**	109	**57,927**
Profit or loss	-	-	6,406	**6,406**	15	**6,421**
Other comprehensive income for the period	-	(1,049)	15	**(1,034)**	(6)	**(1,040)**
Total comprehensive income for the period	-	(1,049)	6,421	**5,372**	9	**5,381**
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(4,609)	**(4,609)**	(1)	**(4,610)**
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	26	**26**	-	**26**
Dividend reinvestment plan	374	-	-	**374**	-	**374**
Group share buy-back[1]	(176)	-	-	**(176)**	-	**(176)**
Other equity movements:						
Treasury shares Wealth Australia adjustment	69	-	-	**69**	-	**69**
Group employee share acquisition scheme	56	-	-	**56**	-	**56**
Other items	-	8	21	**29**	(1)	**28**
As at 30 September 2017	29,088	37	29,834	**58,959**	116	**59,075**

[1] *Following the issue of $176 million shares under the Dividend Reinvestment Plan for the 2017 interim dividend, the Company repurchased $176 million of shares via an on-market share buy-back.*

The notes appearing on pages 87 to 100 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 2017 and any public announcements made by the Parent Entity and its controlled entities (the Group) for the year ended 30 September 2017 (when released) 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 25 October 2017.

i) 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.

Assets and liabilities held for sale

Non-current assets 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 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, 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 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.

ii) 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;
- other financial 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 (i)).

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.

iii) Use of estimates, assumptions and judgements

The preparation of these Condensed Consolidated Financial Statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of accounting policies. Discussion of the critical accounting estimates and judgements, which include complex or subjective decisions or assessments are provided in Note 1 of the 2017 ANZ Annual Financial Statements (when released). Such estimates and judgements are reviewed on an ongoing basis.

At 30 September 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 30 Sep 17	
	AmBank	PT Panin
Post-tax discount rate	9.6%	13.3%
Terminal growth rate	4.8%	5.4%
Expected NPAT growth (compound annual growth rate – 5 years)	4.5%	9.9%
Core equity tier 1 ratio	10.5% to 13.3%	11.3%

iv) Rounding of amounts

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

2. Income

	Half Year			Full Year		
	Sep 17 $M	Mar 17 $M	Movt	Sep 17 $M	Sep 16 $M	Movt
Interest income	**14,694**	14,426	2%	**29,120**	29,951	-3%
Interest expense	**(7,152)**	(7,010)	2%	**(14,162)**	(14,856)	-5%
Major bank levy	**(86)**	-	n/a	**(86)**	-	n/a
Net interest income	**7,456**	7,416	1%	**14,872**	15,095	-1%
i) Fee and commission income						
Lending fees[1]	**363**	369	-2%	**732**	779	-6%
Non-lending fees and commissions[2]	**1,475**	1,518	-3%	**2,993**	2,928	2%
Fee and commission income	**1,838**	1,887	-3%	**3,725**	3,707	0%
Fee and commission expense	**(611)**	(661)	-8%	**(1,272)**	(1,162)	9%
Net fee and commission income	**1,227**	1,226	0%	**2,453**	2,545	-4%
ii) Other income						
Net foreign exchange earnings and other financial instruments income[3]	**511**	705	-28%	**1,216**	969	25%
Impairment of AmBank	**-**	-	n/a	**-**	(260)	-100%
Gain on cessation of equity accounting of investment in Bank of Tianjin (BoT)	**-**	-	n/a	**-**	29	-100%
Gain on the Esanda Dealer Finance divestment	**-**	-	n/a	**-**	66	-100%
Derivative CVA methodology change	**-**	-	n/a	**-**	(237)	-100%
Derivative valuation adjustments	**67**	162	-59%	**229**	(102)	large
Gain on sale of 100 Queen Street, Melbourne	**-**	114	-100%	**114**	-	n/a
Sale of Asia Retail and Wealth businesses	**14**	(324)	large	**(310)**	-	n/a
Reclassification of SRCB to held for sale	**(1)**	(230)	-100%	**(231)**	-	n/a
Other	**72**	58	24%	**130**	136	-4%
Other income	**663**	485	37%	**1,148**	601	91%
Other operating income[4]	**1,890**	1,711	10%	**3,601**	3,146	14%
iii) Net funds management and insurance income						
Funds management income	**492**	472	4%	**964**	932	3%
Investment income	**863**	1,608	-46%	**2,471**	2,350	5%
Insurance premium income	**891**	812	10%	**1,703**	1,562	9%
Commission expense	**(294)**	(260)	13%	**(554)**	(457)	21%
Claims	**(383)**	(380)	1%	**(763)**	(734)	4%
Changes in policy liabilities[5]	**(786)**	(1,474)	-47%	**(2,260)**	(1,843)	23%
Elimination of treasury share (gain)/loss	**21**	(82)	large	**(61)**	(46)	33%
Net funds management and insurance income	**804**	696	16%	**1,500**	1,764	-15%
iv) Share of associates' profit	**127**	173	-27%	**300**	541	-45%
Operating income	**10,277**	9,996	3%	**20,273**	20,546	-1%

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 full year: $17 million).*
3. *Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit and loss.*
4. *Total other operating income includes external dividend income of $27.3 million (Mar 17 half year nil; Sep 16 full year: $27.3 million).*
5. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the super contributions made by members) debited to the policyholder account once a year in July when the statement is issued to the members at the end of the 30 June financial year.*

3. Operating expenses

	Half Year			Full Year		
	Sep 17 $M	Mar 17 $M	Movt	Sep 17 $M	Sep 16 $M	Movt
Personnel						
Salaries and related costs	**2,227**	2,329	-4%	**4,556**	4,879	-7%
Superannuation costs	**159**	163	-2%	**322**	337	-4%
Other	**144**	156	-8%	**300**	325	-8%
Total personnel expenses	**2,530**	2,648	-4%	**5,178**	5,541	-7%
Premises						
Rent	**252**	248	2%	**500**	485	3%
Other	**202**	209	-3%	**411**	443	-7%
Total premises expenses	**454**	457	-1%	**911**	928	-2%
Technology						
Depreciation and amortisation[1]	**351**	376	-7%	**727**	1,198	-39%
Licences and outsourced services[2]	**334**	303	10%	**637**	614	4%
Other	**150**	152	-1%	**302**	355	-15%
Total technology expenses	**835**	831	0%	**1,666**	2,167	-23%
Restructuring	**26**	36	-28%	**62**	278	-78%
Other						
Advertising and public relations	**131**	123	7%	**254**	261	-3%
Professional fees	**264**	189	40%	**453**	413	10%
Freight, stationery, postage and telephone	**134**	132	2%	**266**	277	-4%
Other	**343**	315	9%	**658**	574	15%
Total other expenses	**872**	759	15%	**1,631**	1,525	7%
Total operating expenses	**4,717**	4,731	0%	**9,448**	10,439	-9%

1. *The September 2016 full year 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 full year: $17 million).*

4. Income tax expense

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

	Half Year			Full Year		
	Sep 17 $M	Mar 17 $M	Movt	**Sep 17 $M**	Sep 16 $M	Movt
Profit before income tax	**5,081**	4,546	12%	**9,627**	8,178	18%
Prima facie income tax expense at 30%	**1,524**	1,364	12%	**2,888**	2,453	18%
Tax effect of permanent differences:						
Wealth Australia - policyholders income and contributions tax	**81**	113	-28%	**194**	152	28%
Share of associates' profit	**(38)**	(52)	-27%	**(90)**	(162)	-44%
Write down of investment in AmBank	**-**	-	n/a	**-**	78	-100%
Reclassification of SRCB to held for sale	**16**	156	-90%	**172**	-	n/a
Tax provisions no longer required	**-**	-	n/a	**-**	(71)	-100%
Interest on Convertible Instruments	**34**	35	-3%	**69**	70	-1%
Overseas tax rate differential	**(32)**	(5)	large	**(37)**	(45)	-18%
Gain on cessation of equity accounting for BoT	**-**	-	n/a	**-**	(9)	-100%
Other	**12**	17	-29%	**29**	15	93%
	1,597	1,628	-2%	**3,225**	2,481	30%
Income tax over provided in previous years	**(18)**	(1)	large	**(19)**	(23)	-17%
Total income tax expense	**1,579**	1,627	-3%	**3,206**	2,458	30%
Australia	**1,159**	1,190	-3%	**2,349**	1,752	34%
Overseas	**420**	437	-4%	**857**	706	21%
	1,579	1,627	-3%	**3,206**	2,458	30%
Effective Tax Rate - Group	**31.1%**	35.8%		**33.3%**	30.1%	

5. Dividends

	Half Year			Full Year		
Dividend per ordinary share (cents)	**Sep 17**	**Mar 17**	**Movt**	**Sep 17**	**Sep 16**	**Movt**
Interim (fully franked)	**-**	80	n/a	**80**	80	0%
Final (fully franked)	**80**	-	n/a	**80**	80	0%
Total	**80**	80	0%	**160**	160	0%
Ordinary share dividend ($M)[1]						
Interim dividend	**2,349**	-	n/a	**2,349**	2,334	1%
Final dividend	**-**	2,342	n/a	**2,342**	2,758	-15%
Bonus option plan adjustment	**(40)**	(42)	-5%	**(82)**	(91)	-10%
Total	**2,309**	2,300	0%	**4,609**	5,001	-8%
Ordinary share dividend payout ratio (%)[2]	**67.2%**	**80.7%**		**73.4%**	**81.9%**	

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 September 2017 full year of $1.3 million (Mar 17 half: $1.3 million; Sep 16 full year: $1.4 million).*
2. *Dividend payout ratio is calculated using the proposed 2017 final dividend of $2,350 million (not shown in the above table). The proposed 2017 final dividend of $2,350 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the March 2017 half year and September 2016 full year are calculated using actual dividends paid of $2,349 million and $4,676 million respectively.*

Ordinary Shares

The Directors propose that a final dividend of 80 cents be paid on each eligible fully paid ANZ ordinary share on 18 December 2017. The proposed 2017 final dividend will be fully franked for Australian tax purposes, and New Zealand imputation credits of NZ 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 2017 final dividend. For the 2017 final dividend, ANZ intends to provide shares under the DRP through an on-market purchase (as approved by APRA) 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 17 November 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 final dividend must be received by ANZ's Share Registrar by 5.00pm (Australian Eastern Daylight Time) on 15 November 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 17 November 2017.

6. Earnings per share

	Half Year			Full Year		
	Sep 17	**Mar 17**	**Movt**	**Sep 17**	**Sep 16**	**Movt**
Earnings reconciliation						
Profit for the period ($M)	**3,502**	2,919	20%	**6,421**	5,720	12%
Less: profit attributable to non-controlling interests ($M)	**(7)**	(8)	-13%	**(15)**	(11)	36%
Earnings used in calculating basic earnings per share ($M)	**3,495**	2,911	20%	**6,406**	5,709	12%
Weighted average number of ordinary shares (M)[1]	**2,914.0**	2,906.6	0%	**2,910.3**	2,891.7	1%
Basic earnings per share (cents)	**119.9**	100.2	20%	**220.1**	197.4	11%
Earnings reconciliation						
Earnings used in calculating basic earnings per share ($M)	**3,495**	2,911	20%	**6,406**	5,709	12%
Add: interest on convertible subordinated debt ($M)	**140**	148	-5%	**288**	297	-3%
Earnings used in calculating diluted earnings per share ($M)	**3,635**	3,059	19%	**6,694**	6,006	11%
Weighted average number of shares on issue[1]						
Shares used in calculating basic earnings per share (M)	**2,914.0**	2,906.6	0%	**2,910.3**	2,891.7	1%
Add: Weighted average dilutive potential ordinary shares (M)						
Convertible subordinated debt (M)	**243.0**	247.1	-2%	**253.3**	273.9	-8%
Share based payments (options, rights and deferred shares) (M)	**11.5**	10.0	15%	**11.9**	6.8	75%
Adjusted weighted average number of shares - diluted (M)	**3,168.5**	3,163.7	0%	**3,175.5**	3,172.4	0%
Diluted earnings per share (cents)	**114.7**	96.7	19%	**210.8**	189.3	11%

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

	Sep 17 half (Million)	*Mar 17 half (Million)*	*Sep 17 full year (Million)*	*Sep 16 full year (Million)*
ANZEST Pty Ltd	*7.5*	*8.8*	*8.1*	*11.1*
Wealth Australia	*15.2*	*17.1*	*16.2*	*14.5*
Total treasury shares	*22.7*	*25.9*	*24.3*	*25.6*

7. Net loans and advances

	As at			Movement	
	Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Australia					
Overdrafts	**5,939**	5,786	6,248	3%	-5%
Credit cards outstanding	**8,632**	8,846	8,864	-2%	-3%
Commercial bills outstanding	**8,471**	9,232	9,868	-8%	-14%
Term loans - housing	**264,105**	255,721	246,351	3%	7%
Term loans - non-housing	**124,307**	123,464	123,006	1%	1%
Lease receivables	**1,153**	1,084	1,158	6%	0%
Hire purchase contracts	**634**	641	829	-1%	-24%
Other	**15**	415	81	-96%	-81%
Total Australia	**413,256**	405,189	396,405	2%	4%
Asia Pacific, Europe & America					
Overdrafts	**449**	743	825	-40%	-46%
Credit cards outstanding	**869**	1,351	1,396	-36%	-38%
Commercial bills outstanding	**2,597**	2,065	2,724	26%	-5%
Term loans - housing	**2,469**	6,501	6,866	-62%	-64%
Term loans - non-housing	**48,304**	50,066	54,567	-4%	-11%
Lease receivables	**117**	163	232	-28%	-50%
Other	**34**	320	448	-89%	-92%
Total Asia Pacific, Europe & America	**54,839**	61,209	67,058	-10%	-18%
New Zealand					
Overdrafts	**957**	1,158	1,080	-17%	-11%
Credit cards outstanding	**1,508**	1,503	1,586	0%	-5%
Term loans - housing	**70,735**	68,592	69,927	3%	1%
Term loans - non-housing	**40,697**	40,247	41,625	1%	-2%
Lease receivables	**189**	198	215	-5%	-12%
Hire purchase contracts	**1,263**	1,115	1,048	13%	21%
Total New Zealand	**115,349**	112,813	115,481	2%	0%
Sub-total	**583,444**	579,211	578,944	1%	1%
Unearned income	**(411)**	(458)	(544)	-10%	-24%
Capitalised brokerage/mortgage origination fees[1]	**1,058**	1,040	1,064	2%	-1%
Customer liability for acceptances[2]	**-**	565	571	-100%	-100%
Gross loans and advances (including assets classified as held for sale)	**584,091**	580,358	580,035	1%	1%
Provision for credit impairment (refer to Note 8)	**(3,798)**	(4,054)	(4,183)	-6%	-9%
Net loans and advances (including assets classified as held for sale)	**580,293**	576,304	575,852	1%	1%
Net loans and advances held for sale (refer to Note 10)	**(5,962)**	(12,269)	-	-51%	n/a
Net loans and advances	**574,331**	564,035	575,852	2%	0%

1. *Capitalised brokerage/mortgage origination fees are amortised over the expected life of the loan.*
2. *Customer liability for acceptances has been recognised as Other assets from 30 September 2017.*

8. Provision for credit impairment

	Half Year			Full Year		
	Sep 17 $M	Mar 17 $M	Movt	Sep 17 $M	Sep 16 $M	Movt
Individual provision						
Balance at start of period	**1,269**	1,307	-3%	**1,307**	1,061	23%
New and increased provisions	**948**	1,121	-15%	**2,069**	2,445	-15%
Write-backs	**(280)**	(221)	27%	**(501)**	(311)	61%
Adjustment for exchange rate fluctuations and transfers	**(2)**	(12)	-83%	**(14)**	(9)	56%
Discount unwind	**(8)**	(24)	-67%	**(32)**	(65)	-51%
Bad debts written-off	**(791)**	(902)	-12%	**(1,693)**	(1,722)	-2%
Esanda Dealer Finance divestment	**-**	-	n/a	**-**	(92)	-100%
Total individual provision	**1,136**	1,269	-10%	**1,136**	1,307	-13%
Collective provision						
Balance at start of period	**2,785**	2,876	-3%	**2,876**	2,956	-3%
Charge/(release) to Income Statement	**(75)**	(67)	12%	**(142)**	17	large
Adjustment for exchange rate fluctuations and transfers	**(9)**	(24)	-63%	**(33)**	(19)	74%
Esanda Dealer Finance divestment	**-**	-	n/a	**-**	(78)	-100%
Asia Retail and Wealth divestment	**(39)**	-	n/a	**(39)**	-	n/a
Total collective provision[1]	**2,662**	2,785	-4%	**2,662**	2,876	-7%
Total provision for credit impairment	**3,798**	4,054	-6%	**3,798**	4,183	-9%

1. *The collective provision includes amounts for off-balance sheet credit exposures of $544 million as at 30 September 2017 (Mar 17: $574 million; Sep 16: $631 million). The impact on the Income Statement for full year ended 30 September 2017 was a $66 million release (Mar 17 half: $46 million release; Sep 16 full year: $32 million release) .*

	Half Year			Full Year		
Provision movement analysis	Sep 17 $M	Mar 17 $M	Movt	Sep 17 $M	Sep 16 $M	Movt
New and increased individual provisions	**948**	1,121	-15%	**2,069**	2,445	-15%
Write-backs	**(280)**	(221)	27%	**(501)**	(311)	61%
	668	900	-26%	**1,568**	2,134	-27%
Recoveries of amounts previously written-off	**(114)**	(114)	0%	**(228)**	(222)	3%
Individual credit impairment charge	**554**	786	-30%	**1,340**	1,912	-30%
Collective credit impairment charge/(release)	**(75)**	(67)	12%	**(142)**	17	large
Credit impairment charge	**479**	719	-33%	**1,198**	1,929	-38%

9. Deposits and other borrowings

	As at			Movement	
	Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Australia					
Certificates of deposit	**50,565**	51,875	52,295	-3%	-3%
Term deposits	**72,679**	72,471	69,740	0%	4%
On demand and short term deposits	**190,480**	179,928	169,773	6%	12%
Deposits not bearing interest	**10,221**	9,268	8,729	10%	17%
Deposits from banks and securities sold under repurchase agreements	**35,896**	37,824	34,519	-5%	4%
Commercial paper	**14,599**	6,786	13,842	large	5%
Total Australia	**374,440**	358,152	348,898	5%	7%
Asia Pacific, Europe & America					
Certificates of deposit	**2,894**	4,629	7,001	-37%	-59%
Term deposits	**78,863**	90,449	84,583	-13%	-7%
On demand and short term deposits	**21,769**	23,468	24,968	-7%	-13%
Deposits not bearing interest	**4,519**	4,650	4,745	-3%	-5%
Deposits from banks and securities sold under repurchase agreements	**23,251**	24,765	23,167	-6%	0%
Commercial paper	**-**	-	393	n/a	-100%
Total Asia Pacific, Europe & America	**131,296**	147,961	144,857	-11%	-9%
New Zealand					
Certificates of deposit	**1,763**	924	2,133	91%	-17%
Term deposits	**41,829**	40,236	37,824	4%	11%
On demand and short term deposits	**38,143**	38,762	40,360	-2%	-5%
Deposits not bearing interest	**8,173**	7,832	7,418	4%	10%
Deposits from banks and securities sold under repurchase agreements	**145**	662	73	-78%	99%
Commercial paper & other borrowings	**4,380**	3,888	6,632	13%	-34%
Total New Zealand	**94,433**	92,304	94,440	2%	0%
Total deposits and other borrowings (including liabilities classified as held for sale)	**600,169**	598,417	588,195	0%	2%
Deposits and other borrowings held for sale (refer to Note 10)	**(4,558)**	(17,010)	-	-73%	n/a
Total deposits and other borrowings	**595,611**	581,407	588,195	2%	1%

10. Assets and liabilities 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 assets and liabilities held for sale.

- **Asia Retail and Wealth Businesses**

  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 on 31 October 2016, and its Retail business in Vietnam to Shinhan Bank Vietnam on 21 April 2017. During the September 2017 half, the Group successfully completed the sales in China, Singapore and Hong Kong. Subject to regulatory approval, the sales in Vietnam, Taiwan, and Indonesia are expected to complete in late 2017 and early 2018 and these remaining countries form the assets and liabilities held for sale. These businesses are part of the Asia Retail & Pacific division.

- **UDC Finance**

  On 11 January 2017, the Group announced it had agreed to sell UDC Finance to HNA Group. The sale is subject to certain conditions (including regulatory approvals) and we are working with HNA Group towards completion of the sale. 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). On 18 September 2017 the Group announced a revision to the 3 January arrangement in which Baoshan Iron & Steel Co. Ltd. (Bao) replaced Shanghai Sino-Poland Enterprise Management Development Corporation Limited to join China COSCO Shipping Corporation Limited (COSCO) to acquire ANZ's 20% stake in SRCB. Under the updated arrangement, COSCO and Bao will each acquire a 10% stake in SRCB. The key financial terms of the revised sale agreement are unchanged from the transaction announced previously. The sale is subject to customary closing conditions and regulatory approvals and is expected to complete late 2017. This asset is part of the TSO and Group Centre Division.

- **Metrobank Card Corporation**

  On 18 October 2017, the Group announced it had entered into an agreement with its joint venture partner Metropolitan Bank & Trust Company (Metrobank) in relation to its 40% stake in the Philippines based Metrobank Card Corporation (MCC). The Group has agreed to sell 20% of its stake, and entered into a put option to sell the remaining 20% stake, exercisable in the fourth quarter of 2018 on the same terms for the same consideration. The asset has been classified as held for sale at 30 September 2017 as sale negotiations were well progressed at that time, and it was highly probable the sale transaction would complete within12 months. The sale is subject to customary closing conditions and regulatory approvals. This asset is part of the TSO and Group Centre Division.

Income Statement impact relating to assets and liabilities held for sale

During the September 2017 full year, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $310 million loss relating to the reclassification and partial completion of the Asia Retail and Wealth sale comprising of $222 million of software, goodwill and other assets impairment charges and $88 million of various other charges net of recoveries and sale premium.
- $333 million loss relating to the Group's investment in SRCB comprising of a $219 million impairment to the investment, $12 million of foreign exchange losses, and $102 million of tax expenses.

During the March 2017 half year, the Group recognised the following impacts in-relation to the assets and liabilities:

- $324 million loss relating to the reclassification of the Group's Asia Retail and Wealth businesses to held for sale comprising of $225 million of software, goodwill and other assets impairment charges and $99 million of costs associated with the sale.
- $316 million loss 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 impacts is included in 'Other income' and 'Income tax expense' (refer Note 2 and 4).

Assets and liabilities held for sale

At 30 September 2017, assets and liabilities held for sale 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 and Wealth businesses $M	UDC Finance $M	Shanghai Rural Commercial Bank $M	Metrobank Card Corporation $M	Total $M
As at 30 September 2017					
Net loans and advances	3,283	2,679	-	-	**5,962**
Investment in associates	-	-	1,748	120	**1,868**
Goodwill and other intangible assets	-	122	-	-	**122**
Other assets	-	18	-	-	**18**
Total assets held for sale	**3,283**	**2,819**	**1,748**	**120**	**7,970**
Deposits and other borrowings	3,602	956	-	-	**4,558**
Current tax liabilities	-	22	-	-	**22**
Deferred tax liabilities	-	(8)	-	-	**(8)**
Payables and other liabilities	47	30	-	-	**77**
Provisions	43	1	-	-	**44**
Total liabilities held for sale	**3,692**	**1,001**	**-**	**-**	**4,693**

	Asia Retail and Wealth businesses $M	UDC Finance $M	Shanghai Rural Commercial Bank $M	Metrobank Card Corporation $M	Total $M
As at 31 March 2017					
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**
Deposits and other borrowings	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**

11. Shareholders' equity

Issued and quoted securities

Ordinary share capital	Half Year Sep 17 No.	Half Year Mar 17 No.	Full Year Sep 17 No.	Full Year Sep 16 No.
Closing balance	**2,937,415,327**	2,936,037,009	**2,937,415,327**	2,927,476,660
Issued during the period[1]	**1,378,318**	8,560,349	**9,938,667**	24,762,299

1. *The Company issued 7.5 million shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2017 interim dividend (8.6 million shares for the 2016 final dividend; 9.7 million shares for the 2016 interim dividend) and nil shares to satisfy obligations under the Group's Employee share acquisition plans during the September 2017 half (Mar 17 half: nil; Sep 16 full year: 5.3 million shares). Following the provision of 7.5 million shares under the Dividend Reinvestment Plan and Bonus Option Plan for the 2017 interim dividend, the Company repurchased 6.1 million of shares via an on-market share buy-back resulting in 6.1 million shares being cancelled.*

Shareholders' equity	As at Sep 17 $M	As at Mar 17 $M	As at Sep 16 $M
Ordinary share capital	**29,088**	29,036	28,765
Reserves			
Foreign currency translation reserve	**(196)**	(140)	544
Share option reserve	**87**	67	79
Available for sale revaluation reserve	**38**	31	149
Cash flow hedge reserve	**131**	180	329
Transactions with non-controlling interests reserve	**(23)**	(23)	(23)
Total reserves	**37**	115	1,078
Retained earnings	**29,834**	28,640	27,975
Share capital and reserves attributable to shareholders of the Company	**58,959**	57,791	57,818
Non-controlling interests	**116**	117	109
Total shareholders' equity	**59,075**	**57,908**	**57,927**

12. Changes in composition of the Group

There were no acquisitions or disposals of material controlled entities for the year ended 30 September 2017.

13. Investments in Associates

	Half Year			Full Year		
	Sep 17 $M	Mar 17 $M	Sep 17 v. Mar 17	Sep 17 $M	Sep 16 $M	Sep 17 v. Sep 16
Share of associates' profit	**127**	173	-27%	**300**	541	-45%

Contributions to profit[1]	Contribution to Group post-tax profit				Ownership interest held by Group		
Associates	Half Year		Full Year		As at		
	Sep 17 $M	Mar 17 $M	Sep 17 $M	Sep 16 $M	Sep 17 %	Mar 17 %	Sep 16 %
P.T. Bank Pan Indonesia	**51**	50	**101**	64	**39**	39	39
AMMB Holdings Berhad	**48**	48	**96**	94	**24**	24	24
Shanghai Rural Commercial Bank[2]	**-**	58	**58**	259	**20**	20	20
Bank of Tianjin (up to 30 March 2016)[3]	**-**	-	**-**	86	**12**	12	12
Other associates[4]	**28**	17	**45**	38	**n/a**	n/a	n/a
Share of associates' profit	**127**	173	**300**	541			

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). On 18th September the Group announced a revision to the 3 January arrangement in which Baoshan Iron & Steel Co. Ltd. (Bao) replaced Shanghai SinoPoland Enterprise Management Development Corporation Limited to join China COSCO Shipping Corporation Limited (COSCO) to acquire ANZ's 20% stake in SRCB. Under the updated arrangement, COSCO and Bao will each acquire a 10% stake in SRCB. The key financial terms of the revised sale agreement are unchanged from the transaction announced previously. The sale is subject to customary closing conditions and regulatory approvals and is expected to be completed by late 2017. 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 was classified as an available for sale asset.*
4. *Includes Metrobank Card Corporation (MCC).On 18 October 2017, the Group announced it had entered into an agreement with its joint venture partner Metropolitan Bank & Trust Company (Metrobank) in relation to its 40% stake in the Philippines based Metrobank Card Corporation (MCC). The Group has agreed to sell 20% of its stake, and entered into a put option to sell the remaining 20% stake, exercisable in the fourth quarter of 2018 on the same terms for the same consideration. As the sale was announced after balance date, equity accounted earnings are included for the September 2017 full year.*

14. 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.

Note 33 of the 2017 ANZ Annual Financial Statements (when released) will contain a description of contingent liabilities and contingent assets as at 30 September 2017. A summary of some of those contingent liabilities is set out below.

- **Bank fees litigation**

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

- **Benchmark/rate actions**

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

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

- **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, pricing and competition, 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.

15. Subsequent events since balance date

On 17 October 2017, the Group announced it had agreed to sell OnePath pensions and investments (OnePath P&I) and aligned dealer groups (ADG) business to IOOF Holdings Limited (IOOF) for $975 million. Completion is expected in March 2019 half subject to certain conditions including regulatory approvals and the completion of the extraction of the OnePath P&I business from OnePath Life Insurance. The expected accounting loss on sale of ~$120 million is anticipated as a result of the sale, however the final gain/loss on sale will be determined at completion and will be impacted by transaction and separation costs, final determination of goodwill to be disposed, other balances and final taxation impacts.

On 18 October 2017, the Group announced it had entered into an agreement with its joint venture partner Metropolitan Bank & Trust Company (Metrobank) regarding the sale of its 40% stake in the Philippines based Metrobank Card Corporation (MCC). The Group has agreed to sell one half its 40% stake in MCC to Metrobank, for US$144 million (A$184 million) expected to settle in late 2017. The Group also entered into a put option to sell its remaining 20% stake to Metrobank, exercisable in the September 2018 half on the same terms and for the same consideration. If exercised, this would deliver a total sale price of US$288 million (A$368 million). The sale is subject to customary regulatory approvals.

On 23 October 2017, the Group announced it had reached a confidential in-principle agreement with the Australian Securities and Investments Commission (ASIC) to settle court action in respect of interbank trading and the bank bill swap rate (BBSW). A final resolution had not been agreed at the date of this report. Based on the in-principle agreement, the financial impact to ANZ has been reflected in the financial statements.

Other than the matters above, there have been no significant events from 30 September 2017 to the date of signing this report.

ANNEXURE B

[PAGE INTENTIONALLY LEFT BLANK]

Capital management

		As at			Movement	
Qualifying Capital		**Sep 17 $M**	**Mar 17 $M**	**Sep 16 $M**	**Sep 17 v. Mar 17**	**Sep 17 v. Sep 16**
Tier 1						
Shareholders' equity and non-controlling interests		**59,075**	57,908	57,927	2%	2%
Prudential adjustments to shareholders' equity	Table 1	**(481)**	(509)	(481)	-6%	0%
Gross Common Equity Tier 1 capital		**58,594**	57,399	57,446	2%	2%
Deductions	Table 2	**(17,258)**	(17,182)	(18,179)	0%	-5%
Common Equity Tier 1 capital		**41,336**	40,217	39,267	3%	5%
Additional Tier 1 capital	Table 3	**7,988**	7,874	9,018	1%	-11%
Tier 1 capital		**49,324**	48,091	48,285	3%	2%
Tier 2 capital	Table 4	**8,669**	9,648	10,328	-10%	-16%
Total qualifying capital		**57,993**	57,739	58,613	0%	-1%
Capital adequacy ratios						
Common Equity Tier 1		**10.6%**	10.1%	9.6%		
Tier 1		**12.6%**	12.1%	11.8%		
Tier 2		**2.2%**	2.4%	2.5%		
Total		**14.8%**	14.5%	14.3%		
Risk weighted assets	Table 5	**391,113**	397,040	408,582	-1%	-4%

Capital management, cont'd

		As at			Movement	
		Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Table 1: Prudential adjustments to shareholders' equity						
Treasury shares attributable to ANZ Wealth Australia policyholders		**326**	324	395	1%	-17%
Accumulated retained profits and reserves of insurance and funds management entities		**(711)**	(811)	(875)	-12%	-19%
Deferred fee revenue including fees deferred as part of loan yields		**131**	175	238	-25%	-45%
Available for sale reserve attributable to deconsolidated subsidiaries		**(83)**	(82)	(110)	1%	-25%
Other		**(144)**	(115)	(129)	25%	12%
Total		**(481)**	(509)	(481)	-6%	0%
Table 2: Deductions from Common Equity Tier 1 capital						
Unamortised goodwill & other intangibles (excluding ANZ Wealth Australia and New Zealand)		**(3,553)**	(3,532)	(3,913)	1%	-9%
Intangible component of investments in ANZ Wealth Australia and New Zealand		**(2,100)**	(2,099)	(2,103)	0%	0%
Capitalised software		**(1,826)**	(1,887)	(2,139)	-3%	-15%
Capitalised expenses including loan and lease origination fees		**(1,149)**	(1,129)	(1,148)	2%	0%
Applicable deferred net tax assets		**(946)**	(902)	(899)	5%	5%
Expected losses in excess of eligible provisions	Table 8	**(719)**	(696)	(700)	3%	3%
Investment in other insurance and funds management subsidiaries		**(274)**	(274)	(297)	0%	-8%
Investment in ANZ Wealth Australia and New Zealand		**(1,750)**	(1,749)	(1,752)	0%	0%
Investment in banking associates and minority interests		**(3,919)**	(3,826)	(4,674)	2%	-16%
Other deductions		**(1,022)**	(1,088)	(554)	-6%	84%
Total		**(17,258)**	(17,182)	(18,179)	0%	-5%
Table 3: Additional Tier 1 capital						
Convertible Preference Shares						
ANZ CPS2		**-**	-	1,068	n/a	-100%
ANZ CPS3		**573**	1,340	1,340	-57%	-57%
ANZ Capital Notes 1		**1,116**	1,116	1,115	0%	0%
ANZ Capital Notes 2		**1,604**	1,603	1,602	0%	0%
ANZ Capital Notes 3		**963**	962	962	0%	0%
ANZ Capital Notes 4		**1,608**	1,607	1,604	0%	0%
ANZ Capital Notes 5		**925**	-	-	n/a	n/a
ANZ Bank NZ Capital Notes		**457**	454	473	1%	-3%
ANZ Capital Securities		**1,206**	1,218	1,329	-1%	-9%
Regulatory adjustments and deductions		**(464)**	(426)	(475)	9%	-2%
Total		**7,988**	7,874	9,018	1%	-11%
Table 4: Tier 2 capital						
General reserve for impairment of financial assets		**200**	257	267	-22%	-25%
Perpetual subordinated notes		**1,150**	1,156	1,190	-1%	-3%
Term subordinated debt notes		**8,108**	10,841	11,281	-25%	-28%
Regulatory adjustments and deductions		**(789)**	(518)	(936)	52%	-16%
Transitional adjustments		**-**	(2,088)	(1,474)	-100%	-100%
Total		**8,669**	9,648	10,328	-10%	-16%

Capital management, cont'd

Table 5: Risk weighted assets		As at Sep 17 $M	As at Mar 17 $M	As at Sep 16 $M	Movement Sep 17 v. Mar 17	Movement Sep 17 v. Sep 16
On balance sheet		**254,534**	253,532	259,356	0%	-2%
Commitments		**53,546**	56,279	58,167	-5%	-8%
Contingents		**11,704**	12,648	13,295	-7%	-12%
Derivatives		**17,050**	19,350	21,215	-12%	-20%
Total credit risk	Table 6	**336,834**	341,809	352,033	-1%	-4%
Market risk - Traded		**5,363**	6,323	6,188	-15%	-13%
Market risk - IRRBB		**11,611**	10,332	11,700	12%	-1%
Operational risk		**37,305**	38,576	38,661	-3%	-4%
Total risk weighted assets		**391,113**	397,040	408,582	-1%	-4%

Table 6: Credit risk weighted assets by Basel asset class	As at Sep 17 $M	As at Mar 17 $M	As at Sep 16 $M	Movement Sep 17 v. Mar 17	Movement Sep 17 v. Sep 16
Subject to Advanced IRB approach					
Corporate	**121,915**	127,544	130,799	-4%	-7%
Sovereign	**7,555**	6,718	6,634	12%	14%
Bank	**13,080**	14,267	14,884	-8%	-12%
Residential mortgage	**96,267**	86,218	84,275	12%	14%
Qualifying revolving retail (credit cards)	**7,059**	7,513	7,334	-6%	-4%
Other retail	**31,077**	31,004	31,360	0%	-1%
Credit risk weighted assets subject to Advanced IRB approach	**276,953**	273,264	275,286	1%	1%
Credit risk specialised lending exposures subject to slotting criteria	**31,845**	33,896	36,100	-6%	-12%
Subject to Standardised approach					
Corporate	**13,365**	16,264	20,459	-18%	-35%
Residential mortgage	**950**	2,354	2,493	-60%	-62%
Other retail (includes credit cards)	**2,000**	3,131	3,277	-36%	-39%
Credit risk weighted assets subject to Standardised approach	**16,315**	21,749	26,229	-25%	-38%
Credit Valuation Adjustment and Qualifying Central Counterparties	**7,269**	8,168	9,371	-11%	-22%
Credit risk weighted assets relating to securitisation exposures	**1,083**	1,171	1,203	-8%	-10%
Other assets	**3,369**	3,561	3,844	-5%	-12%
Total credit risk weighted assets	**336,834**	341,809	352,033	-1%	-4%

Capital management, cont'd

Table 7: Total provision for credit impairment and expected loss by division	Collective Provision and Individual Provision Sep 17 $M	Mar 17 $M	Sep 16 $M	Basel Expected Loss[1] Sep 17 $M	Mar 17 $M	Sep 16 $M
Australia	**1,905**	1,877	1,794	**2,835**	2,735	2,654
Institutional	**1,286**	1,494	1,683	**866**	1,337	1,404
New Zealand	**454**	470	491	**754**	766	802
Asia Retail & Pacific	**150**	199	211	**8**	5	7
TSO and Group Centre	**3**	14	4	**-**	-	1
Total provision for credit impairment and expected loss	**3,798**	4,054	4,183	**4,463**	4,843	4,868

1. *Only applicable to Advanced Internal Ratings based portfolios.*

Table 8: APRA Expected loss in excess of eligible provisions	As at Sep 17 $M	Mar 17 $M	Sep 16 $M	Movement Sep 17 v. Mar 17	Sep 17 v. Sep 16
APRA Basel 3 expected loss: non-defaulted	**2,829**	2,866	2,959	-1%	-4%
Less: Qualifying collective provision					
Collective provision	**(2,662)**	(2,785)	(2,876)	-4%	-7%
Non-qualifying collective provision	**352**	349	350	1%	1%
Standardised collective provision	**200**	257	267	-22%	-25%
Non-defaulted excess included in deduction	**719**	687	700	5%	3%
APRA Basel 3 expected loss: defaulted	**1,634**	1,977	1,909	-17%	-14%
Less: Qualifying individual provision					
Individual provision	**(1,136)**	(1,269)	(1,307)	-10%	-13%
Additional individual provision for partial write offs	**(300)**	(540)	(509)	-44%	-41%
Standardised individual provision	**117**	149	195	-21%	-40%
Collective provision on advanced defaulted	**(320)**	(308)	(304)	4%	5%
	(5)	9	(16)	large	-69%
Shortfall in expected loss not included in deduction	**5**	-	16	n/a	-69%
Defaulted excess included in deduction	**-**	9	-	-100%	n/a
Gross deduction	**719**	696	700	3%	3%

ANNEXURE C

[PAGE INTENTIONALLY LEFT BLANK]

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 modelling of funding sources**

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

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

  A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, ANZ has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF has been established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The total amount of the CLF available to a qualifying ADI is set annually by APRA. From 1 January 2017, ANZ's CLF is $43.8 billion (2016 calendar year end: $50.3 billion).

- **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 other eligible securities listed by the Reserve Bank of New Zealand (RBNZ).

  The Group monitors and manages the size and composition of its liquid assets portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the Board.

	Half Year Average[1]			Movement	
	Sep 17 $B	Mar 17 $B	Sep 16 $B	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Market Values Post Discount					
HQLA1[2]	**128.7**	127.1	119.7	1%	8%
HQLA2	**4.7**	4.3	4.1	9%	15%
Internal Residential Mortgage Backed Securities (Australia)[2]	**30.3**	33.7	35.3	-10%	-14%
Internal Residential Mortgage Backed Securities (New Zealand)[3]	**1.1**	0.6	1.2	83%	-8%
Other ALA[4]	**14.9**	15.6	17.7	-4%	-16%
Total Liquid Assets	**179.7**	181.3	178.0	-1%	1%
Cash flows modelled under stress scenario					
Cash outflows	**174.5**	172.7	182.9	1%	-5%
Cash inflows	**41.3**	38.2	40.2	8%	3%
Net cash outflows	**133.2**	134.5	142.7	-1%	-7%
Liquidity Coverage Ratio[5]	**135%**	135%	125%	0%	10%

1. *Half year average basis, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.*
2. *RBA open repo arrangement netted down from CLF, with a corresponding increase in HQLA.*
3. *New Zealand LCR surplus is excluded from NZ internal RMBS, consistent with APS 330 treatment.*
4. *Comprised of assets qualifying as collateral for the 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.*
5. *All currency Level 2 LCR.*

Funding

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

$22.0 billion of term wholesale debt with a remaining term greater than one year as at 30 September 2017 was issued during the year ended 30 September 2017. The weighted average tenor of new term debt was 5.3 years.

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

	As at			Movement	
	Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Customer deposits and other liabilities[1]					
Australia	**201,365**	197,632	187,667	2%	7%
Institutional	**186,782**	179,326	171,155	4%	9%
New Zealand	**75,323**	74,266	72,818	1%	3%
Wealth Australia	**-**	326	343	-100%	-100%
Asia Retail & Pacific	**9,157**	21,867	22,782	-58%	-60%
TSO and Group Centre[1]	**(4,997)**	(5,202)	(5,142)	-4%	-3%
Customer deposits	**467,630**	468,215	449,623	0%	4%
Other funding liabilities[2,3]	**12,838**	11,725	14,049	9%	-9%
Total customer liabilities (funding)	**480,468**	479,940	463,672	0%	4%
Wholesale funding[4]					
Debt issuances	**90,263**	88,778	91,080	2%	-1%
Subordinated debt	**17,710**	20,297	21,964	-13%	-19%
Certificates of deposit	**55,222**	57,428	61,429	-4%	-10%
Commercial paper	**18,023**	9,482	19,349	90%	-7%
Other wholesale borrowings[2,5,6]	**65,441**	70,070	65,924	-7%	-1%
Total wholesale funding	**246,659**	246,055	259,746	0%	-5%
Shareholders' equity	**59,075**	57,908	57,927	2%	2%
Total funding	**786,202**	783,903	781,345	0%	1%

	As at			Movement	
	Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Funded assets					
Other short term assets & trade finance assets[7]	**58,576**	60,008	65,800	-2%	-11%
Liquids[6]	**169,317**	168,030	161,302	1%	5%
Short term funded assets	**227,893**	228,038	227,102	0%	0%
Lending & fixed assets[8]	**558,309**	555,865	554,243	0%	1%
Total funded assets	**786,202**	783,903	781,345	0%	1%
Funding liabilities[4,6]					
Other short term liabilities[2]	**46,021**	51,655	49,288	-11%	-7%
Short term funding	**62,119**	53,495	69,028	16%	-10%
Term funding < 12 months	**18,872**	20,968	23,668	-10%	-20%
Other customer and central bank deposits[1,2,9]	**78,652**	81,247	79,115	-3%	-1%
Total short term funding liabilities	**205,664**	207,365	221,099	-1%	-7%
Stable customer deposits[1,10]	**421,172**	416,775	402,146	1%	5%
Term funding > 12 months	**91,840**	93,556	90,708	-2%	1%
Shareholders' equity and hybrid debt	**67,526**	66,207	67,392	2%	0%
Total stable funding	**580,538**	576,538	560,246	1%	4%
Total funding	**786,202**	783,903	781,345	0%	1%

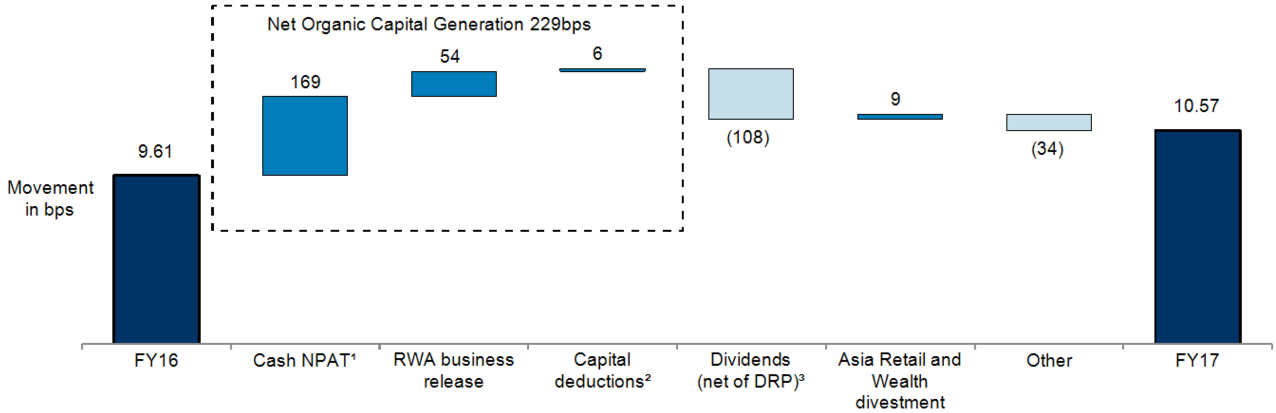
1. *Includes term deposits, other deposits and an adjustment recognised in Group Centre to eliminate Wealth Australia investments in ANZ deposit products.*
2. *Securities sold under repurchase agreements reclassified to align with current period presentation.*
3. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in Wealth Australia.*
4. *Excludes liability for acceptances as they do not provide net funding.*
5. *Includes borrowings from banks, securities sold under repurchase agreements, net derivative balances, special purpose vehicles and other borrowings.*
6. *Includes 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.*

Capital Management

	As at					
	APRA Basel 3			Internationally Comparable Basel 3[1]		
	Sep 17	Mar 17	Sep 16	Sep 17	Mar 17	Sep 16
Capital Ratios						
Common Equity Tier 1	**10.6%**	10.1%	9.6%	**15.8%**	15.2%	14.5%
Tier 1	**12.6%**	12.1%	11.8%	**18.4%**	18.2%	17.4%
Total capital	**14.8%**	14.5%	14.3%	**21.2%**	21.3%	20.7%
Risk weighted assets ($B)	**391.1**	397.0	408.6	**306.5**	309.4	316.4

1. *Internationally Comparable methodology aligns with APRA's information paper entitled "International Capital Comparison Study" (13 July 2015).*

APRA Basel 3 Common Equity Tier 1 (CET1) – September 2017 v September 2016



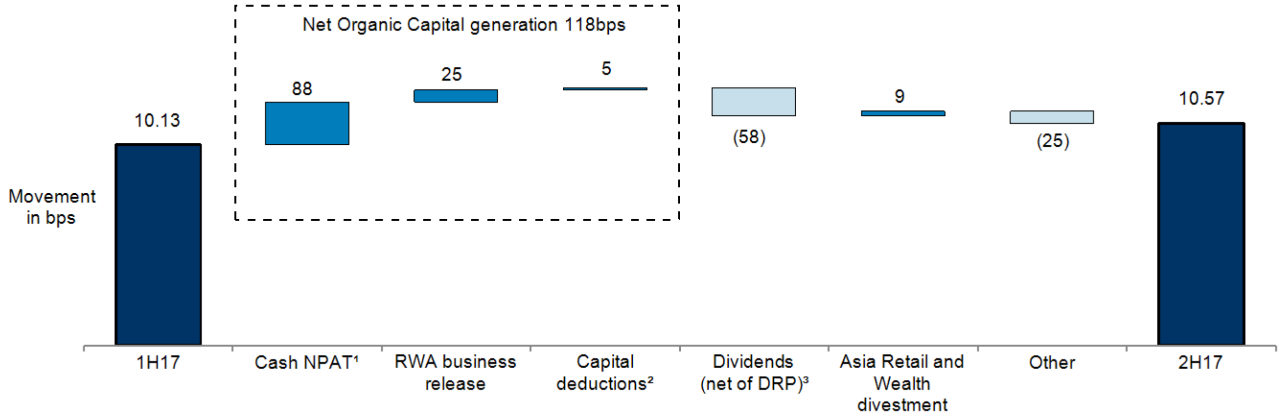
1. *Excludes large/notable items for the purposes of Capital Management attribution. Refer to pages 14 to 16.*
2. *Capital deductions represent the movement in retained earnings in deconsolidated entities, capitalised software (excluding accounting changes relating to the capitalisation of internally generated software assets), EL versus EP shortfall and other intangibles in the period.*
3. *9.9 million ordinary shares were provided/issued under the Dividend Reinvestment Plan and Bonus Option Plan for the final 2016 and 2017 interim dividend with neutralisation of the Dividend Reinvestment Plan.*

- **September 2017 v September 2016**

  ANZ's CET1 ratio increased 96 bps to 10.6% during the year. Key drivers of the movement in the CET1 ratio were:

  - Net organic capital generation was 229 bps or $9.3 billion. This was primarily driven by cash profit and a net reduction in underlying RWA growth (excluding foreign exchange impacts, regulatory changes and other one-offs) which collectively provided 223 bps to the CET1 ratio. Throughout the September 2017 full year, RWA reduction was primarily driven by a $16.4 billion decrease in Institutional Credit RWAs (CRWAs) from a reduction in lending, due to portfolio rebalancing.
  - Payment of the March 2017 Interim and September 2016 Final Dividends (net of shares provided under the DRP, with March 2017 DRP neutralisation) reduced the CET1 ratio by 108 bps.
  - The transition of Asia Retail and Wealth businesses in China, Singapore and Hong Kong to DBS increased CET1 ratio by 9 bps.
  - Other impacts are mainly driven by net impacts from RWA measurement changes (reduced CET1 ratio by 27 bps principally from changes to ANZ's new capital model for Australian Residential Mortgages), and a further 7bps reduction from other impacts associated with movements in non-cash earnings and net foreign currency translation.

APRA Basel 3 Common Equity Tier 1 (CET1) – September 2017 v March 2017



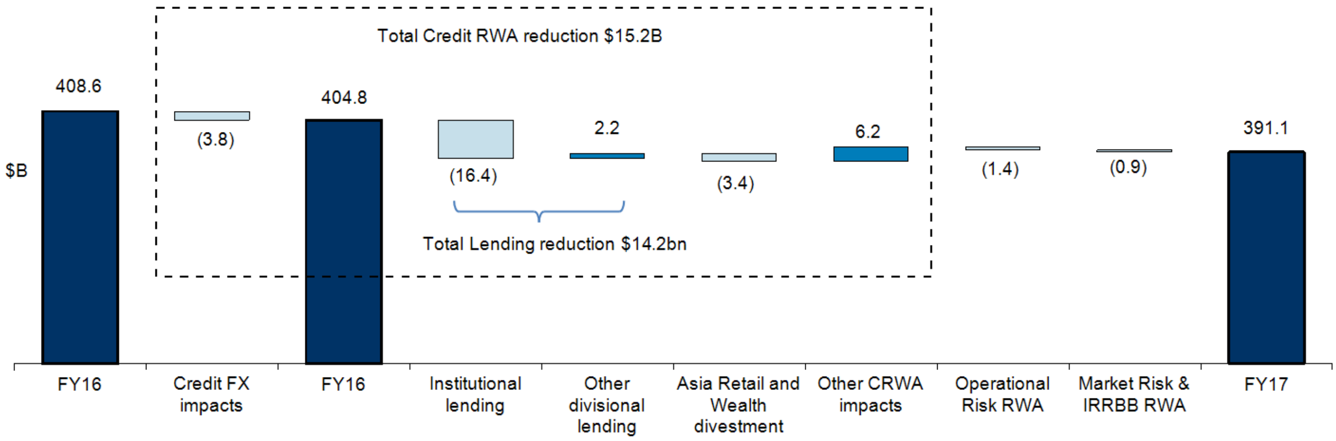
1. *Excludes large/notable items for the purposes of Capital Management attribution. Refer to pages 14 to 16.*
2. *Capital deductions represent the movement in retained earnings in deconsolidated entities, capitalised software (excluding accounting changes relating to the capitalisation of internally generated software assets), EL versus EP shortfall and other intangibles in the period.*
3. *1.4 million ordinary shares were issued under the Bonus Option Plan for the 2017 interim dividend with neutralisation of the Dividend Reinvestment Plan.*

- **September 2017 v March 2017**

  ANZ's CET1 ratio increased 44 bps to 10.6% during the September 2017 half. Key drivers of the movement in the CET1 ratio were:

  - Net organic capital generation was 118 bps or $4.7 billion. This was primarily driven by cash profit and a net reduction in underlying RWA (excluding foreign exchange impacts, regulatory changes and other one-offs). The RWA reduction was mainly driven by a $7.6 billion decrease in Institutional CRWAs from lower lending due to portfolio rebalancing.
  - Payment of the March 2017 Interim Dividend (with DRP neutralisation) reduced the CET1 ratio by 58 bps.
  - The transition of Asia Retail and Wealth businesses in China, Singapore and Hong Kong to DBS increased CET1 ratio by 9 bps.
  - Other impacts are mainly driven by net impacts from RWA measurement changes (reduced CET1 ratio by 21 bps principally from changes to ANZ's new capital model for Australian Residential Mortgages), and a further 4 bps reduction from other impacts associated with movements in non-cash earnings and net foreign currency translation.

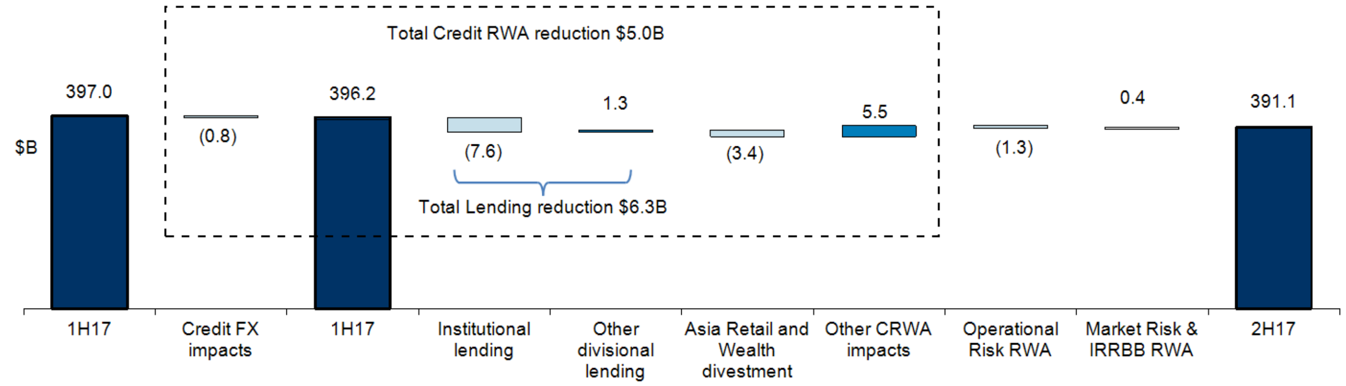
Total Risk Weighted Assets (RWA) – September 2017 v September 2016



- **September 2017 v September 2016**

  ANZ's total RWA decreased by $17.5 billion. Excluding the impact of foreign currency exchange translation and other non-recurring CRWA changes, CRWAs decreased by $14.2 billion, primarily driven by a decline in Institutional lending. Other CRWA changes mainly reflect the impact of RWA modelling changes to the Australian Residential Mortgages portfolio, partially offset by the Asia Retail and Wealth business transition of China, Singapore and Hong Kong to DBS. Non-CRWA decreased by $2.3bn mainly driven by lower Operational Risk, from reduced operation size (following portfolio rebalancing in Institutional and the transition of Asia Retail and Wealth businesses) and simplification of portfolios across the Group.

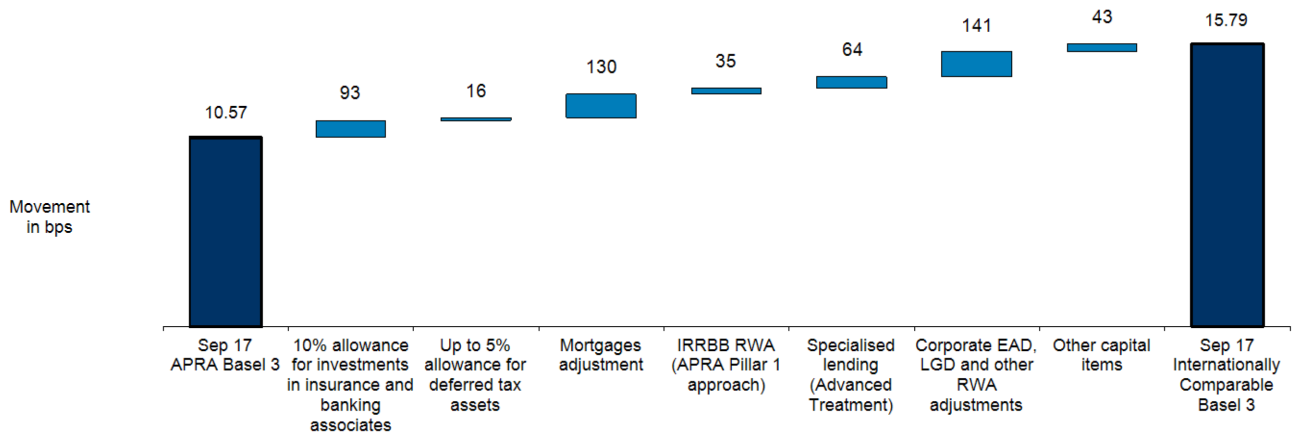
Total Risk Weighted Assets (RWA) – September 2017 v March 2017



- **September 2017 v March 2017**

  ANZ's total RWA decreased by $5.9 billion. Excluding the impact of foreign currency exchange translation and other non-recurring CRWA changes, CRWAs decreased by $6.3 billion primarily driven by a decline in Institutional lending. Other CRWA changes mainly reflect the impact of RWA modelling changes to the Australian Residential Mortgages portfolio, partially offset by the transition of Asia Retail and Wealth business in China, Singapore and Hong Kong to DBS. Non-CRWA decreased by $0.9 billion mainly driven by lower operational risk RWA from reduced operation size (following portfolio rebalancing in Institutional and the transition of Asia Retail and Wealth businesses) and simplification of portfolios across the Group.

APRA to Internationally Comparable[1] Common Equity Tier 1 (CET1) as at 30 September 2017



1. *ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel 3: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006). Also includes differences identified in APRA's information paper entitled "International Capital Comparison Study" (13 July 2015).*

The above provides a reconciliation of the CET1 ratio under APRA's Basel 3 prudential capital standards to Internationally Comparable Basel 3 standards. 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 International Comparable Basel 3 CET1 ratio incorporates differences between APRA and both the Basel Committee Basel 3 framework (including differences identified in the March 2014 Basel Committee's Regulatory Consistency Assessment Programme (RCAP) on Basel 3 implementation in Australia) and its application in major offshore jurisdictions.

The material differences between APRA Basel 3 and Internationally Comparable Basel 3 ratios include:

Deductions

- Investments 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.

Risk Weighted Assets (RWA)

- 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 on 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. Additionally, from July 2016, APRA also requires a higher correlation factor above the Basel framework 15% .The Internationally Comparable Basel 3 framework only requires a downturn LGD floor of 10% and a correlation factor of 15%.
- Specialised lending - APRA requires the supervisory slotting approach to be used in determining credit RWA for specialised 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.

Leverage Ratio

At 30 September 2017, the Group's APRA Leverage Ratio was 5.4% which is above the 3% minimum currently proposed by the Basel Committee on Banking Supervision (BCBS). APRA has not finalised a minimum leverage ratio requirement for Australian ADIs. The following table summarises the Group's Leverage Ratio calculation:

	As at			Movement	
	Sep 17 $M	Mar 17 $M	Sep 16 $M	Sep 17 v. Mar 17	Sep 17 v. Sep 16
Tier 1 Capital (net of capital deductions)	**49,324**	**48,091**	**48,285**	3%	2%
On-balance sheet exposures (excluding derivatives and securities financing transaction exposures)	**752,347**	747,708	744,359	1%	1%
Derivative exposures	**31,469**	30,968	30,600	2%	3%
Securities financing transaction (SFT) exposures	**28,598**	30,286	31,417	-6%	-9%
Other off-balance sheet exposures	**96,765**	97,492	98,460	-1%	-2%
Total exposure measure	**909,179**	**906,454**	**904,836**	**0%**	**0%**
APRA Leverage Ratio[1]	**5.4%**	**5.3%**	**5.3%**		
Internationally Comparable Leverage Ratio[1]	**6.2%**	**6.0%**	**6.0%**		

1. *Leverage ratio includes Additional Tier 1 securities subject to Basel 3 transitional relief, net of any transitional adjustments.*

- **September 2017 v September 2016**

  ANZ's Leverage Ratio increased 9 bps during the year mainly driven by:
  - Net organic capital generation (cash earnings) net of dividend payments increased the ratio by 30 bps.
  - Lower net Additional Tier 1 capital reduced the ratio by 10 bps mainly from redemption of remaining $1.1 billion of transitional CPS2 on issue in March 2017 half.
  - Net growth in exposures reduced the ratio by 10 bps mainly driven by on balance sheet growth in Australia division (primarily from growth in home loans) partially offset by the transition of Asia Retail and Wealth businesses to DBS. Other impacts lowered the ratio by 1 bp.

- **September 2017 v March 2017**

  ANZ's Leverage Ratio increased 12 bps in the September half mainly driven by:
  - Net organic capital generation (cash earnings) net of dividend payments increased the ratio by 15 bps.
  - The above were offset by net growth in exposures which reduced the ratio by 3 bps primarily driven by on balance sheet growth in Australian division (primarily from growth in home loans) partially offset by the transition of Asia Retail and Wealth businesses to DBS.

Other regulatory developments

- **Financial System Inquiry (FSI)**

  The Australian Government completed a comprehensive inquiry into Australia's financial system and the FSI final report was released on 7 December 2014. The contents of the report are wide-ranging and key recommendations that may have an impact on regulatory capital levels include:
  - Setting capital standards such that Australian Authorised Deposit-taking Institutions' (ADIs) capital ratios are unquestionably strong;
  - Raising the average internal ratings-based (IRB) mortgage risk weight to narrow the difference between average mortgage risk weight for ADIs using IRB models and those using standardised risk weights;
  - Implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice;
  - Developing a common reporting template that improves the transparency and comparability of capital ratios of Australian ADIs; and
  - Introducing a leverage ratio that acts as a backstop to ADIs risk-based capital requirements, in line with the Basel framework.

  APRA supported the FSI's recommendations and in response introduced the following:
  - With effect from July 2016, APRA increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including ANZ) to at least 25% risk-weighting. APRA also required refinements to residential mortgages risk models which ANZ implemented in June 2017. Collectively these changes have increased average credit risk weighting of ANZ's residential mortgages to approximately 28% as at September 2017.
  - In July 2017, APRA released an information paper outlining its assessment on the additional capital required for the Australian banking sector to be considered 'unquestionably strong'. APRA indicated that "In the case of the four major Australian banks, APRA expects that the increased capital requirements will translate into the need for an increase in CET1 capital ratios, on average, of around 100 basis points above their December 2016 levels. In broad terms, that equates to a benchmark CET1 capital ratio, under the current capital adequacy framework, of at least 10.5 per cent." APRA also stated that "ADIs should, where necessary, initiate strategies to increase their capital strength to be able to meet these capital benchmarks by 1 January 2020 at the latest." In order to accommodate future changes to capital framework mainly from:
    - Basel III changes in respect of credit risk, operational risk and the capital floor and;
    - Additional changes to address mortgage concentration risk and to improve transparency, comparability and flexibility.

- Discussion papers covering the above are expected to be released in late 2017, with consultation on draft prudential standards taking place throughout 2018. Final standards will then be issued in 2019 to take effect from early 2021. Importantly, APRA has indicated these changes to the capital framework will be accommodated within the 10.5% CET1 benchmark that Australian ADIs are expected to have met, a year ahead of the expected effective date of the new prudential standards.

- **Net Stable Funding Ratio (NSFR)**

  APRA released its final standards on NSFR in 2017 confirming that the minimum NSFR of 100% will become a regulatory requirement from 1 January 2018.

  As part of managing future liquidity requirements, ANZ monitors the NSFR in its internal reporting and the Group is well placed to meet this requirement by the implementation date.

- **Level 3 Conglomerates (Level 3)**

  APRA is extending its prudential supervision framework to Conglomerate Groups via the Level 3 framework which will regulate a bancassurance group such as ANZ as a single economic entity with minimum capital requirements and additional monitoring of risk exposure levels.

  In August 2016, APRA confirmed the deferral of capital requirements for Conglomerate Groups until 2019 at the earliest, to allow for the final capital requirements arising from FSI recommendations as well as from international initiatives that are in progress.

  The non-capital components of the Level 3 framework relating to group governance, risk exposures, intragroup transactions and other risk management and compliance requirements came into effect on 1 July 2017. These have had no material impact on the Group's capital position.

- **RBNZ review of capital requirements**

  On May 1, 2017 the RBNZ published an issues paper announcing that it is undertaking a comprehensive review of the capital adequacy framework applying to New Zealand locally incorporated registered banks over 2017 and 2018. The aim of the review is to identify the most appropriate framework for setting capital requirements for New Zealand banks, taking into account how the current framework has operated and international developments in bank capital requirements. The capital review will focus on the three key components of the current framework:
  - The definition of eligible capital instruments;
  - The measurement of risk; and
  - The minimum capital ratios and buffers.

  The RBNZ requested feedback about the topics covered by the issues paper for which responses were due on June 9, 2017. Detailed consultation documents on policy proposals and options for each of the three components will be released during 2017, with a view to concluding the review by the first quarter of 2018.

  On July 14, 2017, the RBNZ released a consultation paper on what types of financial instruments should qualify as eligible regulatory capital. The consultation paper sets out proposals for reform to the definition of eligible capital instruments for which responses were due September 8, 2017.

  The impact on Group and our subsidiary bank in New Zealand (ANZ Bank New Zealand) arising from the above consultations will not be known until the RBNZ finalises their review in 2018.

- **Current Proposals from the Basel Committee on Banking Supervision (BCBS) on RWA**

  As part of the BCBS agenda to simplify RWA measurement and reduce their variability amongst banks, the BCBS has issued a number of consultation documents associated with:
  - Standardised approach to RWA for credit risk;
  - Revisions to Standardised Measurement Approach to Operational Risk;
  - Fundamental Review of the Trading Book;
  - Interest Rate Risk in the Banking Book;
  - Framework on the imposition of capital floors based on standardised RWA approaches; and
  - Additional constraints on the use of internal models for credit RWA.

  Apart from the review of the Trading Book standard which has been finalised, BCBS is currently deliberating on the other proposals. Once finalised, APRA is expected to incorporate these issues as part of changes to the regulatory capital framework that APRA intends to implement by 2021, as outlined in its July 2017 information paper 'Strengthening banking system resilience – establishing unquestionably strong capital ratios'.