2013

Annual U.S. Disclosure Document

for the fiscal year ended September 30, 2013

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

The date of this 2013 Annual U.S. Disclosure Document is November 15, 2013.

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All references in this document to "this U.S. Disclosure Document" should be read as referring to this 2013 Annual U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal year ended September 30, 2013 (and includes the Annexes attached hereto).

This U.S. Disclosure Document is dated November 15, 2013. All references in this document to "the date of this U.S. Disclosure Document" are to November 15, 2013.

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

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

ANZ is one of the four major banking groups headquartered in Australia. As of September 30, 2013, ANZ ranked third and first in Australia and New Zealand, respectively, in terms of total assets among banking groups. ANZ's principal ordinary share listing and quotation is on the Australian Securities Exchange ("ASX"). As of September 30, 2013 ANZ was ranked among the top four largest companies listed on the ASX in terms of market capitalization.

This U.S. Disclosure Document has been prepared in order to provide U.S. investors with certain information regarding ANZ's business and operations, as well as its financial position, as of September 30, 2013, and the results of operations for the fiscal year then ended. All balances disclosed in this U.S. Disclosure Document relate to those of the Group. The Group's 2013 Financial Statements (as hereafter defined), as prepared and filed by the Company with the ASX in accordance with its rules, are attached to this U.S. Disclosure Document as part of Annex A.

Forward-looking statements

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

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

- adverse conditions in global debt and equity markets;
- general economic conditions in Australia, New Zealand, the Asia Pacific region and other jurisdictions in which we or our customers operate;
- market liquidity and investor confidence;
- changes to our credit ratings;
- inflation, interest rates, exchange rates, markets and monetary fluctuations and longer term changes;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly those arising from global financial turmoil, including more stringent liquidity and capital requirements;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand, the Asia Pacific region and other jurisdictions in which we or our customers operate;
- the effects of competition in the geographic and business environments in which we or our customers operate;
- our ability to adjust to and compete in the Asian geographic markets in which we operate or are seeking to operate;
- the ability to maintain or increase market share and control expenses;
- the timely development and acceptance of new products and services, and the perceived overall value of these products and services by users;
- technological changes;
- operational and environmental factors, including natural disasters, such as earthquakes, floods, volcanic eruptions, bush fires and tsunamis;
- demographic changes and changes in political, social, and economic conditions in any of the jurisdictions in which we or our customers operate;
- our ability to complete, integrate, and process acquisitions and dispositions;
- the stability of Australian and international financial systems and disruptions to financial markets and any losses we or our customers may experience as a result;
- adverse impact on our customers and counterparties, including the impact on our natural resource customers of a slowdown in natural resource exports to Asia, the impact on our agricultural and tourism customers of continued strength of the Australian dollar and the impact on our financial customers of the continuing financial and credit turmoil in Europe and the United States;
- adverse impacts on our reputation; and
- various other factors beyond our control.

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

Selected financial data

The consolidated balance sheets as of September 30, 2013 and 2012, and income statement data for the fiscal years ended September 30, 2013 and 2012 have been derived from the Group’s audited financial statements for the financial year ended September 30, 2013 (the “2013 Financial Statements”). The consolidated balance sheet as at September 30, 2011 and income statement data for the fiscal year ended September 30, 2011 have been derived from the comparative information in the Group’s audited financial statements for the year ended September 30, 2012 (the “2012 Financial Statements”).The Group’s 2013 Financial Statements are contained within ANZ’s 2013 Annual Report (excerpts of which, including the 2013 Financial Statements, are attached to this U.S. Disclosure Document as Annex A). The Group’s 2012 Financial Statements are contained within ANZ’s 2012 Annual Report (excerpts of which, including the 2012 Financial Statements, are attached as Annex B).

The Financial Statements of the Group and the financial information included herein, except where otherwise noted, are prepared in accordance with Australian Accounting Standards (“AAS”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The reports comply with International Financial Reporting Standards (“IFRS”) and Interpretations adopted by the International Accounting Standards Board (“IASB”).

Amounts in this U.S. Disclosure Document are presented in Australian Dollars (“AUD”) unless otherwise stated. Amounts reported in United States Dollars (“USD”) have been translated at the September 30, 2013 Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”), which was US$0.9342 = AUD$1.00. For further information on the currency of presentation in this U.S. Disclosure Document refer to pages 25 and 63.

Summary of consolidated statement of income

	Years ended September 30					
	2013 USD $M[1]	2013 $M	2012 $M	2011 $M	2010 $M	2009 $M
Interest income	26,743	28,627	30,538	30,443	26,608	26,286
Interest expense	(14,825)	(15,869)	(18,428)	(18,943)	(15,739)	(16,398)
Net interest income	11,918	12,758	12,110	11,500	10,869	9,888
Net funds management and insurance income	1,337	1,431	1,203	1,405	1,099	230
Share of associates' profit	450	482	395	436	433	465
Other operating income	3,527	3,775	4,003	3,591	3,291	3,027
Operating income	17,232	18,446	17,711	16,932	15,692	13,610
Operating expenses	(7,694)	(8,236)	(8,519)	(8,023)	(7,304)	(6,225)
Profit before credit impairment and income tax	9,538	10,210	9,192	8,909	8,388	7,385
Provision for credit impairment[2]	(1,110)	(1,188)	(1,198)	(1,237)	(1,787)	(3,005)
Profit before income tax	**8,428**	**9,022**	**7,994**	**7,672**	**6,601**	**4,380**
Income tax expense[3]	(2,560)	(2,740)	(2,327)	(2,309)	(2,096)	(1,435)
Profit for the year	5,868	6,282	5,667	5,363	4,505	2,945
Profit attributable to non-controlling interests	(9)	(10)	(6)	(8)	(4)	(2)
Profit attributable to shareholders of the Company	**5,859**	**6,272**	**5,661**	**5,355**	**4,501**	**2,943**
Non-interest income as a % of operating income[4]	30.8%	30.8%	31.6%	32.1%	30.7%	27.3%
Net interest margin	2.22%	2.22%	2.31%	2.42%	2.47%	2.31%
Cost to income ratio	44.6%	44.6%	48.1%	47.4%	46.5%	45.7%
Dividends on ordinary shares	3,813	4,082	3,691	3,491	2,667	2,452
Earnings per fully paid ordinary share (cents)						
Basic	216	231	213	208	179	131
Diluted	209	224	206	199	175	130
Ordinary share dividend payout ratio (%)[5]	71.8%	71.8%	69.4%	68.6%	71.6%	82.3%
Dividend per ordinary share (cents)	153.2	164.0	145.0	140.0	126.0	102.0

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2013 Noon Buying rate applied in this document.*
2. *The provision for credit impairment charge represents the individual and collective provision charge.*
3. *Includes income tax expense attributable to income relating to policyholder income and contributions tax gross up in respect of ANZ Wealth Australia Limited and OnePath New Zealand Limited.*
4. *Non-interest income comprises net funds management and insurance income, share of associates' profit and other operating income.*
5. *The dividend payout ratio was calculated by adjusting profit attributable to shareholders of the Company by the amount of preference share dividends paid. The dividend payout ratio calculation is based on the following dividend payments:*

	2013 $M	*2012 $M*	*2011 $M*	*2010 $M*	*2009 $M*
Interim	*2,003*	*1,769*	*1,662*	*1,318*	*993*
Final	*2,497**	*2,150*	*2,002*	*1,895*	*1,403*
Total	*4,500**	*3,919*	*3,664*	*3,213*	*2,396*

**Based on the proposed final dividend as at November 8, 2013.*

Summary of consolidated balance sheet

	As at September 30					
	2013 USD $M[1]	**2013 $M**	**2012 $M**	**2011 $M**	**2010 $M**	**2009 $M**
Shareholders' equity[2]	42,556	45,553	41,171	37,906	34,091	32,364
Subordinated debt[3]	11,961	12,804	11,914	11,993	12,280	13,429
Bonds and notes	65,745	70,376	63,098	56,551	59,714	57,260
Deposits and other borrowings	410,743	439,674	397,123	368,729	310,383	294,370
Gross loans and advances[4,5]	442,483	473,649	432,361	402,180	354,349	336,533
Less: Individual provision for credit impairment	(1,371)	(1,467)	(1,773)	(1,697)	(1,875)	(1,526)
Less: Collective provision for credit impairment	(2,697)	(2,887)	(2,765)	(3,176)	(3,153)	(3,000)
Net loans and advances	438,415	469,295	427,823	397,307	349,321	332,007
Total assets	656,734	702,991	642,127	604,213	531,703	476,987
Net assets	42,614	45,615	41,220	37,954	34,155	32,429
Risk weighted assets[6]	316,941	339,265	300,119	279,964	264,242	252,069
Summary of consolidated ratios						
Net profit after income tax as a percentage of:						
Average total assets	0.9%	0.9%	0.9%	0.9%	0.9%	0.6%
Average shareholders' equity[7]	14.9%	14.9%	14.6%	15.3%	13.9%	10.3%
Average ordinary shareholders' equity as a percentage of average total assets[7]	6.2%	6.2%	6.2%	6.1%	6.1%	5.6%
Ratio of earnings to fixed charges[8]	56.3%	56.3%	43.1%	40.2%	41.6%	26.5%
Capital adequacy ratios:[6]						
Common Equity Tier 1	8.5%	8.5%	8.8%	8.5%	8.0%	9.0%
Tier 1	10.4%	10.4%	10.8%	10.9%	10.1%	10.6%
Tier 2	1.8%	1.8%	1.4%	1.2%	1.8%	3.1%
Total	12.2%	12.2%	12.2%	12.1%	11.9%	13.7%
Number of ordinary shares on issue (millions)	2,743.7	2,743.7	2,717.4	2,629.0	2,559.7	2,504.5

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2013 Noon Buying rate applied in this document.*
2. *Excludes non-controlling interests.*
3. *For the composition of Subordinated Debt refer to Note 28 (Loan Capital) in the 2013 Annual Report (attached as Annex A hereto).*
4. *Net of unearned income and including capitalized brokerage/mortgage origination fees and customers' liability for acceptances.*
5. *Loans and advances are disclosed in the balance sheet net of the individual and collective provisions. For ease of presentation gross amounts are shown here.*
6. *Risk weighted assets and Capital adequacy ratios are calculated using Australian Prudential Regulation Authority (APRA) Basel 3 methodology for September 2013 and APRA Basel 2 methodology for September 2012, 2011, 2010 and 2009.*
7. *Excludes non-controlling interests and preference shares.*
8. *Ratio of earnings to fixed charges is derived from profit before income tax divided by the sum of interest expenses and one third of rental expense.*

Summary of credit quality data

	As at September 30			
	2013 USD $M[1]	**2013 $M**	**2012 $M**	**2011 $M**
Gross impaired assets:				
Impaired assets - subject to provision for credit impairment	3,201	3,427	4,011	4,376
Without provision for credit impairment:				
Impaired loans	303	324	353	274
Restructured items	318	341	525	700
Non-performing commitments and contingencies	161	172	307	231
Total gross impaired assets	**3,983**	**4,264**	**5,196**	**5,581**
Provision for credit impairment:				
Individual provision - impaired loans	1,346	1,440	1,729	1,687
Individual provision - non-performing commitments and contingencies	25	27	44	10
Collective provision	2,697	2,887	2,765	3,176
Total provision for credit impairment	**4,068**	**4,354**	**4,538**	**4,873**
Total gross loans and advances[2,3]	**442,483**	**473,649**	**432,361**	**402,180**
Collective provision as a % of credit risk weighted assets[4]	1.00%	1.00%	1.08%	1.28%
Gross impaired assets as a percentage of gross loans and advances	0.9%	0.9%	1.2%	1.4%
Individual provision for credit impairment as a percentage of gross impaired assets	34.4%	34.4%	34.1%	30.4%
Total provision for credit impairment as a percentage of:				
Gross loans and advances[2,3]	0.9%	0.9%	1.0%	1.2%
Credit risk weighted assets[4]	1.5%	1.5%	1.8%	2.0%

1. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2013 Noon Buying Rate applied in this document.*
2. *Net of unearned income and including capitalized brokerage/mortgage origination fees and customers' liability for acceptances.*
3. *Loans and advances are disclosed in the balance sheet net of individual and collective provisions. For ease of presentation gross amounts are shown here.*
4. *Credit risk weighted assets are calculated using APRA Basel 3 methodology for September 2013 and APRA Basel 2 methodology for September 2012 and 2011. The change from APRA Basel 2 to APRA Basel 3 on January 1, 2013 increased risk weighted assets by $15.2 billion at that date.*

Results by Division

The Group operates on a divisional structure, with Australia, International and Institutional Banking (IIB), New Zealand and Global Wealth being the operating divisions.

Effective October 1, 2012, Corporate Banking Australia was transferred to the Australia division from IIB, and comparatives have been restated accordingly.

There have been no other major structure changes, however prior period comparatives are adjusted for changes such as minor restatements as a result of changes to customer segmentation, changes to net interbusiness unit expense methodologies and the realignment of support functions.

Assets, liabilities, income and profit before tax

	Years ended September 30						
Division[1]	**2013 USD $M**[2]	**2013 $M**	**%**	**2012 $M**	**%**	**2011 $M**	**%**
Total assets							
Australia	256,469	274,533	39%	256,805	40%	239,664	40%
International and Institutional Banking	277,013	296,524	42%	267,467	42%	250,809	42%
New Zealand	79,621	85,229	12%	73,807	11%	69,043	11%
Global Wealth	45,785	49,010	7%	45,472	7%	43,970	7%
Other	(2,154)	(2,305)	0%	(1,424)	0%	727	0%
	656,734	**702,991**	**100%**	**642,127**	**100%**	**604,213**	**100%**
Total liabilities							
Australia	154,987	165,903	25%	158,289	26%	142,196	25%
International and Institutional Banking	237,943	254,702	39%	228,333	38%	219,415	39%
New Zealand	60,317	64,565	10%	57,917	10%	53,092	9%
Global Wealth	47,866	51,237	8%	46,245	8%	43,434	8%
Other[3]	113,008	120,969	18%	110,123	18%	108,122	19%
	614,121	**657,376**	**100%**	**600,907**	**100%**	**566,259**	**100%**
Income[4]							
Australia	16,454	17,613	51%	19,018	53%	19,088	53%
International and Institutional Banking	9,605	10,282	30%	10,740	30%	10,012	28%
New Zealand	4,484	4,800	14%	4,601	13%	4,829	13%
Global Wealth	1,590	1,702	5%	1,643	4%	1,748	5%
Other	(76)	(82)	0%	137	0%	198	1%
	32,057	**34,315**	**100%**	**36,139**	**100%**	**35,875**	**100%**
Profit before tax							
Australia	3,827	4,096	45%	3,712	47%	3,537	46%
International and Institutional Banking	3,061	3,277	36%	2,907	36%	2,934	38%
New Zealand	1,139	1,219	14%	886	11%	823	11%
Global Wealth	525	562	6%	469	6%	603	8%
Other	(124)	(132)	-1%	20	0%	(225)	-3%
	8,428	**9,022**	**100%**	**7,994**	**100%**	**7,672**	**100%**

1. *For discussion of operating results see "Section 3: Operating and financial review and prospects - Results by division".*
2. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2013 Noon Buying Rate applied in this document.*
3. *Other liabilities includes a major proportion of the Group's wholesale funding within Group Treasury.*
4. *Income consists of interest income and non-interest income (comprising net funds management and insurance income, share of associates' profit and other operating income).*

Overview

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

As at the close of trading on September 30, 2013, ANZ had a market capitalization of $84.5 billion. As at September 30, 2013, ANZ had total assets of $703.0 billion, and shareholders' equity of $45.6 billion. ANZ's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange ("NZX").

ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. It conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. ANZ also operates in a number of other countries including the United Kingdom and the United States of America.

Principal activities of segments

The Group operates and manages its results on a divisional structure with Australia, International & Institutional Banking ("IIB"), New Zealand and Global Wealth being the major operating divisions. Functions that service the organization globally are classified as Other.

Australia

The Australia division comprises Retail and Corporate and Commercial Banking and businesses. Retail includes Mortgages, Deposits, Cards and Payments along with the Retail Distribution Network. Corporate and Commercial Banking includes Corporate Banking, Esanda, Regional Business Banking, Business Banking and Small Business Banking.

- **Retail**
  - **Retail Distribution** delivers banking solutions to customers via the Australian branch network, ANZ Direct and specialist sales channels.
  - **Retail Products** is responsible for delivering a range of products including mortgages, credit cards, personal loans, transaction banking, savings accounts and deposits, using capabilities in product, analytics, customer research, segmentation, strategy and marketing. It also provides online and electronic payment solutions for businesses.
    - Mortgages provides housing finance to consumers in Australia for both owner occupied and investment purposes.
    - Cards and Payments provides consumer and commercial credit cards, personal loans and merchant services.
    - Deposits provides transaction banking, savings and investment products, such as term deposits and cash management accounts.
- **Corporate and Commercial Banking ("C&CB")**
  - **Corporate Banking** provides traditional relationship banking and sophisticated financial solutions, to corporate businesses, including largely private owned companies in the mid-market business segment.
  - **Business Banking** provides a full range of banking services, including risk management, to metropolitan based small to medium sized business clients with a turnover of up to A$125 million.
  - **Regional Business Banking** provides a full range of banking services to personal customers and to small business and agribusiness customers in rural and regional Australia.
  - **Small Business Banking** provides a full range of banking services for metropolitan-based small businesses in Australia with lending up to A$1 million.
  - **Esanda** provides motor vehicle and equipment finance and investment products.

International and Institutional Banking

The International and Institutional Banking division comprises Global Institutional, Retail Asia Pacific and Asia Partnerships business units, along with Relationship & Infrastructure.

- **Global Institutional** provides global financial services to government, corporate and institutional clients with a focus on solutions for clients with complex financial needs, based on a deep understanding of their businesses and industries, with particular expertise in natural resources, agriculture and infrastructure. Institutional delivers transaction banking, specialized and relationship lending and markets solutions in Australia, New Zealand, Asia Pacific, Europe and America. This includes:
  - **Transaction Banking** provides working capital solutions including deposit products, cash transaction banking management, trade finance, international payments, and clearing services principally to institutional and corporate customers.
  - **Global Markets** provides risk management services to corporate and institutional clients globally in relation to foreign exchange, interest rates, credit, commodities, debt capital markets, wealth solutions and equity derivatives. Global Markets provides origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Global Markets also manages the Group's interest rate risk position and liquidity portfolio.
  - **Global Loans** provides term loans, working capital facilities and specialist loan structuring. It provides specialist credit analysis, structuring, execution and ongoing monitoring of strategically significant customer transactions, including project and structured finance, debt structuring and acquisition finance, loan product structuring and management, structured asset and export finance.
- **Retail Asia Pacific** which provides retail and small business banking services to customers in the Asia Pacific region and also includes investment and insurance products and services for Asia Pacific customers.
- **Asia Partnerships** which is a portfolio of strategic partnerships in Asia. This includes investments in Indonesia with PT Bank Pan Indonesia, in the Philippines with Metrobank Cards Corporation, in China with Bank of Tianjin and Shanghai Rural Commercial Bank, in Malaysia with AMMB Holdings Berhad and in Vietnam with Saigon Securities Incorporation.

- **Relationship & Infrastructure** includes client relationship management teams for global institutional and financial institution and corporate customers in Australia and Asia, corporate advisory and central support functions. Relationship and infrastructure also includes businesses within IIB which are discontinued.

New Zealand

The New Zealand division comprises Retail and Commercial business units, and Operations and Support which includes the central support functions (including Treasury funding). ANZ's wholly-owned subsidiary, ANZ Bank New Zealand Limited, reports four business units: Retail, Commercial, Wealth and Institutional, along with Operations and Support. For the purposes of this U.S. Disclosure Document and ANZ's financial statements, the results from Wealth and Institutional are reported through the Group's Global Wealth and IIB divisions, respectively.

- **Retail**
  - Includes Mortgages, Credit Cards and Unsecured Lending to personal customers in New Zealand.
- **Commercial**
  - **Commercial & Agri (CommAgri)** provides financial solutions through a relationship management model for medium-sized businesses, including agri-business, with a turnover of up to NZ$150 million. Asset Finance (including motor vehicle and equipment finance), operating leases and investment products are provided under the UDC brand.
  - **Small Business Banking** provides a full range of banking services to small enterprises, typically with turnover of less than NZ$5 million.

Global Wealth

The Global Wealth division comprises Funds Management, Insurance and Private Banking which provides investment, superannuation, insurance products and services as well as Private Banking for customers across Australia, New Zealand and Asia.

- **Global Private Banking** specializes in assisting individuals and families to manage, grow and preserve their wealth. The businesses within Private Banking & Other Wealth include Private Bank, ANZ Trustees, E*Trade, Investment Lending, Super Concepts and Other Wealth.
- **Funds Banking Management and Insurance** includes OnePath Group (in Australia and New Zealand), ANZ Financial Planning, ANZ General Insurance, Lender's Mortgage Insurance and Online Investment Account.

Other

Other comprises Global Services & Operations, Group Technology and Group Center. Group Center includes Group Human Resources, Group Risk, Group Strategy, Group Corporate Affairs, Group Corporate Communications, Group Treasury, Global Internal Audit, Group Finance, and Group Marketing, Innovation and Digital, Shareholder Functions and discontinued businesses. In addition, Other includes certain items which are removed from the divisional results because they are not considered integral to the ongoing performance of the divisions.

The Group's strategic priorities

ANZ is executing a focused strategy to build the best connected, most respected bank across the Asia Pacific region and, in doing so to provide shareholders with above-peer earnings growth.

The Bank is pursuing significant organic growth opportunities in the Asia Pacific region. With its strong domestic businesses in Australia and New Zealand and its distinctive footprint and super regional connectivity, ANZ believes that it is uniquely positioned to meet the needs of customers, who are increasingly linked to regional capital and trade flows.

Revenue sourced from the Asia Pacific region represented 21% of total Group revenue in 2013.

Strategic progress in 2013

While economic conditions across the Asia Pacific region remain more robust by comparison to much of the rest of the world, conditions for banking were once again challenging – particularly for institutional banking where subdued credit conditions and margin compression have impacted income growth.

Within that environment, management continued to focus on balancing the need for investment to meet the needs of the Bank's customers and drive longer-term growth, and the need to generate attractive returns for ANZ shareholders in the near-term. This has been achieved by focusing on both productivity initiatives and capital management to improve returns and support strong Earnings Per Share growth.

- ANZ is building stronger positions in the Australia and New Zealand markets, led by market share gains in Australia Retail and Commercial, productivity benefits from the program of simplification in New Zealand, and improved penetration of Wealth products into the existing customer base in these markets;
- ANZ has continued to build its capabilities in Asia, focused on intermediating the fast growing trade and capital flows in the region with particular emphasis on regional treasury centers like Hong Kong and Singapore and products like Trade, Foreign Exchange and Debt Capital Markets for Institutional customers. The Commercial segment in Asia is quickly emerging as a source of valuable Markets and Trade cross-sell;
- The Bank's retail business in Asia is maturing with improving Return On Equity ("ROE") and cost to income ratio. It is focused on building USD, AUD and RMB liquidity and building the ANZ brand across the region;
- Operations and Technology have reached a level of maturity and are now managed on an equal footing with the other Business Divisions. The Operations and Technology strategy is delivering economies of scale, speed to market and a stronger control environment to our businesses, particularly from the regional hubs and the use of common platforms and processes, resulting in lower unit costs, better quality and lower risk;
- The operating model for Finance and Human Resources has been globalized in line with the existing way the Bank manages Risk, and management believes these changes will deliver greater consistency, higher control standards and lower cost;
- The ANZ Group generated around $4.5 billion of additional capital for the year ended September 30, 2013, and remains well capitalized with a Common Equity Tier 1 ratio of 10.8% on a Basel 3 internationally harmonized basis or 8.5% under APRA's Basel 3 standards at September 30, 2013. Customer funding was slightly higher at 62% of total funding at September 30, 2013 compared to 61% at September 30, 2012;
- Gross impaired assets reduced both half on half and year on year, and the Group's coverage ratios remain strong with Collective Provision to Credit Risk Weighted Assets at 1.00% and Individual Provision to gross impaired assets at 34.4%; and
- Finally, ANZ has also focused on strengthening management depth and the alignment among businesses, operations, support and technology.

Medium to Long Term Strategic Goals

ANZ is committed to delivering top quartile shareholder returns and above-peer earnings growth. The target dividend payout ratio remains at around 65-70% of profit, with a bias towards the upper end of this range, which ANZ believes to be a sustainable level in a Basel 3 environment.

To do this, the ANZ Group will continue to strive to:

- Strengthen its position in the Australia and New Zealand markets by growing the Retail and Commercial operations, driving productivity benefits, leveraging the super regional strategy and using technology to drive better functionality:
  - In Australia, the ANZ Group is transforming the way customers are served by investing in physical, mobile and digital channels to support retail customers, by increasing sales capacity to support business banking customers, and by investing in customer analytics;
  - In New Zealand, the ANZ Group will work under one brand on one technology platform with more efficient market coverage.
- Focus our Asian expansion primarily on Institutional Banking, supporting Australian and New Zealand customers, targeting profitable markets and segments in which ANZ has expertise and which are connected through trade and capital flows, while continuing to build the niche Commercial and Retail businesses;
- Achieve greater efficiency and control through the use of scalable common infrastructure and platforms;
- Maintain strong liquidity and actively manage capital to enhance ROE;
- Build on ANZ Group super regional capabilities both by using our existing management capabilities and continuing to deepen our international pool of talent; and
- Apply strict criteria when reviewing investment opportunities, including mergers, acquisitions, joint ventures and dispositions.

Recent developments

There are no significant events from September 30, 2013 to the date of this U.S. Disclosure Document.

Supervision and regulation

Australia

Overview of APRA's Prudential and Regulatory Supervision

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

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

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

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

Capital Management and Adequacy and Liquidity within APRA's Regulations

For further details of the ANZ Group's capital management and adequacy, liquidity and APRA's regulatory environment refer to pages 49 to 53 of Section 3: Operating and Financial Review and Prospects - Capital Management of this U.S. Disclosure Document.

Capital

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

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

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

Level 3 Conglomerates ("Level 3")

APRA has announced that it will proceed with implementing Level 3 Conglomerates framework on January 1, 2015, with final Level 3 capital adequacy standards expected to be released by January 2014. The standards will regulate a bancassurance group such as ANZ as a single economic entity with minimum capital requirements and additional reporting on risk exposure levels. Based upon APRA's draft prudential standards covering group governance and risk exposures released in December 2012, ANZ is not expecting any material impact on its operations.

Liquidity

ANZ's liquidity and funding risks are governed by a detailed policy framework which is approved by the Board of Directors. The management of the liquidity and funding positions and risks is overseen by the Group Asset and Liability Committee ("GALCO"). In addition to the policy framework, ANZ maintains a Liquidity Crisis Contingency Plan, which details the identification, escalation and management procedures in the event of a liquidity crisis.

ANZ manages liquidity and funding risk using various reporting and modeling techniques, including but not limited to the following:

- Name Crisis Scenario Modeling: ANZ requires that it remains cash flow positive under stressed "name-crisis" scenarios, whereby a proportion of deposits are assumed to be withdrawn by customers and ANZ's access to wholesale capital markets is severely restricted. These stresses capture "name-crisis" scenarios under both normal and stressed financial market conditions.

- Funding Market Stress Scenario Modeling: ANZ requires that it remains cash flow positive for an extended period of time under stressed funding market scenarios, whereby access to wholesale funding markets is severely restricted. These stresses capture both global and offshore specific funding market disruptions.
- Normal Business Conditions Scenario Modeling: ANZ monitors its expected liquidity position under normal conditions, based on statistical modeling of balance sheet behavior.
- Liquid Asset Portfolio: ANZ’s liquidity and funding risk is reduced through the holding of a portfolio of highly liquid assets. In a market stress event, these assets are pledgeable securities with the RBA and other central banks for cash.
- Wholesale Funding Maturity Concentration Limits: Maturity concentration limits are applied with the aim of preventing ANZ’s wholesale funding requirements from being overly reliant on large issuances over a short period. These limits require funding to be well diversified by tenor.
- Structural Liquidity Metrics: ANZ requires that a high proportion of long term assets are funded with long term and “sticky” forms of funding. These metrics aim to ensure a high level of funding sustainability, thereby reducing the vulnerability of the balance sheet to market and/or name specific stress.

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

Basel 3 liquidity changes include the introduction of two new liquidity ratios to measure liquidity risk: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). A component of the liquidity required under the proposed standards will likely be met via the previously announced Committed Liquidity Facility from the RBA, however the size and availability of the facility is not yet agreed with APRA and the RBA. While ANZ has an existing stress scenario framework and structural liquidity risk metrics and limits in place, the requirements proposed are in general more challenging. These changes may impact the future composition and size of ANZ’s liquidity portfolio, the size and composition of the Bank’s funding base and consequently could affect future profitability. The Basel Committee on Banking Supervision released changes to the Liquidity Coverage Ratio (“LCR”) in January 2013, including changes to liquid asset eligibility criteria and assumed cash outflows under a stress event (‘runoff rates’). APRA released further details on its requirements in May 2013 and has largely adopted the revised ‘runoff rates’ announced by Basel. APRA currently proposes to implement the LCR on January 1, 2015 and the NSFR on January 1, 2018 in line with the Basel Committee’s timetable for liquidity risk.

For a summary of the regulatory changes which would result from the Basel Committee's Basel 3 proposals (including in respect of the capital and liquidity standards, the Life Insurance and General Insurance Capital reforms and the proposed Level 3 Conglomerate rules), refer to Section 3: Operating and Financial Review and Prospects – Capital Management and Liquidity Risk.

Other Regulators

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

ASIC is Australia's corporate, markets and financial services regulator. It regulates Australian companies, financial markets, financial services organizations and professionals who deal and advise in investments, superannuation, insurance, deposit-taking and credit. ANZ provides products and participates in markets regulated by ASIC.

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

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

The ANZ Group has ordinary shares listed on the Australian Securities Exchange and the New Zealand Stock Exchange, and has other equity securities and debt securities listed on these and some other overseas securities exchanges. As a result, the ANZ Group must comply with a range of listing and corporate governance requirements in Australia, New Zealand, and overseas.

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

New Zealand

The Reserve Bank of New Zealand (the “RBNZ”) has implemented the Basel III capital adequacy requirements, as modified to reflect New Zealand conditions, as of January 1, 2013. With effect from January 1, 2014, the RBNZ will also require New Zealand incorporated banks (including ANZ New Zealand) to maintain a conservation buffer of 2.5% above the minimum ratios or face restrictions on distributions. The RBNZ also has the discretion from January 1, 2014 to apply a countercyclical buffer of common equity with an indicative range of between 0 and 2.5%, although there is no formal upper limit.

The RBNZ is undertaking a staged review of bank capital adequacy requirements for housing loans. As a consequence of stage one of the review, new and higher housing correlation factors for high loan-to-value loans took effect on September 30, 2013, thereby increasing the capital adequacy requirements for the high loan-to-value loans of banks using the internal ratings based approach for calculating capital adequacy ratios. This will increase reported risk weighted assets. The RBNZ has also released in September 2013 a second consultation paper on stage two of the housing review. The consultation mainly focuses on remedying definitional inconsistencies and ambiguities currently contained in the RBNZ's capital requirements. It also proposes formalizing the RBNZ's approval process and on-going requirements for internal based banks.

United States of America (U.S.)

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

Those regulations require financial institutions operating in the U.S. to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. In addition, the U.S. bank regulatory agencies are imposing heightened standards and U.S. law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution, as well as result in the imposition of civil, monetary and criminal penalties.

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

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

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

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

ANZ also has a U.S. bank subsidiary that operates in Guam and American Samoa. This bank is subject to supervision, examination and regulation by the Federal Deposit Insurance Corporation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. The process of proposing and implementing regulations to implement the Dodd-Frank Act is well under way and is expected to continue for several more years. Once fully implemented, the Dodd-Frank Act will affect many aspects, in the U.S. and internationally, of the business of banking, including securitization, proprietary trading, investing, derivatives and other activities. For example, if they are implemented as proposed, the so-called "Volcker Rule" provisions of the Dodd-Frank Act would impose broad restrictions on proprietary trading and investing in and sponsoring private equity and hedge funds by banking organizations. Such restrictions, if adopted, could affect ANZ's domestic and international business lines.

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

In March 2010, the United States enacted legislation that would require non-United States banks to provide information on United States account holders to the United States tax authorities, either by reporting such information directly to the United States tax authorities or, in some cases, by reporting such information to their local revenue authority for it to forward to the United States tax authorities. If this information is not provided in a form satisfactory to the United States tax authorities, a non-United States bank will have a 30% withholding tax applied to certain amounts paid to it. Under United States Treasury regulations and United States Internal Revenue Service ("IRS") guidance, no such withholding tax will be imposed on any payments derived from sources within the United States that are made prior to July 1, 2014, and no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2017, at the earliest. ANZ Group is expected to make significant investments in order to comply with the requirements of this legislation.

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

Competition

Australia

The Australian banking system is highly competitive. As of September 30, 2013, the four major banking groups in Australia (ANZ, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation), held approximately 80% of the total Australian lending assets of banks that carry on business in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular state or region, and generally have an emphasis on retail banking. A number of international banks also provide banking services in Australia and typically focus on specific segments of the retail or institutional markets, holding a minority position in these segments.

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

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

The Institutional Banking Australia business focuses on the delivery of ANZ's products and services to some of the largest corporate and financial institutions in Australia. The business has a number of specialist product teams including Global Loans (structured and project finance, working capital and term lending), Global Markets (foreign exchange, interest rates, commodities and capital markets products) and Transaction Banking (cash management and trade finance), who work together with relationship teams and enablement functions to support client needs in Australia. Institutional Banking Australia also works closely with ANZ Institutional teams in Asia Pacific, Europe, America and New Zealand to ensure a seamless global offering to clients.

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

Market turmoil created as a result of the global financial crisis saw lower activity by foreign banks, and an increase in net interest margins from reduced competition and re-pricing for risk. During 2011, competition intensified once again and funding costs increased, therefore contributing to margin contraction in the Institutional business. Despite funding costs stabilizing during 2012 and 2013, Institutional margins continued to contract as competition further intensified. In response, the Institutional Australia business has continued to focus on growing flow and value added products such as global markets and transaction banking and reducing its reliance on traditional balance sheet lending.

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

The retail funds management and life insurance markets are highly concentrated with the top six players capturing approximately 80% market share. The large retail players are generally well integrated and benefit from extensive aligned distribution networks and control product packaging by operating the major platforms, sometimes referred to as 'funds supermarkets'. ANZ is currently ranked fifth in market share in these markets.

Significant changes in market share in funds management and life insurance over the past five years were driven by large acquisitions. In 2011 AMP, a large superannuation and life insurance specialist, completed the acquisition of AXA Australia Ltd to become the new market leader.

In recent years a number of Government reviews have focused on Australia's compulsory defined contribution retirement system and financial advice industry. Recommendations adopted from these reviews are now in the process of implementation and are expected to lower the cost of default option schemes, increase the compulsory threshold of a person's contribution into their pension fund, and reduce the potential conflicts of interest arising in the provision of financial advice, including through banning volume-based commissions paid by product manufacturers.

New Zealand

The New Zealand financial services sector in which ANZ New Zealand operates is very concentrated and highly competitive. ANZ New Zealand's principal competitors are the three other major banks, ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary or branch of a major Australian bank. Together with ANZ New Zealand (including the New Zealand branch of ANZBGL), these banks (including the New Zealand branches of their Australian bank parents) held approximately 87% of the New Zealand banking system's assets as at June 30, 2013 and participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. The New Zealand Government owned Kiwibank Limited is active in retail segments and Rabobank New Zealand Limited is active in retail deposits and agricultural lending markets. International banks such as Citigroup, The Hong Kong and Shanghai Banking Corporation and Deutsche Bank participate in a limited manner in the institutional market. GE Capital is in the point of sale consumer finance and credit card market.

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

Outside the banking sector, a number of smaller finance companies in New Zealand are active in the personal and business markets through competitive lending and deposit product offerings, especially in the personal and commercial property segments, although their number has fallen in recent years. The non-banking sector constituted approximately 3% of total financial system assets as at June 30, 2013.

Asia Pacific

Banking in Asia Pacific is highly competitive with a large number of global and regional banks operating across the region in addition to local banks in each market.

The Asia Pacific region has a very strong appeal for the global and regional banks. Generally economic growth rates are superior to those of the developed Western markets, and Asian financial systems have proven resilient through the recent financial crisis. The major global banks see Asia as a key market that they must succeed in to ensure a leading position in global institutional banking. Regional banks are also looking for an increased share of the wholesale and commercial banking segment outside their home markets resulting in a further intensification of competition across the region.

ANZ has had a long standing presence in Asia and the Pacific and currently has operations in 15 Asian markets and 12 countries (in addition to Australia and New Zealand) across the Pacific. ANZ's competitive position across these markets ranges from holding significant market share in a number of countries across the Pacific, to being a strong emerging player in several Asian markets. This range is reflective of the length of presence and specific strategic approach that ANZ is taking in each market. ANZ's Asia Pacific strategy is to expand in a number of franchise markets in Asia that ANZ believes will be high growth and where we see opportunities for us to participate in that growth.

In Asia Pacific, ANZ provides a broad suite of financial services to Institutional, Commercial, Retail, Wealth and Private banking customers. ANZ's Super Regional strategy is increasingly becoming a point of differentiation to customers who are doing business across the region. This strategy has helped ANZ make good progress in establishing itself as a competitive foreign bank in Asia, particularly in the Corporate and Institutional segment.

As part of ANZ's strategy in Asia, ANZ is focusing on strengthening key product capabilities, particularly in Trade Finance and Foreign Exchange.

Trade Finance remains a key focus as part of ANZ's Super Regional strategy. Competition has continued to intensify in the trade finance market across Asia from large global banks and European banks returning back to Asia since the European sovereign crisis in late 2010 and early 2011. This competition has led to further deterioration in margins, despite volume growth and continued economic growth in the region.

ANZ is also focused on enhancing its capital market capabilities. With the US Federal Reserve maintaining its quantitative easing policy during 2013, liquidity remained strong in the Asia Pacific region. During 2013, the Asian loan markets remained liquid, with volume growth driven by a mix of refinancings and acquisition financings. While ANZ finished in the top 3 for loan syndications in the Asia Pacific (ex-Japan) region, competition continued to intensify as a large number of banks willing to commit significant balance sheet in support of growth opportunities in the region. Global Investment Banks and large Chinese and Japanese banks remain our most active competitors in the Asia Pacific region.

Risk factors

1. Introduction

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

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

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

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

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

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

A sovereign debt crisis could have serious implications for the European Union and the Euro which, depending on the circumstances in which it takes place and the countries and currencies affected, could adversely impact the Group's business operations and financial condition. Likewise, if one or more European countries re-introduce national currencies, and the Euro destabilizes, the Group's business operations could be disrupted by currency fluctuations and difficulties in hedging against such fluctuations. The New Zealand economy is also vulnerable to more volatile markets and deteriorating funding conditions. Economic conditions in Australia, New Zealand, and some Asia Pacific countries remain difficult for many businesses.

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

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

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

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

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

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the Group's ability to continue operating or trading in the country or countries directly or indirectly affected, which in turn may adversely affect the Group's business, operations and financial condition. For more specific risks in relation to earthquakes and the Christchurch earthquakes, refer to the risk factor entitled "The Group may be exposed to the impact of future climate change, geological events, plant and animal diseases, and other extrinsic events which may adversely affect its business, operations and financial condition".

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

The previous appreciation in and continuing high level of the value of the Australian and New Zealand dollars relative to other currencies has adversely affected, and could continue to have an adverse effect on, certain portions of the Australian and New Zealand economies, including some agricultural exports, tourism, manufacturing, retailing subject to internet competition, and import-competing producers. The relationship between exchange rates and commodity prices is volatile. Since April 2013, the Australian dollar has depreciated against the US dollar and New Zealand dollar. A depreciation in the Australian or New Zealand dollars relative to other currencies would increase the debt service obligations in Australia or New Zealand dollar terms of unhedged exposures. Appreciation of the Australian dollar against the New Zealand dollar, United States dollar and other currencies has a potential negative earnings translation effect on non-hedged exposures, and future appreciation could have a greater negative impact on the Group's results from its other non-Australian businesses, particularly its New Zealand and Asian businesses, which are largely based on non-Australian dollar revenues. The Group has put in place hedges to partially mitigate the impact of currency changes, but notwithstanding this there can be no assurance that the Group's hedges will be sufficient or effective, and any further appreciation could have an adverse impact upon the Group's earnings.

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

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

Additionally, the Australian Government announced in late 2010 a set of measures with the stated purpose of promoting a competitive and sustainable banking system in Australia. The reforms consisted of a variety of actions, including but not limited to, a ban on exit fees for new home loans, implementation of easier switching processes for deposits and mortgages customers, empowerment of the ACCC to investigate and prosecute anti-competitive price signaling, changes in the way fees and interest are charged on credit cards and reforms which allow Australian banks, credit unions and building societies to issue covered bonds. While many of these reforms have been implemented since 2011, and have the potential to change the competitive position of all banks in Australia, the Group has adapted to these reforms and has maintained its competitive position. Nevertheless any regulatory or behavioral change that occurs in response to these reforms could have the effect of limiting or reducing the Group's revenue earned from its banking products or operations. These regulatory changes could also result in higher operating costs. A reduction or limitation in revenue or an increase in operating costs could adversely affect the Group's profitability.

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

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

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

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

Sovereign risk, or the risk that foreign governments will default on their debt obligations, increase borrowings as and when required or be unable to refinance their debts as they fall due or nationalize participants in their economy, has emerged as a risk to many economies. This risk is particularly relevant to a number of European countries though it is not limited to these places and includes the United States. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those currently being experienced or which were experienced during the global financial crisis. Such an event could destabilize global financial markets adversely affecting all participants, including the Group.

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

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

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

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

Since the advent of the global financial crisis, developments in the United States mortgage industry and in the United States and European markets more generally, including recent European and United States sovereign debt concerns, have adversely affected the liquidity in global capital markets and increased funding costs. Future deterioration in market conditions may limit the Group's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow its business.

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

ANZ's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by ANZ. Credit ratings may be withdrawn, subject to qualifiers, revised or suspended by the relevant credit rating agency at any time and the methodologies by which they are determined may be revised. A downgrade or potential downgrade to ANZ's credit rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities and covered bonds) issued by ANZ (and banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies. On September 5, 2013, Moody's Investors Service downgraded the subordinated debt ratings of eight Australian banks including ANZ. Ratings agencies may also revise their methodologies in response to legal or regulatory changes or other market developments.

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

The Group's capital base is critical to the management of its businesses and access to funding. The Group is required by regulators including, but not limited to, APRA, RBNZ, the United Kingdom Prudential Regulation Authority and Financial Conduct Authority, United States regulators and regulators in various Asia Pacific jurisdictions (such as the Hong Kong Monetary Authority, and the Monetary Authority of Singapore) where the Group has operations, to maintain adequate regulatory capital.

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

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

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

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

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

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

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

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

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

For example, the Group is directly and indirectly exposed to the Australian mining sector and mining-related contractors and industries. Should commodity prices materially decrease due to, for example, reduced demand in Asia, especially North Asia/China, and/or mining activity, demand for resources, or corporate investment in the mining sector suffer material decreases from historical levels, the amount of new lending the Group is able to write may be adversely affected, and the weakening of the sector could be of sufficient magnitude to lead to an increase in lending losses from this sector.

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

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

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

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

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

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

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

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

The Group entered into a series of structured credit intermediation trades from 2004 to 2007. The Group sold protection using credit default swaps over these structures and then, to mitigate risk, purchased protection via credit default swaps over the same structures from eight United States financial guarantors. The underlying structures involve credit default swaps (CDSs) over synthetic collateralized debt obligations (CDOs), portfolios of external collateralized loan obligations (CLOs) or specific bonds/floating rate notes (FRNs).

Being derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the global financial crisis, movements in valuations of these positions were not significant and the credit valuation adjustment (CVA) charge on the protection bought from the non-collateralized financial guarantors was minimal.

During and after the global financial crisis, the market value of the structured credit transactions increased and the financial guarantors were downgraded. The combined impact of this was to increase the CVA charge on the purchased protection from financial guarantors. Volatility in the market value and hence CVA will continue to persist given the volatility in credit spreads and USD/AUD rates.

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

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

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

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

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

- internal fraud: risk that fraudulent acts are planned, initiated or executed by employees (permanent, temporary or contractors) from inside ANZ e.g. a rogue trader.
- external fraud: fraudulent acts or attempts which originate from outside ANZ e.g. valueless checks, counterfeit credit cards, loan applications in false names, stolen identity etc.
- employment practices & workplace safety: employee relations, diversity and discrimination, and health and safety risks to ANZ employees.
- clients, products & business practices: risk of market manipulation, product defects, incorrect advice, money laundering and misuse of customer information;
- business disruption (including systems failures): risk that ANZ's banking operating systems are disrupted or fail. At ANZ, technology risks are key Operational Risks which fall under this category.
- damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages ANZ's buildings or property; and
- execution, delivery & process management: risk that ANZ experiences losses as a result of data entry errors, accounting errors, vendor, supplier or outsource provider errors, or failed mandatory reporting.

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

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

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

Most of the Group's daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorized access and integrate existing and future acquisitions and alliances.

To manage these risks, the Group has disaster recovery and information technology governance in place. However, any failure of these systems could result in business interruption, customer dissatisfaction and ultimately loss of customers, financial compensation, damage to reputation and/or a weakening of the Group's competitive position, which could adversely impact the Group's business and have a material adverse effect on the Group's financial condition and operations.

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

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

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations. The Group also uses third parties to process and manage information on its behalf. The Group employs a team of information security subject matter experts who are responsible for the development and implementation of the Group's Information Security Policy. The Group is conscious that threats to information security are continuously evolving and as such the Group conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated, and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorized use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action, and claims for compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial position and reputation.

18. The Group is exposed to reputation risk, which may adversely impact its business, operations and financial condition

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

Reputation risk may arise as a result of an external event or the Group's own actions, and adversely affect perceptions about the Group held by the public (including the Group's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on the Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the Group's business, operations and financial condition.

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

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

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

ANZ and its customers are exposed to climate related events (including climate change). These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. ANZ and its customers may also be exposed to other events such as geological events (volcanic or seismic activity, tsunamis); plant and animal diseases or a pandemic. Examples include earthquakes in New Zealand and floods in Australia and the Philippines.

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

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

The Group is subject to laws, regulations, policies and codes of practice in Australia, New Zealand, the United Kingdom, the United States of America, Hong Kong, Singapore, Japan, China and other countries within the Asia Pacific region in which it has operations, trades or raises funds or in respect of which it has some other connection. In particular, the Group's banking, funds management and insurance activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency, provisioning, and insurance policy terms and conditions.

Regulations vary from country to country but generally are designed to protect depositors, insured parties, customers with other banking products, and the banking and insurance system as a whole. Some of the jurisdictions in which the Group operates do not permit local deposits to be used to fund operations outside of that jurisdiction. In the event the Group experiences reduced liquidity, these deposits may not be available to fund the operations of the Group.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulatory bodies including the Australian Securities and Investments Commission (ASIC), and the Australian Competition and Consumer Commission (ACCC), have supervisory oversight of the Group. The New Zealand Government and its agencies, including the RBNZ, the Financial Markets Authority and the Commerce Commission, have supervisory oversight of the Group's operations in New Zealand. To the extent that the Group has operations, trades or raises funds in, or has some other connection with, countries other than Australia or New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, those countries. Such regulatory agencies include, by way of example, the United States Federal Reserve Board, the United States Department of Treasury, the United States Office of the Comptroller of the Currency, the United States Office of Foreign Assets Control, the United Kingdom Prudential Regulation Authority and the Financial Conduct Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, the China Banking Regulatory Commission, the Kanto Local Finance Bureau of Japan, and other financial regulatory bodies in those countries and in other relevant countries. In addition, the Group's expansion and growth in the Asia Pacific region gives rise to a requirement to comply with a number of different legal and regulatory regimes across that region.

A failure to comply with any standards, laws, regulations or policies in any of those jurisdictions could result in sanctions by these or other regulatory agencies, the exercise of any discretionary powers that the regulators hold or compensatory action by affected persons, which may in turn cause substantial damage to the Group's reputation. To the extent that these regulatory requirements limit the Group's operations or flexibility, they could adversely impact the Group's profitability and prospects.

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

As a result of the global financial crisis, the Basel Committee released capital reform packages to strengthen the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. APRA has released Prudential Standards implementing Basel III with effect from January 1, 2013. Other regulators in jurisdictions where the Group has a presence have also either implemented or are in the process of implementing Basel III and equivalent reforms. In addition, the United States has passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the United States. There can be no assurance that any of the foregoing will be effective.

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

22. The Group may face increased tax reporting compliance costs

In March 2010, the United States enacted legislation (Foreign Account Tax Compliance Act - "FATCA") that requires non-United States banks and other financial institutions to provide information on United States account holders to the United States Federal tax authority, the Internal Revenue Service ("IRS"). In addition, it is likely that future laws will be adopted by jurisdictions (including Australia and New Zealand), that enter into intergovernmental agreements ("IGAs") with the United States in furtherance of FATCA and will require that such information be reported to a non-United States institution's local revenue authority to forward to the IRS. If this information is not provided in a manner and form meeting the applicable requirements, a non-United States institution may be subjected to penalties and potentially a 30% withholding tax applied to certain amounts paid to it. No such withholding tax will be imposed on any payments derived from sources within the United States that are made prior to July 1, 2014, and no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2017, at the earliest. Australia and New Zealand have not yet entered into IGAs as described above. ANZ Group is expected to make significant investments in order to comply with the requirements of FATCA or, if applicable, any local laws implementing an

IGA.

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

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

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

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. For general insurance business, insurance risk arises mainly through weather-related incidents (including floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activities, as well as adverse variability in home, contents, motor, travel and other insurance claim amounts. For further details on climate and geological events see also the risk factor entitled "The Group may be exposed to the impact of future climate change, geological events, plant and animal diseases, and other extrinsic events which may adversely affect its business, operations and financial condition". The Group has exposure to insurance risk in both life insurance and general insurance business, which may adversely affect its business, operations and financial condition.

In addition, the Group has various direct and indirect pension obligations towards its current and former staff. These obligations entail various risks which are similar to, among others, risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings, as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on the Group's business, operations and financial condition.

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

Under IFRS, the Group recognizes the following instruments at fair value with changes in fair value recognized in earnings:

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

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

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

26. Changes to accounting policies may adversely affect the Group's business, operations and financial condition

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

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

27. The Group may be exposed to the risk of impairment to non-lending relates assets including investments in associates, capitalized software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

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

As at September 30, 2013, the Group carried goodwill principally related to its investments in New Zealand and Australia, intangible assets principally relating to assets recognized on acquisition of subsidiaries, and capitalized software balances and investment in equity accounted associates.

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

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

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

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

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallize, may adversely affect the Group's results. The Group's material contingent liabilities are described in Note 43 to the audited annual consolidated financial statements for the year ended September 30, 2013. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

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

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

The successful implementation of the Group's corporate strategy, including its strategy to expand in the Asia Pacific region, will depend on a range of factors including potential funding strategies, and challenges associated with integrating and adding value to acquired businesses, as well as new regulatory, market and other risks associated with increasing operations outside of Australia and New Zealand.

There can be no assurance that any acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings, the overall performance of the combined entity, or an improved price for the Group's securities. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, counterparties, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired businesses will remain as such post-acquisition, and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the Group's operations or results.

Acquisitions and disposals may also result in business disruptions that cause the Group to lose customers or cause customers to remove their business from the Group to competing financial institutions. It is possible that the integration process related to acquisitions could result in the disruption of the Group's ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect the Group's ability to maintain relationships with employees, customers, counterparties, suppliers and other business partners, which could adversely affect the Group's ability to conduct its business successfully. The Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

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

Such risks can include;

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

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

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

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

Currency of presentation, exchange rates and certain definitions

Currency of presentation

ANZ publishes consolidated financial statements in Australian Dollars. In this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, references to 'US$', 'USD' and 'U.S. dollars' are to U.S. Dollars and references to '$', 'AUD' and 'A$' are to Australian Dollars. For the convenience of the reader, this U.S. Disclosure Document contains translations of certain Australian Dollar amounts into U.S. Dollars at specified rates. These translations should not be construed as representations that the Australian Dollar amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated. Unless otherwise stated, the translations of Australian Dollars into U.S. Dollars have been made at the rate of US$0.9342 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian Dollars as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') on September 30, 2013. As at November 8, 2013 the Noon Buying Rate was US$0.9381 = A$1.00.

Exchange rates

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

Noon buying rates for Australian Dollars

	USD per AUD1.00			
Year ended September 30	**High**	**Low**	**Average[1]**	**Close**
2009	0.8824	0.6122	0.7330	0.8824
2010	0.9675	0.8156	0.9013	0.9640
2011	1.1055	0.9571	1.0322	0.9744
2012	1.0806	0.9453	1.0371	1.0388
2013	1.0579	0.8901	0.9885	0.9342

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

In the fiscal year ended September 30, 2013, 33% (September 2012: 32%; September 2011: 28%) of ANZ's operating income was derived from New Zealand and Asia Pacific, Europe & America, and was denominated principally in Chinese Yuan, Euro, British Pounds Sterling, Malaysian Ringgit, New Zealand Dollars, and U.S. Dollars. Movements in foreign currencies against the Australian Dollar can therefore affect ANZ's earnings through the re-translation of overseas profits to Australian Dollars. Based on exchange rates applied to convert overseas profits and losses from September 2009 to September 2013, the Australian Dollar moved against these currencies as follows:

Australian Dollar movement against foreign currencies

Year ended September 30	2013	2012	2011	2010	2009
Chinese Yuan (CNY)	-6%	-3%	9%	22%	-22%
Euro (EUR)	-4%	8%	11%	23%	-1%
British Pound (GBP)	-2%	2%	11%	22%	3%
Malaysian Ringgit (MYR)	-3%	2%	6%	14%	-13%
New Zealand Dollar (NZD)	-6%	-1%	4%	3%	3%
U.S. Dollar (USD)	-3%	0%	14%	23%	-19%

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

Refer to Note 49 "Exchange Rates" in the 2013 Notes to the Financial Statements (attached as part of Annex A) for further details on exchange rates used in the translation of the results, and the assets and liabilities of overseas branches and controlled entities.

Certain definitions

Our financial year ends on September 30. As used throughout this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2013 is referred to as "2013", and other fiscal years are referred to in a corresponding manner. Our 2013 and 2012 audited financial results are contained in our 2013 Annual Report.

Operating Results

The following discussion of statutory profit is based on the 2013 and 2012 Financial Statements prepared under IFRS (Refer to the section headed "Selected financial data" on page 2 for a discussion of IFRS).

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

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

Summary of ANZ's results over the past three years

	Years ended September 30		
	2013 $M	**2012 $M**	**2011 $M**
Net interest income	12,758	12,110	11,500
Net funds management and insurance income	1,431	1,203	1,405
Other operating income	4,257	4,398	4,027
Operating income	18,446	17,711	16,932
Operating expenses	(8,236)	(8,519)	(8,023)
Profit before credit impairment and income tax	10,210	9,192	8,909
Provision for credit impairment	(1,188)	(1,198)	(1,237)
Profit before income tax	9,022	7,994	7,672
Income tax expense	(2,740)	(2,327)	(2,309)
Non-controlling interests	(10)	(6)	(8)
Profit attributable to shareholders of the Company	**6,272**	**5,661**	**5,355**

Profit and loss

Comparison of 2013 with 2012

Profit after tax increased $611 million (11%). Key factors affecting the result were:

- Net interest income increased $648 million (5%) mainly due to a:
  - 10% increase in average interest earning assets to $575.3 billion; and
  - 9% increase in average deposits and other borrowings to $418.6 billion; offset by
  - Reduction in net interest margin of 9 basis points to 2.22%.
- Net funds management and insurance income increased by $228 million (19%) mainly due to increased funds management and investment income.
- Other operating income decreased $141 million (-3%) mainly due to:
  - A $299 million reduction in net foreign exchange earnings resulting from realized revenue and net investment hedge losses;
  - The disposal of ANZ's equity interest in Visa International in 2012. The gain on sale of these Visa shares was $291 million, which was not repeated in 2013; offset in part by
  - A $316 million reduction in fair value losses on economic hedging;
  - Foreign exchange earnings from Global Markets increasing $107 million reflecting the execution of the strategy that has been underway within Global Markets to grow the FX business; and
  - Share of associates' profit increased $87 million which is primarily due to increases in profits from Shanghai Rural Commercial Bank of $33 million, Bank of Tianjin of $21 million and AMMB Holdings Berhad of $15 million.
- Operating expenses decreased $283 million (-3%), mainly driven by:
  - Computer expenses reduced $140 million due to software impairment of $274 million in 2012, partially offset by an increase in depreciation, amortization and technology investment; and
  - Restructuring expenses decreased $189 million mainly due to the wind down of the New Zealand Simplification Programme and lower spend on restructuring initiatives.
- Total credit impairment charge decreased $10 million (-1%) mainly due to:
  - Individual provisions decreased by $419 million primarily driven by a reduced number of individual provision charges as a result of improvements in credit quality in both IIB and New Zealand, partially offset by increased provisions in Australia related to C&CB; and
  - Collective provisions increased $409 million driven by a $98 million increase in the Australia Division reflecting releases from the economic cycle balance in 2012 and business growth, along with a $326 million movement in IIB due to crystallization of individual provisions on a few large legacy exposures and the associated collective provision release in 2012.
- The Group's income tax expense increased by $413 million (18%). The Group's effective tax rate was 30.4%, up 1.3%. This increase was attributable to an increase in OnePath Australia policyholder income and contributions tax, higher tax provision releases in 2012 as well as a favorable OnePath Australia tax consolidation adjustment.

Comparison of 2012 with 2011

Profit after tax increased $306 million (6%). Key factors affecting the result were:

- Net interest income increased $610 million (5%) mainly due to a:
  - 10% increase in average interest earning assets to $523.5 billion; and
  - 13% increase in average deposits and other borrowings to $384.5 billion; offset by
  - reduction in net interest margin of 11 basis point to 2.31%.
- Net funds management and insurance income decreased by $202 million (-14%) mainly due to the elimination of treasury shares of $152 million and adverse investor sentiment impacting volumes and margins.
- Other operating income increased $371 million (9%) mainly due to:
  - The disposal of ANZ's equity interest in Visa International. The gain on sale of these Visa shares was $291 million; and
  - Higher foreign exchange earnings of $264 million primarily due to higher volumes, and fair value movements on revenue investment hedges of $106 million.
- Operating expenses increased $496 million (6%), mainly driven by:
  - Increased restructuring costs of $126 million relating to productivity initiatives being undertaken across ANZ; and
  - Increased computer expenses of $343 million due to software impairment of $274 million and increased depreciation and amortization from ongoing investment in technology.
- Total credit impairment charge decreased $39 million (-3%). Within this, individual provisions increased by $347 million, primarily due to increased provisions on a few legacy loans and lower levels of recoveries, but was offset by a $386 million collective provision release mainly due to a reduction in the concentration risk provision associated with a few legacy exposures and improved risk profile.
- The Group's income tax expense increased by $18 million (1%). The Group's effective tax rate was 29.1%, down 1.0%, which was primarily due to an increase in the overseas tax rate differential, including the reduction in the New Zealand corporate tax rate.

Analysis of major income and expense items

Net interest income

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

	Years ended September 30		
	2013	2012	2011
Net interest income ($M)	12,758	12,110	11,500
Net interest margin (%)[1]	2.22	2.31	2.42

	Years ended September 30		
Net interest margin	**2013 %**	**2012 %**	**2011 %**
Australia[1]	2.53	2.48	2.59
International and Institutional Banking[1]	1.61	1.85	2.09
New Zealand[1]	2.49	2.63	2.52

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

	Years ended September 30		
Average interest earning assets	**2013 $M**	**2012 $M**	**2011 $M**
Australia	264,275	248,900	232,283
International and Institutional Banking	227,638	198,508	166,727
New Zealand	74,652	67,712	67,636
Other	8,774	8,341	7,656
Group	**575,339**	**523,461**	**474,302**

	Years ended September 30		
Average deposits and other borrowings	**2013 $M**	**2012 $M**	**2011 $M**
Australia	146,499	133,258	119,405
International and Institutional Banking	158,424	143,325	127,536
New Zealand	46,672	40,688	38,272
Other	67,025	67,196	53,965
Group	**418,620**	**384,467**	**339,178**

Comparison of 2013 with 2012

The increase in net interest income of $648 million was driven by an increase in average interest earning assets partially offset by a reduction in the net interest margin.

Margin

Net interest margin (-9 bps)

- Impact of lower interest rates (-9 bps): lower returns on capital and rate-insensitive deposits in a lower interest rate environment.
- Funding and asset mix (-2 bps): due to higher growth in the lower margin trade finance business within Transaction Banking partially offset by improved funding mix from increased proportion of customer deposits and lower reliance on wholesale funding.
- Funding costs (+2 bps): wholesale funding costs have reduced during the period but remain elevated.
- Deposit competition (-4 bps): due to increased competition for deposits across all businesses during the period.
- Asset competition and risk mix (+4 bps): benefits of active margin management in Australia, partially offset by lower lending margins in IIB, including lower spreads from improved credit quality.

Volume

Average interest earning assets (+$51.9 billion or 10%)

- Australia (+ $15.4 billion or 6%): Mortgages up $10.4 billion and Corporate & Commercial up $4.8 billion, primarily in Fixed lending and Tailored Commercial Facilities.
- IIB (+$29.1 billion or 15%): Global Markets increased by $18.6 billion as Trading liquidity portfolio and investments in liquid assets grew across APEA and Australia, combined with $1.7 billion growth in Global Loans and $6.8 billion uplift in trade finance lending within Transaction Banking.
- New Zealand (+$6.9 billion or 10%): uplift in retail lending, particularly in mortgages.

Average deposits and other borrowings (+$34.2 billion or 9%)

- Australia (+ $13.2 billion or 10%): reflecting increased customer deposits in Retail from higher volumes on Progress Saver products, along with growth in Commercial deposits.
- IIB (+$15.1 billion or 11%): mainly due to increased customer deposits across the APEA region.
- New Zealand (+$6.0 billion or 15%): uplift from Retail and Small Business Banking focussing on higher margin savings and call products.

Comparison of 2012 with 2011

The increase in net interest income of $610 million was driven by an increase in average interest earning assets partially offset by a decline in the net interest margin.

Margin

Net interest margin (-11 basis points):

- Funding and asset mix (+1 bps): reduced the reliance on more expensive wholesale funding due to increased customer deposits, partially offset by unfavorable asset mix with higher growth in lower margin products (for example Trade Loans).
- Funding costs (-8 bps): increased wholesale funding costs and lower returns on capital due to declining interest rate environment in Australia and New Zealand.
- Deposit costs (-10 bps): reflecting strong competition for retail and commercial deposits, predominantly in Australia.
- Assets (+6 bps): primarily benefits of repricing mortgages in Australia and New Zealand, partially offset by margin compression in the Global Loans business within IIB.

Volume

Group Average interest earning assets (+$49.2 billion or 10%):

- Australia (+ $16.6 billion or 7%): Mortgages up $13.0 billion and Commercial up $3.1 billion, primarily in Business Banking.
- IIB (+$31.8 billion or 19%): Global Markets increased $16.6 billion due to growth in liquid assets, trading and investment securities, combined with a $7.6 billion growth in Global Loans and a $6.3 billion uplift in trade finance lending in Transaction Banking.
- New Zealand is largely flat.

Group Average deposits and other borrowings (+$45.3 billion or 13%):

- Australia (+ $13.9 billion or 12%): reflecting increased customer deposits in Retail from higher volumes on Progress, Online and Business Premium Saver products and term deposits, along with growth in deposits in Commercial.
- IIB (+$15.8 billion or 12%): mainly due to increased customer deposits within the APEA region.
- New Zealand (+$2.4 billion or 6%): uplift in customer deposits in Small Business Banking and Retail.

Reference rates

	Years ended September 30		
Average rates	**2013**	**2012**	**2011**
Average Australian 5-year fixed housing loan rate charged by ANZ	5.9%	6.8%	7.7%
Average Australian variable housing loan rate charged by ANZ	6.3%	7.3%	7.8%
Average Australian 90-day fixed term deposit rate[1]	3.7%	4.7%	4.2%
U.S. average prime rate[2]	3.3%	3.3%	3.3%

1. *Source: Reserve Bank of Australia.*
2. *Source: Federal Reserve Bank of the United States.*

Net funds management and insurance income

	Years ended September 30		
	2013 $M	2012 $M	2011 $M
Funds management income	862	825	868
Investment income	4,135	2,730	(511)
Insurance premium income	1,348	1,237	1,184
Commission income/(expense)	(446)	(438)	(490)
Claims	(709)	(598)	(548)
Changes in policy liabilities[1]	(3,669)	(2,449)	854
Elimination of treasury share gain/(loss)[2]	(90)	(104)	48
Total net funds management and insurance income	**1,431**	**1,203**	**1,405**

1. *Includes policyholder tax gross up, which represents contribution tax (recovered at 15% on the superannuation contribution 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 June 30 financial year.*
2. *ANZ shares held by ANZ in the consolidated managed funds and life business. Realized and unrealized gains and losses from these shares are reversed as these are not permitted to be recognized in income.*

Comparison of 2013 with 2012

Net funds management and insurance income increased $228 million (19%). Key factors affecting the result were:

- Higher funds management income from Pensions & Investments mainly attributable to an increase in average fund under management (FUM) and savings in investment management expenses.
- The $1,405 million (51%) increase in investment income reflects stronger investment returns in 2013 compared to 2012. This is in line with an improvement in investment market conditions, primarily driven by stronger returns from both the Australian and international equity markets.
- Insurance premium income grew by $111 million (9%) mainly due to strong growth in inforce premium in retail products and premiums from two new Group plans.
- Claims increased by $111 million (19%) primarily due to higher claims in retail and Group products as a result of an increase in Insurance business and the impact of adverse economic conditions on claims experience.
- Changes in policy liabilities increased by $1,220 million (50%) which is consistent with the increase in investment income.

Comparison of 2012 with 2011

Net funds management and insurance income decreased $202 million (-14%). Key factors affecting the result were:

- Funds management income decreased by $43 million (-5%) mainly due to adverse investor sentiment impacting volumes and margins.
- The $3,241 million increase in investment income was in line with general improvement in investment market conditions, primarily driven by stronger returns from the Australian equities market and listed property trusts.
- Insurance premium income was higher by $53 million (4%) as a result of continued growth in the individual inforce book.
- Commission expense was lower by $52 million (11%) due to the impact of volume mix.
- Claims increased by $50 million (9%) primarily attributable to higher levels of in-force premiums for individual business and increase in Group Life claims due to adverse economic conditions.
- Changes in policy liabilities reduced by $3,303 million which reflects the inverse relationship with the investment income recorded.
- A $152 million loss on elimination of treasury shares.

Other operating income

	Years ended September 30		
	2013 $M	**2012 $M**	**2011 $M**
Net fee and commission income	2,459	2,412	2,391
Net foreign exchange earnings	844	1,081	817
Share of associates' profit	482	395	436
Profit on trading instruments	363	353	299
Other	109	157	84
Total other operating income	**4,257**	**4,398**	**4,027**

Comparison of 2013 with 2012

Other operating income decreased $141 million (-3%). Key factors affecting the result were:

- Net fee and commission income increased $47 million (2%) mainly due to:
  - Transaction Banking increased $40 million (8%) driven by higher trade finance loan volumes and pricing initiatives.
- Net foreign exchange earnings decreased $237 million (-22%) which was primarily attributable due to:
  - Losses of $299 million relating to revenue and net investment hedges as a result of the weakening in AUD against the USD and NZD exchange rates during 2013; partially offset by
  - Earnings from Global Markets increasing $107 million reflecting the execution of the strategy that has been underway within Global Markets to grow the FX business, particularly in the key global FX markets of Singapore and London. FX income in Asia was up 25% over the year and up 40% in Europe over the same period. The business has added customers and grown market share, with this customer acquisition driving revenue growth in this business.
- Share of associates' profit increased $87 million (22%) largely due:
  - Shanghai Rural Commercial Bank (SRCB) increased $33 million mainly attributable to growth in interest income driven by loan repricing and reduced low margin lending as well as lower credit provisions;
  - Bank of Tianjin (BoT) increased $21 million due to an increase in underlying earnings driven by strong asset growth; and
  - AMMB Holdings Berhad (AMMB) increased $15 million mainly attributable to an increase in underlying earnings driven by growth in interest income and lower credit provisions.
- Profit on trading instruments increased $10 million (3%) mainly due to an increase in the IIB division.
- Other income decreased $48 million (-31%) mainly due to:
  - The $291 million gain on sale of Visa shares in the 2012 year and lower earnings from discontinued businesses;
  - Global Loans decreased $31 million due mainly to a gain on restructuring a transaction in the 2012 year and losses on loan sell downs in the 2013 year;
  - Asia Partnerships decreased $16 million due mainly to the $26 million write-down of Saigon Securities Inc. in 2013;
  - New Zealand increased $15 million mainly as a result of the gain on sale of EFTPOS New Zealand Limited in the 2013 year; and
  - A $316 million reduction in fair value losses on economic hedging in 2013.

Comparison of 2012 with 2011

Other operating income increased $371 million (9%). Key factors affecting the result were:

- Net fee and commission income increased $21 million (1%) mainly due to:
  - Transaction Banking increasing $34 million (7%) driven by volume growth; and
  - Consumer Cards & Unsecured Lending decreased $18 million (-3%) mainly due to higher interchange costs.
- Net foreign exchange earnings increased $264 million (32%) mainly due to:
  - Global Markets increasing by $131 million reflecting the improved performance of the foreign exchange business; and
  - Realized revenue hedge gains increasing $106 million.
- Share of associates' profit decreased $41 million (-9%) largely due to a reduction in Shanghai Rural Commercial Bank of $63 million mainly as a result of one-off adjustments included in the prior year, partly offset by higher income from business growth.
- Profit on trading instruments increased $54 million (18%) mainly due to an increase in Global Markets reflecting improved trading conditions.
- Other income increased by $73 million (87%) mainly due to a:
  - $291 million gain on sale of Visa shares in the 2012 year;
  - Fair value loss on economic hedging of $171 million recognized in the 2012 year; and
  - $31 million write-down of the investment in Saigon Securities Inc in the 2012 year.

Operating expenses

	Years ended September 30		
	2013 $M	**2012 $M**	**2011 $M**
Personnel expenses	4,757	4,765	4,724
Premises expenses	733	716	685
Computer expenses	1,243	1,383	1,040
Restructuring costs	85	274	148
Other expenses	1,418	1,381	1,426
Total operating expenses	**8,236**	**8,519**	**8,023**
Total full time equivalent staff (FTE)	**47,512**	**48,239**	**50,297**

Comparison of 2013 with 2012

Operating expenses decreased $283 million (-3%). Key factors affecting the result were:

- Personnel expenses decreased by $8 million with annual salary increases and the adverse impact of foreign exchange movements being offset by reductions in staff numbers, increased utilization of our hub resources and lower temporary staff costs.
- Premises expenses increased $17 million (2%) mainly due to rent increases and the transition to new buildings in Sydney and New Zealand.
- Computer expenses reduced $140 million (-10%) due to the $274 million impairment of software assets in 2012, partially offset by an increase in depreciation and amortization and technology investment.
- Restructuring expenses decreased $189 million (-69%) mainly due to the wind down of the New Zealand Simplification Program and lower spend on restructuring initiatives.
- Other expenses increased $37 million (3%) due to higher costs relating to Banking on Australia[1] and investment in technology, along with higher advertising spend.

Comparison of 2012 with 2011

Operating expenses increased $496 million (6%). Key factors affecting the result were:

- Personnel expenses increased $41 million (1%) as a result of annual salary increases and the continued build out of our regional capability, partly offset by a 4% reduction in staff numbers.
- Premises expenses increased $31 million (5%) reflecting rent increases and our regional expansion.
- Computer expenses increased $343 million (33%) due to software impairment of $274 million and increased depreciation and amortization of $76 million from increased investment in technology.
- Restructuring expenses increased $126 million as a result of productivity initiatives being undertaken across the Group, including the New Zealand Simplification Program.

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

Provision for credit impairment charge

Division	2013 $M	2012 $M	2011 $M
	Years ended September 30		
Australia	820	642	719
International and Institutional Banking	317	451	293
New Zealand	37	148	166
Global Wealth	4	4	(8)
Other[1]	10	(47)	67
Total provision for credit impairment charge	**1,188**	**1,198**	**1,237**

1. *Other includes non continuing businesses.*

	Years ended September 30					
	2013 $M		2012 $M		2011 $M	
Division	**Individual provision**	**Collective provision**	**Individual provision**	**Collective provision**	**Individual provision**	**Collective provision**
Australia	771	49	691	(49)	671	48
International and Institutional Banking	280	37	740	(289)	278	15
New Zealand	95	(58)	193	(45)	256	(90)
Global Wealth	2	2	5	(1)	(2)	(6)
Other	10	-	(52)	5	27	40
Total	**1,158**	**30**	**1,577**	**(379)**	**1,230**	**7**

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

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

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

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

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

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

Comparison of 2013 with 2012

- The total individual provision charge decreased $419 million. The key factor affecting the result was:
  - A reduced number of individual provision charges due to credit quality improvements in both IIB and New Zealand. This was partially offset by an increase in the individual provision in Australia division, driven primarily by Commercial lending.
- The total collective provision charge increased $409 million. The key factors affecting the result were:
  - A $98 million increase in Australia division reflecting releases from the economic cycle balance in 2012 and growth in 2013, and a $326 million movement in IIB due to crystallisation of individual provisions on a few large legacy exposures and the associated collective provision release in 2012.
  - The $30 million collective provision charge in 2013 reflects a $49 million charge in Australia division primarily related to volume growth in the Commercial portfolio, a $37 million charge in IIB primarily due to growth, and a release in New Zealand of $58 million reflecting economic cycle releases.

Comparison of 2012 with 2011

Total provision for credit impairment charge relating to lending assets, commitments, and debt securities classified as available-for-sale assets decreased $39 million (-3%), with an increased individual provision charge in 2012 relating primarily to a few Global Institutional loans, partially offset by an associated release of collective provisions held against such exposures.

- The total individual provision charge decreased $347 million. The key factor affecting the result was:
  - The increase in IIB of $462 million reflected an increase in provisions on a few legacy Global Institutional loans in Australia and lower levels of recoveries and writebacks than in 2011.
- The total collective provision charge increased $386 million. The key factors affecting the result were:
  - The $49 million release in Australia division was primarily driven by releases from the economic cycle balance partially offset by growth, mostly in the Commercial Business;
  - The release of $289 million in IIB was driven by a reduction in the concentration risk provision associated with a few legacy exposures that migrated to be individually impaired and an improved risk profile across most portfolios in 2012, partially offset by underlying growth across the portfolio; and
  - The release of $45 million in New Zealand was driven by economic cycle release and an improving risk profile, partially offset by portfolio growth.

Income tax expense

	Years ended September 30		
	2013 $M	2012 $M	2011 $M
Income tax expense charged to the income statement	2,740	2,327	2,309
Effective tax rate	30.4%	29.1%	30.1%
Australian corporate tax rate	30.0%	30.0%	30.0%

Comparison of 2013 with 2012

The Group’s income tax expense increased by $413 million (18%). The effective tax rate increased 1.3%.

This increase was attributable to an increase in OnePath Australia policyholder income and contributions tax and higher tax provision releases in 2012, partially offset by a favorable OnePath Australia tax consolidation adjustment.

Comparison of 2012 with 2011

The Group’s income tax expense increased by $18 million (1%). The effective tax rate decreased 1.0%.

The decrease was attributable to a favorable overseas tax rate differential, including the reduction in the New Zealand corporate tax rate.

Results by Division

The Group operates on a divisional structure, with Australia, International and Institutional Banking (IIB), New Zealand and Global Wealth being the operating divisions.

Effective October 1, 2012, Corporate Banking Australia was transferred to the Australia division from IIB, and comparatives have been restated accordingly.

There have been no other major structure changes, however prior period comparatives are adjusted for changes such as minor restatements as a result of changes to customer segmentation, changes to net interbusiness unit expense methodologies and the realignment of support functions.

	Years ended September 30		
Division	**2013 $M**	**2012 $M**	**2011 $M**
Profit before income tax			
Australia	4,096	3,712	3,537
International and Institutional Banking	3,277	2,907	2,934
New Zealand	1,219	886	823
Global Wealth	562	469	603
Other	(132)	20	(225)
	9,022	7,994	7,672
Income tax expense			
Australia	(1,223)	(1,114)	(1,091)
International and Institutional Banking	(837)	(790)	(755)
New Zealand	(338)	(244)	(247)
Global Wealth	(93)	(123)	(176)
Other	(249)	(56)	(40)
	(2,740)	(2,327)	(2,309)
Non-controlling interests			
Australia	-	-	-
International and Institutional Banking	(10)	(6)	(8)
New Zealand	-	-	-
Global Wealth	-	-	-
Other	-	-	-
	(10)	(6)	(8)
Profit after income tax and non-controlling interests			
Australia	2,873	2,598	2,446
International and Institutional Banking	2,430	2,111	2,171
New Zealand	881	642	576
Global Wealth	469	346	427
Other	(381)	(36)	(265)
	6,272	5,661	5,355

Australia Division

Australia division comprises Retail and Corporate and Commercial Banking businesses. Retail includes Home Loans, Deposits, Cards and Payments along with the Retail Distribution Network. Corporate and Commercial Banking (C&CB) includes our core banking offerings to Corporate Banking, Business Banking, Regional Business Banking and Small Business Banking customers and Esanda.

	Years ended September 30		
Australia Division	**2013 $M**	**2012 $M**	**2011 $M**
Net interest income	6,678	6,163	6,005
Other operating income	1,189	1,193	1,187
Operating income	7,867	7,356	7,192
Operating expenses	(2,951)	(3,002)	(2,936)
Profit before credit impairment and income tax	4,916	4,354	4,256
Provision for credit impairment	(820)	(642)	(719)
Profit before income tax	4,096	3,712	3,537
Income tax expense	(1,223)	(1,114)	(1,091)
Profit after income tax	**2,873**	**2,598**	**2,446**
Consisting of:			
Retail	1,732	1,444	1,417
Corporate and Commercial Banking	1,141	1,164	1,053
Other	-	(10)	(24)
Profit after income tax	**2,873**	**2,598**	**2,446**
Balance Sheet			
Net loans & advances	271,619	253,933	237,010
Other assets	2,914	2,872	2,654
Assets	**274,533**	**256,805**	**239,664**
Customer deposits	152,403	140,810	126,981
Other liabilities	13,500	17,479	15,215
Liabilities	**165,903**	**158,289**	**142,196**
Risk weighted assets[1]	109,641	98,559	90,100
Average net loans and advances	262,452	247,077	230,453
Average deposits and other borrowings	146,499	133,258	119,405
Ratios			
Return on assets	1.08%	1.04%	1.05%
Net interest margin	2.53%	2.48%	2.59%
Operating expenses to operating income	37.5%	40.8%	40.8%
Operating expenses to average assets	1.11%	1.20%	1.26%
Individual provision charge/(release)	771	691	671
Individual provision charge/(release) as a % of average net advances	0.29%	0.28%	0.29%
Collective provision charge/(release)	49	(49)	48
Collective provision charge/(release) as a % of average net advances	0.02%	(0.02%)	0.02%
Net impaired assets	939	1,078	1,130
Net impaired assets as a % of net advances	0.35%	0.42%	0.48%
Total full time equivalent staff (FTE)	14,586	14,606	15,466

1. *September 2013 risk weighted assets under Basel 3 methodology, September 2012 and September 2011 risk weighted assets under Basel 2 methodology.*

	Years ended September 30		
	2013	**2012**	**2011**
Nominal rates of growth in Gross Domestic Product[1,2]	2.9%	3.8%	7.5%
Inflation rates[3]	2.3%	2.0%	3.3%
Real rates of growth in Gross Domestic Product[1,2]	2.7%	3.5%	2.5%

1. *Source: Australian National Accounts – National Income and Expenditure, ABS.*
2. *Nominal rates of Gross Domestic Product reclassified for the effect of changes to price levels.*
3. *Not reclassified for the effects of changes to price levels. Source: Reserve Bank of Australia.*

Comparison of 2013 with 2012

Profit after income tax increased $275 million (11%). Key factors affecting the result were:

- Net interest income increased 8% primarily due to:
  - Growth in average net loans and advances of 6%, driven by above system growth in home loans, including branch originated home loan sales growth of 16% and strong lending growth of 7% in C&CB; and
  - Net interest margin improved 5bps as a result of disciplined margin management, partly offset by deposit pricing pressures.
- Other operating income was flat.
- Operating expenses reduced 2% (flat after adjusting for non-recurring software impairments in the prior year). Investment spending was funded by a reduction in average FTE and benefits from a focus on productivity and expense management.
- Provision for credit impairment increased 28%. The increase in individual provision was driven by lower asset valuations across the rural and vehicle finance sectors in C&CB, partially offset by an improvement in cards delinquency. Collective provisions increased in both Retail and C&CB reflecting asset growth as well as releases in the prior period.
- Income tax expense increased by 10% mainly due to a 10% increase in profit before tax.

Comparison of 2012 with 2011

Profit after income tax increased $152 million (6%). Key factors affecting the result were:

- Net interest income increased 3% mainly due to:
  - Average net loans and advances increased 7% driven by above system growth in Mortgages of 8% and growth in Business Banking of 11%.
  - Net interest margin declined 11 basis points over the year as a result of deposit pricing pressures and higher wholesale funding costs partly offset by benefits from asset pricing.
- Other operating income was up 1%, mainly driven by 2% growth in C&CB from higher lending volumes resulting in increased loan administration fees, package fees and guarantee fees.
- Operating expenses increased 2%, due to non-recurring software impairments, higher restructuring costs and annual salary increases, partially offset by the benefits from productivity initiatives (reducing average FTE) and operational efficiencies, procurement savings and lower discretionary spending throughout the year.
- Provision for credit impairment decreased 11% reflecting lower collective provisions due to the release of surplus flood provisions partly offset by an increase in individual provisions due to a large provision raised for a merchant facility and softer economic conditions.
- Income tax expense increased by 6% due to a 5% increase in profit before tax.

International and Institutional Banking Division

The International and Institutional Banking (IIB) division comprises Global Institutional (including Transaction Banking, Global Loans and Global Markets), Retail Asia Pacific and Asia Partnerships, together with Relationship & Infrastructure.

	Years ended September 30		
International and Institutional Banking Division	**2013 $M**	**2012 $M**	**2011 $M**
Net interest income	3,666	3,667	3,447
Other operating income	2,898	2,760	2,522
Operating income	6,564	6,427	5,969
Operating expenses	(2,970)	(3,069)	(2,742)
Profit before credit impairment and income tax	3,594	3,358	3,227
Provision for credit impairment	(317)	(451)	(293)
Profit before income tax	3,277	2,907	2,934
Income tax expense	(837)	(790)	(755)
Non-controlling interests	(10)	(6)	(8)
Profit after income tax	**2,430**	**2,111**	**2,171**
Consisting of:			
Global Institutional:			
Australia	1,234	1,065	1,205
Asia Pacific, Europe & America	635	597	432
New Zealand	232	242	268
Global Institutional total	2,101	1,904	1,905
Asia Partnerships	398	344	318
Retail Asia Pacific	47	60	10
Relationship & Infrastructure	(116)	(197)	(62)
Profit after income tax	**2,430**	**2,111**	**2,171**
Balance Sheet			
Net loans & advances	110,107	98,278	88,735
Other assets[1]	186,417	169,189	162,074
Assets	**296,524**	**267,467**	**250,809**
Customer deposits	163,151	142,651	129,672
Other liabilities	91,551	85,682	89,743
Liabilities	**254,702**	**228,333**	**219,415**
Risk weighted assets[2]	174,789	152,741	141,910
Average net loans and advances	103,728	94,130	81,112
Average deposits and other borrowings	158,424	143,325	127,536
Ratios			
Return on assets	0.85%	0.82%	1.01%
Net interest margin	1.61%	1.85%	2.09%
Net interest margin (Excluding Global Markets)	2.69%	3.10%	2.69%
Operating expenses to operating income	45.2%	47.8%	45.9%
Operating expenses to average assets	1.04%	1.19%	1.27%
Individual provision charge/(release)	280	740	278
Individual provision charge/(release) as a % of average net advances	0.27%	0.79%	0.34%
Collective provision charge/(release)	37	(289)	15
Collective provision charge/(release) as a % of average net advances	0.04%	(0.31%)	0.00%
Net impaired assets	1,326	1,541	1,715
Net impaired assets as a % of net advances	1.20%	1.57%	1.93%
Total full time equivalent staff (FTE)	13,182	13,838	14,627

1. *Comparatives have been adjusted following the reallocation of Goodwill from Other.*
2. *September 2013 risk weighted assets under Basel 3 methodology, September 2012 and September 2011 risk weighted assets under Basel 2 methodology.*

Comparison of 2013 with 2012

Profit after income tax increased $319 million (15%). Key factors affecting the result were:

- Net interest income was flat due to:
  - 10% higher average net loans and advances, with growth concentrated in the APEA region; offset by
  - Net interest margin (excluding Global Markets) declined 41 basis points reflecting a continued mix shift to lower risk trade products, a lower rate environment, improving credit quality across the lending portfolio and margin compression from competition.
- Other operating income increased by $138 million (5%), driven by the focus on growing the Trade and Markets business and improved contributions from Asia Partnerships.
- Operating expenses decreased by $99 million (-3%) ($63 million or 2% higher after adjusting for non-recurring software impairments in the prior year), with cost savings from productivity gains and greater utilization of the hub resources offset by continued re-investment in the business.
- Provision charges for credit impairment reduced by $134 million (-30%), due to higher individual provision charges in 2012 on a few legacy Global Institutional loans in Australia and also improved quality across the lending book in 2013.
- Income tax expense increased 6% mainly due to a 13% increase in profit before tax.

Comparison of 2012 with 2011

Profit after income tax decreased $60 million (-3%). Key factors affecting the result were:

- Net interest income was 6% higher mainly due to:
  - Solid growth in APEA accounted for most of the overall increase in net loans and advances (up 11%); offset by
  - Net interest margin (excluding Global Markets) declined 41 basis points reflecting the higher funding cost, margin compression in the competitive environment in Australia and the impact of the change in lending mix towards Asia where margins are lower.
- Other operating income increased by $238 million (9%), primarily due to increases in Global Institutional in APEA (in particular, Transaction Banking and Global Markets).
- Operating expenses increased by $327 million (12%), driven by higher amortization charges and restructuring costs with continued re-investment in the business and non-recurring software impairments in September 2012.
- Provision charges for credit impairment were 54% higher, driven by individual provision charges on a few legacy Global Institutional loans in Australia, partially offset by collective provision releases from associated concentration risk provisions.
- Income tax expense decreased by 1% due to a 1% decrease in profit before tax.

New Zealand

The New Zealand division comprises Retail and Commercial business units. Retail includes Mortgages, Cards and Unsecured Lending to personal customers. Commercial includes Commercial & Agri ('CommAgri') and Small Business Banking.

	Years ended September 30		
New Zealand Division	**2013 $M**	**2012 $M**	**2011 $M**
Net interest income	1,860	1,780	1,704
Other operating income	348	315	316
Operating income	2,208	2,095	2,020
Operating expenses	(952)	(1,061)	(1,031)
Profit before credit impairment and income tax	1,256	1,034	989
Provision for credit impairment	(37)	(148)	(166)
Profit before income tax	1,219	886	823
Income tax expense	(338)	(244)	(247)
Profit after income tax	**881**	**642**	**576**
Consisting of:			
Retail	313	283	212
Commercial	577	462	451
Operations & Support	(9)	(103)	(87)
Profit after income tax	**881**	**642**	**576**
Balance Sheet			
Net loans & advances	81,414	70,268	67,166
Other assets[1]	3,815	3,539	1,877
Assets	**85,229**	**73,807**	**69,043**
Customer deposits	46,494	39,622	35,938
Other liabilities	18,071	18,295	17,154
Liabilities	**64,565**	**57,917**	**53,092**
Risk weighted assets[2]	44,781	39,717	37,512
Average net loans and advances	73,658	66,812	66,641
Average deposits and other borrowings	46,672	40,688	38,272
Ratios			
Return on assets	1.14%	0.91%	0.84%
Net interest margin	2.49%	2.63%	2.52%
Operating expenses to operating income	43.1%	50.6%	51.0%
Operating expenses to average assets	1.24%	1.51%	1.50%
Individual provision charge/(release)	95	193	256
Individual provision charge/(release) as a % of average net advances	0.13%	0.29%	0.38%
Collective provision charge/(release)	(58)	(45)	(90)
Collective provision charge/(release) as a % of average net advances	(0.08%)	(0.07%)	(0.14%)
Net impaired assets	510	782	1,017
Net impaired assets as a % of net advances	0.63%	1.11%	1.51%
Total full time equivalent staff (FTE)	7,400	8,217	8,359

1. *Comparatives have been adjusted following the reallocation of Goodwill from Other.*
2. *September 2013 risk weighted assets under Basel 3 methodology, September 2012 and September 2011 risk weighted assets under Basel 2 methodology.*

Comparison of 2013 with 2012

The business in New Zealand is based on a functional currency of NZ dollars. Therefore, the reported result for New Zealand has been impacted by the appreciation of the NZD against the AUD over the period. Translation of the 2013 results to AUD was at an average exchange rate for the year ended September 30, 2013 of NZ$1.2132 to A$1.00 compared to an average exchange rate for the year ended September 2012 of NZ$1.2883 to A$1.00.

Profit after income tax increased $239 million (37%). Key factors affecting the result were:

- Net interest income increased by 4% due to:
  - Average lending volumes increased 10% driven primarily by above system growth in Mortgages and Small Business lending, with a lower reliance on CommAgri lending;
  - Net interest margin contracted 14 basis points, due to stronger lending competition, unfavorable lending mix and higher funding costs, partially offset by improved deposit margins.
- Other operating income increased 10% driven by the gain on sale of EFTPOS and an increase in wealth management and insurance revenues.
- Operating expenses decreased 10% reflecting productivity benefits from simplifying our business and leveraging our scale.
- Provision for credit impairment was 75% lower driven by lower individual provisioning levels as credit quality and processes both continued to improve, particularly in the Commercial book. The collective provision release was $13 million higher due to a larger release of economic cycle and model risk provisions in 2013.
- Income tax expense increased by $94 million (39%) mainly driven by a 38% increase in profit before income tax.

Comparison of 2012 with 2011

The business in New Zealand is based on a functional currency of NZ dollars. Therefore, the reported result for New Zealand has been impacted by the appreciation of the NZD against the AUD over the period. Translation of the 2012 results to AUD was at an average exchange rate for the year ended September 30, 2012 of NZ$1.2883 to A$1.00 compared to an average exchange rate for the year ended September 2011 of NZ$1.3051 to A$1.00.

Profit after income tax increased $66 million (11%). Key factors affecting the result were:

- Net interest income increased 4% mainly due to:
  - Average net loans and advances were flat; and
  - Net interest margin improved by 11 basis points, driven by a favorable lending mix, a reduction in unproductive balances and lower mortgage break costs.
- Other operating income was flat, with some fee income uplift in Retail and Small Business Banking overdraft fees in 2012.
- Operating expenses increased 3%, reflecting annual salary increases partly offset by productivity initiatives.
- Provision for credit impairment was 11% lower, reflecting an improvement in the quality of the loan book and improved recovery rates.
- Income tax expense decreased 1% mainly driven by a 8% increase in profit before tax, largely offset by a reduction in the New Zealand corporate tax rate.

Global Wealth

The Global Wealth division comprises Private Wealth, Funds Management and Insurance business units which provides investment, superannuation, insurance products and services (including Private Banking) for customers across Australia, New Zealand and Asia.

	Years ended September 30		
Global Wealth Division	**2013 $M**	**2012 $M**	**2011 $M**
Net interest income	125	122	134
Other operating income	174	172	251
Net funds management and insurance income	1,211	1,146	1,150
Operating income	1,510	1,440	1,535
Operating expenses	(944)	(967)	(940)
Profit before credit impairment and income tax	566	473	595
Provision for credit impairment	(4)	(4)	8
Profit before income tax	562	469	603
Income tax expense	(93)	(123)	(176)
Profit after income tax	**469**	**346**	**427**
Consisting of:			
Business Segment			
Funds Management[1]	128	68	112
Insurance	221	203	197
Private Wealth	50	37	31
Corporate and Other[2]	70	38	87
Total Global Wealth	**469**	**346**	**427**
Geography			
Australia	409	300	364
New Zealand	65	51	71
Asia Pacific, Europe & America	(5)	(5)	(8)
Total Global Wealth	**469**	**346**	**427**
Income from invested capital[3]	**47**	57	117
Balance Sheet			
Funds under management	58,578	51,667	48,657
Average funds under management	54,990	50,723	52,226
In-force premiums	1,986	1,822	1,758
Customer deposits	11,569	9,449	7,293
Net loans & advances	6,187	5,361	5,105
Ratios			
Operating expenses to operating income	62.5%	67.2%	61.2%
Funds management expenses to average FUM[4]			
Australia	0.57%	0.72%	0.73%
New Zealand	0.46%	0.61%	0.67%
Insurance expenses to in-force premiums			
Australia	10.9%	11.6%	13.5%
New Zealand	37.4%	40.9%	37.2%
Retail insurance lapse rates			
Australia	13.7%	13.9%	12.7%
New Zealand[5]	15.9%	16.6%	16.2%
Total full time equivalent staff (FTE)	4,267	4,024	4,587
Aligned adviser numbers[6]	2,133	2,265	2,316

1. *Funds management includes Pensions & Investments business and E*Trade.*
2. *Corporate and other includes income from invested capital, profits from advice and distribution business and unallocated corporate tax credits.*
3. *Income from invested capital represents after tax revenue generated from investing insurance and investment business' capital balances (required for regulatory purposes) net of group funding charges and borrowing costs which is included as part of Corporate and Other results. The invested capital as at 30 September 2013 was $2.1 billion (Sep 12: $2.1 billion), which comprises fixed interest securities of 33% and cash and term deposits of 67% (Sep 12: 26% fixed interest securities and 74% cash and term deposits).*
4. *Funds management expense and FUM only relates to Pensions & Investments business.*
5. *Comparatives have been amended following refinement of calculation methodology.*
6. *Includes corporate authorised representatives of dealer groups wholly or partially controlled by OnePath Group and ANZ Group financial planners. Comparatives have been amended to align to current year classification methodology.*

Comparison of 2013 with 2012

Profit after income tax increased $123 million (36%). Key factors affecting the result were:

- Net interest income and other operating income increased by 2% and 1% respectively.
- Net funds management and insurance income increased by 6% mainly due to growth in Funds Under Management (FUM) of 13% to $58.6 billion following strong gains in the investment market, partially offset by the impact of margin contraction and losses from the annuity portfolio.
- Operating expenses were down 2% (broadly flat after adjusting for non-recurring software impairments in the prior year), with productivity and simplification activities offsetting increased investment in strategic growth initiatives.
- Income tax expense decreased by $30 million (24%) driven by a 20% increase in profit before tax offset by the inclusion of a $50 million favorable one-off tax consolidation adjustment relating to OnePath Australia.

Comparison of 2012 with 2011

Profit after income tax decreased $81 million (19%). Key factors affecting the result were:

- Net interest income and other operating income declined by 9% and 31% respectively as a result of challenging market conditions in 2012.
- Net funds management and insurance income was relatively flat mainly due to higher capital investment earnings offset by lower average Funds Under Management (FUM).
- Operating expenses increased 3% were mainly driven by the investment in growth initiatives and non-recurring software impairments in 2012.
- Provision for credit impairment increased $12 million largely due to new provisions raised within the year and a lower collective provision release than in 2011.
- Income tax expense decreased by 30% mainly driven by a 22% decrease in profit before tax.

Results by Geographic Region

Australia Geographic Region	Years ended September 30 2013 $M	2012 $M	2011 $M
Net interest income	9,131	8,667	8,410
Other operating income	3,315	3,450	3,493
Operating income	12,446	12,117	11,903
Operating expenses	(5,279)	(5,622)	(5,242)
Profit before credit impairment and income tax	7,167	6,495	6,661
Provision for credit impairment	(944)	(943)	(981)
Profit before income tax	6,223	5,552	5,680
Income tax expense	(2,125)	(1,824)	(1,846)
Non-controlling interests	-	-	-
Profit after income tax	**4,098**	**3,728**	**3,834**

Asia Pacific, Europe & America Geographic Region	Years ended September 30 2013 $M	2012 $M	2011 $M
Net interest income	1,450	1,340	1,097
Other operating income	1,731	1,461	1,329
Operating income	3,181	2,801	2,426
Operating expenses	(1,726)	(1,557)	(1,497)
Profit before credit impairment and income tax	1,455	1,244	929
Provision for credit impairment	(190)	(97)	(110)
Profit before income tax	1,265	1,147	819
Income tax expense	(211)	(190)	(121)
Non-controlling interests	(10)	(6)	(8)
Profit after income tax	**1,044**	**951**	**690**

New Zealand Geographic Region	Years ended September 30 2013 $M	2012 $M	2011 $M
Net interest income	2,177	2,103	1,993
Other operating income	642	690	610
Operating income	2,819	2,793	2,603
Operating expenses	(1,231)	(1,340)	(1,284)
Profit before credit impairment and income tax	1,588	1,453	1,319
Provision for credit impairment	(54)	(158)	(146)
Profit before income tax	1,534	1,295	1,173
Income tax expense	(404)	(313)	(342)
Non-controlling interests	-	-	-
Profit after income tax	**1,130**	**982**	**831**

Balance sheet

	As at September 30		
	2013 $M	2012 $M	2011 $M
Assets			
Liquid assets and due from other financial institutions	61,914	53,681	38,925
Trading and available-for-sale assets	69,423	61,164	58,338
Derivative financial instruments	45,878	48,929	58,641
Net loans and advances	469,295	427,823	397,307
Regulatory deposits	2,106	1,478	1,505
Investments backing policy liabilities	32,083	29,895	29,859
All other assets[1]	22,292	19,157	19,638
Total assets	702,991	642,127	604,213
Liabilities			
Due to other financial institutions	36,306	30,538	27,535
Deposits and other borrowings	439,674	397,123	368,729
Derivative financial instruments	47,509	52,639	55,290
Bonds and notes	70,376	63,098	56,551
Policy liabilities and external unitholder liabilities	35,899	33,486	32,536
All other liabilities	27,612	24,023	25,618
Total liabilities	657,376	600,907	566,259
Net assets	45,615	41,220	37,954

1. *Excludes notional goodwill in equity accounted entities.*

Explanations for material movements in balance sheet accounts include:

Assets

Liquid assets & due from other financial institutions

Comparison of 2013 with 2012

Liquid assets and due from other financial institutions increased by $8.2 billion (15%) primarily due to:

- An increase of $3.2 billion in liquid assets mainly due to an increase in short term securities purchased to manage liquidity requirements as well as foreign exchange impact due to AUD depreciation during 2013.
- An increase of $5.0 billion in due from other financial institutions mainly driven by an increase in gold loans in Markets Australia ($2.0 billion); as well as growth in lending to other financial institutions in Asia ($2.6 billion), primarily in Singapore and Hong Kong.

Comparison of 2012 with 2011

Liquid assets and due from other financial institutions increased by $14.8 billion (38%) primarily due to:

- An increase of $11.0 billion in liquid assets mainly due to deployment of surplus funding generated across the Group.
- An increase of $3.8 billion in due from other financial institutions mainly driven by increased collateral paid on derivative transactions with collateralized counterparties, and strong momentum in the trade business leading to an increase in financial institutions trade loans in Asia.

Trading and available-for-sale assets

Comparison of 2013 with 2012

Trading and available-for-sale assets (AFS) increased $8.3 billion (14%) mainly driven by a $7.6 billion increase in AFS assets due to additional purchases made for the liquidity portfolio during the period. Surplus funds from customer deposits have been used to make new purchases of assets for the liquidity portfolio where the returns are attractive.

Comparison of 2012 with 2011

Trading and available-for-sale assets increased $2.8 billion (5%) mainly driven by a $5.4 billion increase in trading and available-for-sale securities such as, treasury notes, gold and asset backed securities, predominantly in Markets Australia and New Zealand. This was partially offset by a $1.9 billion decrease in Singapore mainly due to reduced need for Singapore to hold as much available for sale assets.

Derivative financial instruments

Comparison of 2013 with 2012

The derivative asset balance has decreased by $3.1 billion (-6%) primarily attributable to a reduction in interest rate swap market values caused by rising yields, partially offset by an increase in cross-currency swap market values caused by increased AUD volatility.

Comparison of 2012 with 2011

The derivative asset balance has decreased by $9.7 billion (-17%), due to the appreciation of the AUD against other currencies, which contrasts with the sharp depreciation of the AUD in the lead up to September 2011, partially offset by decrease in interest rate markets over the year.

Net loans and advances

Comparison of 2013 with 2012

Net loans and advances increased by $41.5 billion (10%) primarily due to:

- Net loans and advances in Australia growing by $17.7 billion (7%), with growth in Mortgages of 7% and above system growth in C&CB of 15% through customer acquisition.
- Net loans and advances in International and Institutional Banking increasing by $11.8 billion (12%) with solid growth in the Asia Pacific, Europe & America region.
- Net loans and advances in New Zealand increasing by $11.1 billion (16%) primarily driven by growth in mortgage market share.

Comparison of 2012 with 2011

Net loans and advances increased by $30.5 billion (8%) primarily due to:

- Net loans and advances in Australia growing by $16.2 billion (7%), with above system growth in Mortgages of 7% and growth in Business Banking of 11%.
- Net loans and advances in International and Institutional Banking increasing by $10.4 billion (11%) with solid growth in the Asia Pacific, Europe & America region.
- Net loans and advances in New Zealand increasing by $2.4 billion (3%) primarily driven by strong growth in mortgages.

Investments backing policy liabilities

Investments relating to ANZ Wealth Australia (previously OnePath Australia) and OnePath New Zealand were valued at $32.1 billion at September 30, 2013 (September 2012: $29.9 billion; September 2011: $29.9 billion).

All other assets

Comparison of 2013 with 2012

All other assets increased by $3.1 billion (16%).

Comparison of 2012 with 2011

All other assets decreased by $0.5 billion (-2%).

Liabilities

Due to other financial institutions

Comparison of 2013 with 2012

Due to other financial institutions increased $5.8 billion (19%) primarily due to increased interbank borrowings Europe ($1.3 billion), Markets Australia ($2.1 billion) and Transaction Banking Australia ($2.8 billion).

Comparison of 2012 with 2011

Due to other financial institutions increased $3.0 billion (11%) primarily due to increased funding requirements from customers in Asia, America and UK & Europe.

Deposits and Other Borrowings

Comparison of 2013 with 2012

Deposits and other borrowings increased $42.6 billion (11%) mainly due to:

- An increase in deposits and other borrowings in Australia of $16.9 billion (7%) with the majority of deposit growth coming from at call savings products resulting from competitive rates;
- Deposits and other borrowings in International and Institutional Banking increased $18.1 billion (12%) due to a number of initiatives across Asia Pacific, Europe and America to raise deposit levels; and
- Deposits and other borrowings in New Zealand grew by $6.8 billion (15%) due to a focus on attracting more customers to at call deposit products providing competitive rates.

Comparison of 2012 with 2011

Deposits and other borrowings increased $28.4 billion (8%) mainly due to:

- An increase in deposits and other borrowings in Australia of $13.8 billion (11%) with the majority of deposit growth coming from savings products.
- Deposits and other borrowings in IIB increased $10.9 billion (8%) with solid growth in Asia Pacific, Europe and America accounting for most of the overall increases in customer deposits.

- Deposits and other borrowings in New Zealand increased by $4.6 billion (9%) with strong growth driven by Retail and Small Business Banking.

Derivative financial instruments

Comparison of 2013 with 2012

The derivative liability balance has decreased by $5.1 billion (-10%) primarily attributable to a reduction in interest rate swap market values caused by rising yields, partially offset by an increase in cross-currency swap market values caused by increased AUD volatility.

Comparison of 2012 with 2011

The derivative liability balance has decreased by $2.7 billion (-5%), due to the appreciation of the AUD against other currencies, which contrasts with the sharp depreciation of the AUD in the lead up to September 2011, partially offset by decrease in interest rate markets over the year.

Bonds and notes

Comparison of 2013 with 2012

Bonds and notes increased $7.3 billion (12%) primarily due to AUD depreciation against other major currencies during the year slightly offset by an $0.9 billion net reduction in outstanding bonds and notes.

Comparison of 2012 with 2011

Bonds and notes increased $6.5 billion (12%) mainly due to an increase in net issuances, partly offset by favorable currency exchange rate movements caused by the strong appreciation in the AUD during the year.

Insurance Policy liabilities and external unitholder liabilities

Policy liabilities and external unitholder liabilities comprise: life investment contract liabilities, insurance contract liabilities and external unitholder liabilities.

The most significant component in the life investment contract liabilities and the key driver's behind movements in these balances are gains and losses in the underlying investments and net fund flows by policyholders.

External unitholder liabilities represent external unitholders' share of consolidated funds. The key drivers behind movements in these balances are change in the level of non-controlling interests in the funds, for example, as the Group's ownership in funds decreases it will consolidate less funds in their entirety reducing the level of external unitholder liabilities.

Comparison of 2013 with 2012

Insurance policy liabilities were valued at $35.9 billion at September 30, 2013 up $2.4 billion (7%) from $33.5 billion at September 30, 2012 largely as a result of new business and stable lapse experience.

Comparison of 2012 with 2011

Insurance policy liabilities were valued at $33.5 billion at year ended September 30, 2012, up $1.0 billion (3%) from $32.5 billion at September 30, 2011.

All other liabilities

Comparison of 2013 with 2012

All other liabilities increased $3.6 billion (15%).

Comparison of 2012 with 2011

All other liabilities decreased $1.6 billion (-6%).

Capital management

	As at September 30			
	Basel 3	Basel 3[1]	Basel 2	Basel 2
Qualifying Capital	2013 $M	2012 $M	2012 $M	2011 $M
Tier 1				
Shareholders' equity and non-controlling interests	45,615	41,220	41,220	37,954
Prudential adjustments to shareholders' equity	(932)	(855)	(3,857)	(3,479)
Gross Common Equity Tier 1 capital	44,683	40,365	37,363	34,475
Deductions	(15,892)	(15,067)	(10,839)	(10,611)
Common Equity Tier 1 capital	28,791	25,298	26,524	23,864
Additional Tier 1 capital instruments	6,401	5,362	5,977	6,752
Tier 1 capital	35,192	30,660	32,501	30,616
Tier 2				
Tier 2 capital components	6,190	6,157	6,887	6,245
Deductions	n/a	n/a	(2,814)	(3,071)
Tier 2 capital	6,190	6,157	4,073	3,174
Total qualifying capital	41,382	36,817	36,574	33,790
Capital adequacy ratios				
Common Equity Tier 1	8.5%	8.0%	8.8%	8.5%
Tier 1	10.4%	9.7%	10.8%	10.9%
Tier 2	1.8%	2.0%	1.4%	1.2%
Total	12.2%	11.7%	12.2%	12.1%
Risk weighted assets	339,265	315,446	300,119	279,964

[1] *Tier 1 and Tier 2 capital components for 2012 include the application of a 10% "hair cut" to the applicable face value of Additional Tier 1 and Tier 2 securities on issue for comparison purposes to 2013.*

APRA implementation of Basel 3 capital reforms

Effective January 1, 2013, APRA has adopted the majority of Basel 3 capital reforms in Australia. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios will not be directly comparable with international peers. Significant APRA Basel 3 reform changes that impacted the calculation of the capital ratios, relative to the APRA Basel 2 methodology, include:

- Investments in wealth and insurance subsidiaries, banking associates and regulatory expected losses in excess of eligible provisions previously deducted from Tier 1 and Tier 2 on a 50/50 basis are now 100% capital deductions from Common Equity Tier 1 ("CET1");
- Future expected dividend payments, previously deducted from capital on an accrual basis are now deducted when declared;
- Other changes in capital base include equity exposures previously subject to thresholds that are now deducted 100% from CET1;
- Risk Weighted Assets (RWA) increases mainly from a new charge for risk of mark-to-market losses in derivative exposures when the credit quality of a derivative counterparty is downgraded (Credit Valuation Adjustment or CVA) and increased asset value correlation with respect to exposures to financial institutions; and
- New qualifying criteria for Tier 1 and Tier 2 capital instruments have been introduced. Instruments issued before 1 January 2013 are subject to transitional arrangements that progressively reduce their contribution to regulatory capital over time.

Comparison of 2013 with 2012

Common Equity Tier 1 Ratio

The APRA Basel 3 Common Equity Tier 1 ratio at September 30, 2013 of 8.5% represents an increase of 47 basis points from the September 30, 2012 ratio of 8.0%.

The key contributors to the increase were:

- Statutory profit after preference share dividends of $6.3 billion (+199 basis points);
- Increase in RWA was $23.8 billion, excluding the impact of FX was $12.0 billion due to:
  - Portfolio growth and mix (-24 basis points);
  - Risk migration incorporating decline in RWA and decrease in Expected Loss versus Eligible Provision shortfall (+4 basis points); and
  - Higher non-credit risk RWA (-15 basis points).

- Movements in capitalized software and intangibles (-16 basis points);
- Net increase in capital retention of insurance businesses and associates excluding the impact of exchange rate movements (-11 basis points);
- Ordinary share dividend commitments net of actual and expected reinvestment through the DRP and BOP (-116 basis points);
- Benefits from ANZ Wealth and ANZ LMI refinance and other capital initiatives (+24 basis points); and
- Other items (net +2 basis points) including net increase in deferred tax assets (-4 basis points) offset staff share issuances (+4 basis points) and net FX impacts and other deductions (+2 basis points).

Comparison of 2012 with 2011

Tier 1 Ratio

The APRA Tier 1 ratio (Basel 2) at September 30, 2012 of 10.8% represents a decrease from September 30, 2011 of 10 basis points.

The key contributors to the decrease were:

- Statutory profit after preference share dividends of $5.6 billion (+202 basis points).
- Ordinary share dividend commitments net of actual and expected reinvestment through the DRP and BOP of $2.6 billion (-91 basis points).
- Increase in Risk Weighted Assets (RWA) was $20.2 billion, excluding the impact of exchange rate movements was $23.0 billion due to:
  - Portfolio growth and mix (-55 basis points);
  - Risk migration incorporating decline in RWA partially offset by increase in Expected Loss versus Eligible Provision shortfall (+12 basis points);
  - Portfolio data review (+7 basis points); and
  - Higher non-credit risk RWA (-55 basis points), including an increase due to Operational Risk model change (-31 basis points), higher markets RWA due to implementation of Basel 2.5 and an increase in Interest Rate Risk in the Banking Book.
- Net increase in capital retention of insurance businesses and associates excluding the impact of exchange rate movements (net -10 basis points).
- Benefit of divesting shares in VISA Inc., external refinance of OnePath Australia and other capital initiatives (+14 basis points).
- Other items (net -9 basis points) including movement in capitalised software and expenses (-13 basis points), net increase in deferred tax assets (-6 basis points), partially offset by other share issuance (+7 basis points) and other deductions including net of FX (+3 basis points).
- Buy-back and cancelling of £450m hybrid tier 1 security (-26 basis points).

	As at September 30		
	Basel 3	Basel 2	Basel 2
	2013 $M	2012 $M	2011 $M
Table 1: Prudential adjustments to shareholders' equity			
Treasury shares attributable to OnePath policy holders	**272**	280	358
Reclassification of preference share capital	**(871)**	(871)	(871)
Accumulated retained profits and reserves of insurance, funds management and securitisation entities	**(583)**	(1,660)	(1,686)
Deferred fee revenue including fees deferred as part of loan yields	**381**	415	414
Hedging reserve	**n/a**	(208)	(169)
Available-for-sale reserve attributable to deconsolidated subsidiaries	**(90)**	(94)	(126)
Dividend not provided for	**n/a**	(2,149)	(1,999)
Accrual for Dividend Reinvestment Plans	**n/a**	430	600
Other	**(41)**	-	-
Total	**(932)**	(3,857)	(3,479)
Table 2: Deductions from Common Equity Tier 1 capital			
Unamortised goodwill & other intangibles (excluding OnePath Australia and New Zealand)	**(3,970)**	(3,052)	(3,027)
Intangible component of investments in OnePath Australia and New Zealand	**(2,096)**	(2,074)	(2,071)
Capitalised software	**(2,102)**	(1,702)	(1,490)
Capitalised expenses including loan and lease origination fees	**(979)**	(850)	(688)
Applicable deferred net tax assets	**(1,102)**	(301)	(136)
Expected losses in excess of eligible provisions	**(376)**	(542)	(475)
Investment in ANZ insurance and funds management subsidiaries	**(453)**	(327)	(229)
Investment in OnePath Australia and New Zealand	**(1,059)**	(721)	(906)
Investment in banking associates	**(3,361)**	(1,070)	(1,151)
Other deductions	**(394)**	(200)	(438)
Total	**(15,892)**	(10,839)	(10,611)
Table 3: Additional Tier 1 capital			
Convertible Preference Shares			
ANZ CPS1	**1,081**	1,078	1,075
ANZ CPS2	**1,963**	1,958	1,954
ANZ CPS3	**1,329**	1,326	1,322
ANZ Capital Notes	**1,106**	-	-
Preference Shares	**871**	871	871
Hybrid Securities	**812**	752	720
Regular adjustments and deductions	**(78)**	(8)	810
Transitional adjustments	**(683)**	n/a	n/a
Total	**6,401**	5,977	6,752
Table 4: Tier 2 capital			
General reserve for impairment of financial assets	**245**	234	266
Perpetual subordinated notes	**1,065**	953	962
Subordinated debt	**5,448**	5,847	5,017
Regulatory adjustment and deductions	**(340)**	(2,961)	(3,071)
Transitional adjustments	**(228)**	n/a	n/a
Total	**6,190**	4,073	3,174

Table 5: Risk weighted assets	Basel 3 2013 $M	Basel 2 2012 $M	Basel 2 2011 $M
	As at September 30		
On balance sheet	**208,326**	190,210	183,039
Commitments	**47,809**	42,807	43,041
Contingents	**11,184**	9,962	9,536
Derivatives	**20,332**	11,896	13,212
Total credit risk	**287,651**	254,875	248,828
Market risk - Traded	**4,303**	4,664	3,046
Market risk - IRRBB	**18,287**	12,455	8,439
Operational risk	**29,024**	28,125	19,651
Total risk weighted assets	**339,265**	300,119	279,964

Table 6: Credit risk weighted assets by Basel asset class	Basel 3 2013 $M	Basel 2 2012 $M	Basel 2 2011 $M
	As at September 30		
Subject to Advanced IRB approach			
Corporate	**121,586**	111,796	106,120
Sovereign	**4,360**	4,088	4,365
Bank	**16,270**	11,077	9,456
Residential mortgage	**47,559**	42,959	41,041
Qualifying revolving retail (credit cards)	**7,219**	7,092	7,468
Other retail	**24,328**	21,277	19,240
Credit risk weighted assets subject to Advanced IRB approach	**221,322**	198,289	187,690
Credit risk specialised lending exposures subject to slotting criteria	**27,640**	27,628	27,757
Subject to Standardised approach			
Corporate	**19,285**	18,168	22,484
Residential mortgage	**1,922**	1,812	845
Qualifying revolving retail (credit cards)	**1,728**	2,028	2,344
Other retail	**985**	1,165	1,650
Credit risk weighted assets subject to Standardised approach	**23,920**	23,173	27,323
Credit Valuation Adjustment and Qualifying Central Counterparties	**8,501**	n/a	n/a
Credit risk weighted assets relating to securitisation exposures	**2,724**	1,170	1,136
Credit risk weighted assets relating to equity exposures	**n/a**	1,030	1,399
Other assets	**3,544**	3,585	3,523
Total credit risk weighted assets	**287,651**	254,875	248,828

Table 7: Collective provision and regulatory expected loss by division	Collective Provision As at ($M) Sep 13	Sep 12	Sep 11	Regulatory Expected Loss As at ($M) Sep 13	Sep 12	Sep 11
Australia	**1,123**	1,073	1,167	**2,393**	2,309	2,048
International and Institutional Banking	**1,310**	1,224	1,500	**1,037**	1,270	1,243
New Zealand	**399**	413	454	**763**	814	896
Global Wealth	**12**	11	12	**21**	23	21
Other	**43**	44	43	**28**	21	53
Collective provision and regulatory expected loss	**2,887**	2,765	3,176	**4,242**	4,437	4,261

Table 8: Expected loss in excess of eligible provisions	As at ($M) Sep 13 $M	Sep 12 $M	Sep 11 $M
Basel expected loss			
Defaulted	**1,854**	2,168	1,975
Non-defaulted	**2,388**	2,269	2,286
	4,242	4,437	4,261
Less: Qualifying collective provision			
Collective provision	**(2,887)**	(2,765)	(3,176)
Non-qualifying collective provision	**346**	334	375
Standardised collective provision	**245**	269	340
Deferred tax asset	**n/a**	625	730
	(2,296)	(1,537)	(1,731)
Less: Qualifying individual provision			
Individual provision	**(1,467)**	(1,773)	(1,697)
Standardised individual provision	**219**	268	477
Collective provision on advanced defaulted	**(322)**	(312)	(359)
	(1,570)	(1,817)	(1,579)
Gross deduction	**376**	1,083	951
50/50 deduction	**n/a**	542	475

Table 9: APRA Basel 3 Common Equity Tier 1

	Full Year Sep 13 vs Sep 12
APRA Basel 3 Common Equity Tier 1	
Statutory profit after preference share dividends	+206bps($6.3B)
Risk weighted assets	
Portfolio growth and mix	-24bps
Risk migration and Expected Losses in excess of Eligible Provisions	+4bps
Non-credit risk	-15bps
Capital retention in insurance businesses and associates	-10bps
Capitalised software and intangibles	-16bps
Other items	-1bps
Organic Capital Generation	**+144bps**
ANZ Wealth Refinance	+13bps
ANZ LMI Refinance	+5bps
Other	+6bps
Capital initiatives	**+24bps**
Ordinary share dividends net of reinvestment	**-116bps**
Other	**-5bps**
Total Common Equity Tier 1 movement	**+47bps**
September 2013 APRA Basel 3 Common Equity Tier 1	**8.5%**

Contingent liabilities

The Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The credit risk of these facilities may in practice be less than the contract amount; however, the credit risk has been taken to be the contract amount.

	As at September 30		
	2013 $M	**2012 $M**	**2011 $M**
Financial guarantees	8,223	6,711	6,923
Standby letters of credit	4,437	2,450	2,672
Documentary letter of credit	3,197	3,201	2,964
Performance related commitments	19,960	19,440	17,770
Other	715	581	881
Total contingent liabilities	36,532	32,383	31,210

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. The Group maintains a portfolio of liquid assets to manage potential stresses in funding sources. The minimum level of liquidity portfolio assets to hold is based on a range of ANZ specific and general market liquidity stress scenarios such that potential cash flow obligations can be met over the short to medium term.

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

- Scenario modelling of funding sources

  The Global financial crisis highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events. ANZ's short term liquidity scenario modelling stresses cash flow projections against multiple 'survival horizons' over which the Group is required to remain cash flow positive. In addition, longer term scenarios are in place that measure the structural liquidity position of the balance sheet. Scenarios modelled are either prudential requirements or Board mandated scenarios. Under these scenarios, customer and wholesale balance sheet asset/liability flows are stressed.

- Liquidity portfolio

  The Group holds a diversified portfolio of cash and high credit quality securities that may be sold or pledged to provide same-day liquidity. This portfolio helps protect the Group's liquidity position by providing cash in a severely stressed environment. All assets held in the prime portfolio are securities eligible for repurchase under agreements with the applicable central bank (i.e. 'repo eligible').

  The liquidity portfolio is well diversified by counterparty, currency and tenor. Under the liquidity policy framework, securities purchased for ANZ's liquidity portfolio must be of a similar or better credit quality to ANZ's external long-term or short-term credit ratings and continue to be repo eligible.

  Supplementing the prime liquid asset portfolio, the Group holds additional liquidity:

  - central bank deposits with the US Federal Reserve, Bank of England, Bank of Japan and European Central Bank of $21.2 billion;
  - Australian Commonwealth and State Government securities of $6.9 billion and gold and precious metals of $2.9 billion, and
  - cash and other securities to satisfy local country regulatory liquidity requirements which are not included in the liquid assets below.

	As at September 30		
Prime liquidity portfolio (Market Values)[1]	**2013 $B**	**2012 $B**	**2011 $B**
Australia	27.8	24.0	20.8
New Zealand	11.1	11.0	9.1
United States	2.1	1.4	1.4
United Kingdom	5.1	3.3	2.7
Singapore	3.1	4.5	6.4
Hong Kong	0.6	0.6	0.3
Japan	1.4	1.3	-
Total excluding internal Residential Mortgage Backed Securities	**51.2**	**46.1**	**40.7**
Internal Residential Mortgage Backed Securities (Australia)	35.7	34.9	26.8
Internal Residential Mortgage Backed Securities (New Zealand)	3.7	3.0	3.9
Total prime portfolio	**90.6**	**84.0**	**71.4**
Other eligible securities including gold and cash on deposit with central banks[2]	31.0	30.6	20.1
Total liquidity portfolio	**121.6**	**114.6**	**91.5**

1. *Market value is post the repo discount applied by the applicable central bank.*
2. *Liquid asset holdings in Australia and New York are netted down against overnight interbank borrowings.*

Wholesale Funding

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

$23.7 billion of term wholesale debt (with a remaining term greater than one year as at September 30, 2013) was issued during 2013, and in addition $1.1 billion of ANZ Capital Notes and $0.4 billion of ANZ Wealth bonds were issued.

- Access to all major global wholesale funding markets remained available to ANZ during 2013.
- All wholesale funding needs were comfortably met.
- The weighted average tenor of new term debt was 4.3 years (4.6 years in 2012).
- The weighted average cost of new term debt issuance decreased in 2013 as a result of improved market conditions. However average portfolio costs remain substantially above pre-crisis levels and have only recently stabilised from these elevated levels during 2013.

The following tables show the Group's funding composition:

	As at September 30		
	2013 $M	2012 $M	2011 $M
Customer deposits and other liabilities[1]			
Australia	152,403	140,810	126,969
International and Institutional Banking	163,151	142,651	129,683
New Zealand	46,494	39,622	35,938
Global Wealth	11,569	9,449	8,129
Other	(4,788)	(4,656)	(3,965)
Total customer deposits	368,829	327,876	296,754
Other[2]	13,158	9,841	11,450
Total customer deposits and other liabilities (funding)	381,987	337,717	308,204
Wholesale funding[3,4]			
Bonds and notes[5]	69,570	62,693	56,551
Loan capital	12,804	11,914	11,993
Certificates of deposit	58,276	56,838	55,554
Commercial paper issued	12,255	12,164	14,333
Due to other financial institutions	36,306	30,538	27,535
Other wholesale borrowings[6]	2,507	4,585	(450)
Total wholesale funding	191,718	178,732	165,516
Shareholders' equity (excl preference shares)	44,744	40,349	37,083
Total funding	618,449	556,798	510,803
Wholesale funding maturity[3,4]			
Short term wholesale funding (excluding Central Banks)	73,650	63,433	56,918
Central Bank deposits	15,374	15,475	10,646
Total short term wholesale funding	89,024	78,908	67,564
Long term wholesale funding			
- Less than 1 year residual maturity	20,292	25,391	27,883
- Greater than 1 year residual maturity	75,240	68,449	63,293
Hybrid capital including preference shares	7,162	5,984	6,776
Total wholesale funding and preference share capital excluding shareholders' equity	191,718	178,732	165,516
Total funding maturity			
Short term wholesale funding (excluding Central Banks)	12%	11%	11%
Central Bank deposits	3%	3%	2%
Long term wholesale funding			
- Less than 1 year residual maturity	3%	5%	6%
- Greater than 1 year residual maturity	12%	12%	12%
Total customer liabilities (funding)	62%	61%	60%
Shareholders' equity and hybrid debt	8%	8%	9%
Total funding and shareholders' equity	100%	100%	100%

1. *Includes term deposits, other deposits and an adjustment to Other to eliminate ANZ Wealth investments in ANZ deposit products.*
2. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in ANZ Wealth.*
3. *Long term wholesale funding amounts are stated at original hedged exchange rates. Movements due to currency fluctuations in actual amounts borrowed are classified as short term wholesale funding.*
4. *Liability for acceptances have been removed as they do not provide net funding.*
5. *Excludes term debt issued externally by ANZ Wealth.*
6. *Includes net derivative balances, special purpose vehicles, other borrowings and Euro Trust Securities (preference shares).*

Term debt maturity profile

	Years ended September 30					
Year of maturity	**2014 $M**	**2015 $M**	**2016 $M**	**2017 $M**	**2018 $M**	**>2018 $M**
Senior term debt	13,691	20,545	12,088	7,713	8,246	4,341
Government guaranteed term debt	5,597	77	-	-	-	-
Covered bonds	-	650	5,958	2,220	2,726	4,803
Subordinated and perpetual debt	1,004	-	-	2,726	1,456	1,691
Total	**20,292**	**21,272**	**18,046**	**12,659**	**12,428**	**10,835**

Supplementary financial information

Loan quality

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

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

Impaired assets and loans

	As at September 30		
Gross impaired assets	**2013 $M**	**2012 $M**	**2011 $M**
Impaired loans	3,751	4,364	4,650
Restructured items	341	525	700
Non-performing commitments and contingencies	172	307	231
Gross impaired assets	**4,264**	**5,196**	**5,581**
Individual provisions			
Impaired loans	(1,440)	(1,729)	(1,687)
Non-performing commitments and contingencies	(27)	(44)	(10)
Net impaired assets	**2,797**	**3,423**	**3,884**

Comparison of 2013 with 2012

Gross impaired assets decreased by $932 million (-18%) over 2013, driven primarily by improved credit quality and recovery processes in New Zealand and IIB.

Net impaired assets decreased by $626 million (-18%) over the September 2013 full year driven by several single names returning to performing in IIB and New Zealand, combined with lending book credit quality improvements reducing the flow of new impaired assets. The Group has an individual provision coverage ratio on impaired assets of 34.4% at September 30, 2013.

Comparison of 2012 with 2011

Gross impaired assets decreased by $385 million (-7%), driven by a reduction in impaired loans and a reduction in restructured items, offset by an increase in non-performing commitments and contingencies.

Net impaired assets decreased by $461 million (-12%) from $3,884 million at September 30, 2011. The Group has an individual coverage ratio on impaired assets of 34.1% at September 30, 2012.

	As at September 30		
	2013 $M	**2012 $M**	**2011 $M**
Total gross impaired loans	3,751	4,364	4,650
Subject to specific provision for credit impairment	3,427	4,011	4,376
Without specific allowance for loan losses	324	353	274

Gross impaired loans by division	As at September 30 2013 $M	 2012 $M	 2011 $M
Australia	1,665	1,729	1,694
International and Institutional Banking	1,292	1,615	1,520
New Zealand	737	984	1,387
Global Wealth	30	36	33
Other	27	-	16
Total gross impaired loans	3,751	4,364	4,650

New impaired assets	As at September 30 2013 $M	 2012 $M	 2011 $M
Impaired loans	3,238	3,570	3,569
Restructured items	37	303	688
Non-performing commitments and contingencies	12	330	22
Total new impaired assets	3,287	4,203	4,279

New impaired assets by division	As at September 30 2013 $M	 2012 $M	 2011 $M
Australia	1,722	1,697	1,864
International and Institutional Banking	899	1,706	1,220
New Zealand	631	787	1,167
Global Wealth	9	13	20
Other	26	-	8
Total new impaired assets	3,287	4,203	4,279

Comparison of 2013 with 2012

New impaired assets decreased by $916 million (22%) driven by significant reductions in IIB and New Zealand with improved portfolio credit quality.

Comparison of 2012 with 2011

New impaired assets decreased by $76 million (2%) over the year, with reductions in new impaired assets in New Zealand and Australia, partially offset by increases in IIB.

Impaired loans – five year summary

	Years ended September 30				
	2013 $M	**2012 $M**	**2011 $M**	**2010 $M**	**2009 $M**
Gross impaired loans	3,751	4,364	4,650	6,075	4,392
Subject to specific provision for credit impairment	3,427	4,011	4,376	5,892	4,178
Without specific allowance for loan losses	324	353	274	183	214
Gross impaired loans					
Australia	1,665	1,729	1,694	1,926	1,171
International and Institutional Banking	1,292	1,615	1,520	2,538	2,122
New Zealand	737	984	1,387	1,498	891
Global Wealth	30	36	33	78	171
Other	27	-	16	35	37
Total gross impaired loans	**3,751**	**4,364**	**4,650**	**6,075**	**4,392**
Individual provisions for credit impairment	(1,440)	(1,729)	(1,687)	(1,849)	(1,512)
Net impaired loans[1]	**2,311**	**2,635**	**2,963**	**4,226**	**2,880**
Ratio of individual provision for credit impairment to gross impaired loans	38.4%	39.6%	36.3%	30.4%	34.4%

1. *Excluding restructured items of $341 million (Sep 2012: $525 million; Sep 2011: $700 million; Sep 2010: $141 million; Sep 2009: $673 million) and off-balance sheet commitments that have been classified as non-performing commitments and contingencies of $172 million (Sep 2012: $307 million; Sep 2011: $231 million; Sep 2010: $345 million; Sep 2009: $530 million) net of a provision of $27 million (Sep 2012: $44 million; Sep 2011: $10 million; Sep 2010: $26 million; Sep 2009: $14 million).*

Restructured items

	As at September 30		
	2013 $M	2012 $M	2011 $M
Australia	3	39	54
International and Institutional Banking	326	341	630
New Zealand	13	148	16
Global Wealth	-	-	-
Other	(1)	(3)	-
Total restructured items[1]	341	525	700

1. *Represents customer facilities which for reason of financial difficulty have been re-negotiated on terms which the Bank considers as uncommercial but necessary in the circumstances, and are not considered non-performing. Includes both on and off balance sheet exposures.*

Non-performing commitments and contingencies

Set out below are off balance sheet facilities (such as standby letters of credit, bill endorsements, documentary letters of credit, or guarantees to third parties) and undrawn on balance sheet facilities where the customer is defined as impaired.

	As at September 30		
	2013 $M	2012 $M	2011 $M
Australia	17	26	61
International and Institutional Banking	140	269	157
New Zealand	15	12	13
Global Wealth	-	-	-
Other	-	-	-
Gross impaired commitments and contingencies	172	307	231

Other potential problem loans

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

Accruing loans – past due 90 days or more

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

	As at September 30		
	2013 $M	2012 $M	2011 $M
Australia	1,554	1,449	1,519
International and Institutional Banking	55	84	72
New Zealand	191	180	240
Global Wealth	18	-	3
Other	-	-	-
Total past due loans	1,818	1,713	1,834

Provision for credit impairment

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

For further discussion on provision for credit impairment refer to pages 33-34.

Provision for credit impairment

Individual provision balance	**As at September 30** **2013 $M**	**2012 $M**	**2011 $M**
Australia	746	716	717
International and Institutional Banking	432	681	572
New Zealand	255	362	396
Global Wealth	15	14	12
Other	19	-	-
Total individual provision	1,467	1,773	1,697

	Years ended September 30 **2013 $M**	**2012 $M**	**2011 $M**
Collective provision			
Balance at start of period	2,765	3,176	3,153
Charge/(credit) to income statement	30	(379)	7
Provisions acquired	-	(4)	-
Adjustment for exchange rate fluctuations	92	(28)	16
Total collective provision[1]	2,887	2,765	3,176
Individual provision			
Balance at start of period	1,773	1,697	1,875
New and increased provisions	1,889	2,293	2,033
Write-backs	(487)	(537)	(613)
Adjustment for exchange rate fluctuations	51	(34)	8
Discount unwind	(102)	(143)	(185)
Bad debts written-off	(1,657)	(1,503)	(1,421)
Total individual provision	1,467	1,773	1,697
Total provision for credit impairment	4,354	4,538	4,873

1. *Collective provision includes amounts for off-balance sheet credit exposures: $595 million at September 30, 2013 (Sep 2012: $529 million; Sep 2011: $572 million). The impact on the income statement for the year ended September 30, 2013 was a $35 million charge (Sep 2012: $36 million release; Sep 2011: $7 million release).*

Provision movement analysis	**Years ended September 30** **2013 $M**	**2012 $M**	**2011 $M**
New and increased provisions			
Australia	1,132	1,049	1,044
International and Institutional Banking	450	947	518
New Zealand	295	372	457
Global Wealth	4	9	3
Other	8	(84)	11
	1,889	2,293	2,033
Write-backs	(487)	(537)	(613)
	1,402	1,756	1,420
Recoveries of amounts previously written-off	(247)	(214)	(227)
Individual provision charge for loans and advances	1,155	1,542	1,193
Impairment on available-for-sale assets	3	35	37
Collective provision charge/(credit) to income statement	30	(379)	7
Charge to income statement	1,188	1,198	1,237

Concentrations of credit risk/loans and advances by industry category

Although ANZ's loan portfolio is spread across many countries, at year ended September 30, 2013, 68% of gross loans and advances were booked in Australia (September 2012: 71%), and 19% were booked in New Zealand (September 2012: 18%). The inherent risk characteristics of ANZ's loan portfolio are therefore very much linked to general economic conditions in Australia and New Zealand, where the portfolio is diversified across different regions, industries, customer types, and products.

As at year ended September 30, 2013, ANZ's largest credit exposure in Australia was in the category 'Personal Lending' (50%), which includes consumer lending secured by a mortgage. Over the past year, growth was recorded in ANZ's Mortgages Australia portfolio (7%) as a result of continuing customer demand for retail housing and investment loans.

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

Also refer to Note 33 of ANZ's 2013 Annual Report (attached as Annex A hereto).

Exchange Rates

Major exchange rates used in translation of results of offshore controlled entities and branches and investment in associates were as follows:

	Balance sheet			Profit & Loss Average		
	As at			Full Year		
	Sep 13	**Sep 12**	**Sep 11**	**Sep 13**	**Sep 12**	**Sep 11**
Chinese Yuan	**5.6976**	6.5848	6.2149	**6.1395**	6.5150	6.7036
Euro	**0.6896**	0.8092	0.7194	**0.7565**	0.7914	0.7353
Great British Pound	**0.5760**	0.6437	0.6243	**0.6360**	0.6522	0.6386
Indian Rupee	**58.5306**	55.1714	47.5992	**56.1479**	53.9494	46.2575
Indonesian Rupiah	**10,860.1**	10,022.6	8,573.0	**9,861.4**	9,476.4	8,985.7
Malaysian Ringgit	**3.0334**	3.2077	3.1052	**3.0925**	3.1998	3.1270
New Zealand Dollar	**1.1237**	1.2529	1.2727	**1.2132**	1.2883	1.3051
Papua New Guinea Kina	**2.2385**	2.1773	2.1794	**2.1472**	2.1657	2.5413
United States Dollar	**0.9312**	1.0462	0.9731	**0.9929**	1.0278	1.0251

Directors

In accordance with the rules of the ANZ Constitution, as amended December 17, 2010 (the 'Constitution'), and except as otherwise required by the Corporations Act 2001 (Cth) ('Corporations Act'), any other applicable law, and the Listing Rules of the ASX, the Board of Directors has power to manage the business of the Group and may exercise all powers not required to be exercised at a general meeting of shareholders.

At October 1, 2013 the Directors were:

Director's Name	Position held	Year appointed	Age
Mr J P Morschel	Chairman, Independent Non-Executive Director	2004	70
Dr G J Clark	Independent Non-Executive Director	2004	70
Mr D E Meiklejohn, AM	Independent Non-Executive Director	2004	71
Mr I J Macfarlane, AC	Independent Non-Executive Director	2007	67
Mr M R P Smith, OBE	Chief Executive Officer, Executive Director	2007	57
Ms A M Watkins	Independent Non-Executive Director	2008	50
Mr P A F Hay	Independent Non-Executive Director	2008	63
Mr Lee Hsien Yang	Independent Non-Executive Director	2009	56
Ms P J Dwyer	Independent Non-Executive Director	2012	53
Mr G R Liebelt	Independent Non-Executive Director	2013	59

Under the Constitution, a non-executive Director must retire from office at the third annual general meeting after being elected or last re-elected and may seek re-election. At October 1, 2013 the Board comprised nine independent non-executive Directors and one executive Director, the Chief Executive Officer.

Directors' Profiles

Mr J P Morschel Chairman, Independent Non-Executive Director

DipQS, FAICD

Non-Executive Director since October 2004. Ex officio member of all Board Committees.

Skills, experience and expertise

Mr Morschel has a strong background in banking, financial services and property and brings the experience of being a Chairman and Director of major Australian and international companies.

Current Directorships

Director: CapitaLand Limited (from 2010), Tenix Group Pty Limited (from 2008) and Gifford Communications Pty Limited (from 2000).

Former Directorships include

Former Chairman: Rinker Group Limited (Chairman and Director 2003–2007), Leighton Holdings Limited (Chairman and Director 2001–2004) and CSR Limited (Director 1996–2003, Chairman 2001–2003).
Former Director: Singapore Telecommunications Limited (2001–2010), Rio Tinto Plc (1998–2005), Rio Tinto Limited (1998–2005), Westpac Banking Corporation (1993–2001), Lend Lease Corporation Limited (1983–1995) and Tenix Pty Ltd (1998–2008).

Age: 70. Residence: Sydney, Australia.

Mr M R P Smith, OBE, Chief Executive Officer, Executive Director
BSc (Hons) (City Lond), Hon LLD (Monash)

Chief Executive Officer since October 1, 2007.

Skills, experience and expertise

Mr Smith is an international banker with over 30 years experience in banking operations in Asia, Australia and internationally. Until June 2007, he was President and Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, Chairman, Hang Seng Bank Limited, Global Head of Commercial Banking for the HSBC Group and Chairman, HSBC Bank Malaysia Berhad. Previously, Mr Smith was Chief Executive Officer of HSBC Argentina Holdings SA.

Mr Smith joined the HSBC Group in 1978 and during his international career he has held a wide variety of roles in Commercial, Institutional and Investment Banking, Planning and Strategy, Operations and General Management.

Current Directorships

Chairman: Australian Bankers' Association Incorporated (from 2011, Member from 2007).
Executive Chairman: Chongqing Mayor's International Economic Advisory Council (from 2013, Member from 2006).
Director: ANZ Bank New Zealand Limited (from 2007), the Financial Markets Foundation for Children (from 2008), Financial Literacy Australia Limited (from 2012), the International Monetary Conference (from 2012) and the Institute of International Finance (from 2010).
Member: Business Council of Australia (from 2007), Asia Business Council (from 2008), Australian Government Financial Literacy Advisory Board (from 2008) and Shanghai International Financial Advisory Council (from 2009).
Fellow: The Hong Kong Management Association (from 2005).

Former Directorships include

Former Chairman: HSBC Bank Malaysia Berhad (2004–2007) and Hang Seng Bank Limited (2005–2007).
Former Chief Executive Officer and Director: The Hongkong and Shanghai Banking Corporation Limited (2004–2007).
Former Director: HSBC Australia Limited (2004–2007), HSBC Finance Corporation (2006–2007) and HSBC Bank (China) Company Limited (2007).
Former Member: Visa APCEMEA Senior Client Council (2009–2011).

Age: 57. Residence: Melbourne, Australia.

Dr G J Clark Independent Non-Executive Director, Chair of the Technology Committee
BSc (Hons), PhD, FAPS, FTSE
Non-Executive Director since February 2004. Member of the Risk Committee and Human Resources Committee.

Skills, experience and expertise

Dr Clark brings to the Board international business experience and a distinguished career in micro-electronics, computing and communications. He was previously Principal of Clark Capital Partners, a US based firm that has advised internationally on technology and the technology market place, and he has held senior executive positions in IBM, News Corporation and Loral Space and Communications.

Current Directorships

Chairman: KaComm Communications Pty Ltd (from 2006) and CUDOS Advisory Board (from 2011).
Member: The Royal Institution of Australia (from 2010) and Council of the University of Sydney Physics Foundation (from 2013).

Former Directorships include

Former Principal: Clark Capital Partners (2003–2010).

Age: 70. Residence: Based in New York, United States and also resides in Sydney, Australia.

Ms P J Dwyer Independent Non-Executive Director
BCom, FCA, SF Fin, FAICD

Non-Executive Director since April 2012. Member of the Audit Committee, Risk Committee and Human Resources Committee.

Skills, experience and expertise

Ms Dwyer is an established non-executive director with extensive experience in financial services and a strong accounting background, and has previously held executive roles in the investment management, corporate finance and accounting industries.

Current Directorships

Chairman: Tabcorp Holdings Limited (from 2011, Director from 2005).
Deputy Chairman: Leighton Holdings Limited (from 2013, Director from 2012).
Director: Lion Pty Ltd (from 2012).
Member: Australian Government Takeovers Panel (from 2008), Kirin International Advisory Board (from 2012) and ASIC External Advisory Panel (from 2013).

Former Directorships include

Former Deputy Chairman: Baker IDI Heart and Diabetes Research Institute (2005-2013).
Former Director: Suncorp Group Limited (2007-2012), Foster's Group Limited (2011), Astro Japan Property Group Limited (2005-2011), Healthscope Limited (2010) and CCI Investment Management Limited (1999-2011).

Age: 53. Residence: Melbourne, Australia.

Mr P A F Hay Independent Non-Executive Director, Chair of the Governance Committee
LLB (Melb), FAICD

Non-Executive Director since November 2008. Member of the Audit Committee and Human Resources Committee.

Skills, experience and expertise

Mr Hay has a strong background in company law and investment banking advisory work, with a particular expertise in relation to mergers and acquisitions. He has also had significant involvement in advising governments and government-owned enterprises.

Current Directorships

Director: Alumina Limited (from 2002), Landcare Australia Limited (from 2008), GUD Holdings Limited (from 2009) and Myer Holdings Limited (from 2010), Australian Institute of Company Directors (from 2012) and Newcrest Mining Limited (from 2013).
Member: Australian Government Takeovers Panel (from 2009).

Former Directorships include

Former Chairman: Lazard Pty Ltd Advisory Board (2009-2013).
Former Chief Executive Officer: Freehills (2000–2005).
Former Director: NBN Co Limited (2009–2012), Myer Pty Limited (2010-2011) and Lazard Pty Ltd (2007–2009).

Age: 63. Residence: Melbourne, Australia.

Mr Lee Hsien Yang Independent Non-Executive Director
MSc, BA

Non-Executive Director since February 2009. Member of the Technology Committee, Risk Committee and Human Resources Committee.

Skills, experience and expertise

Mr Lee has considerable knowledge and operating experience in Asia. He has a background in engineering and brings to the Board his international business and management experience across a wide range of sectors including telecommunications, food and beverages, properties, publishing and printing, financial services, education, civil aviation and land transport.

Current Directorships

Chairman: Civil Aviation Authority of Singapore (from 2009), The Islamic Bank of Asia Limited (from 2012, Director from 2007) and General Atlantic Singapore Fund Pte Ltd (from 2013).
Director: Singapore Exchange Limited (from 2004), Caldecott Inc. (from 2013) and Kwa Geok Choo Pte Ltd (from 1979).
Member: Governing Board of Lee Kuan Yew School of Public Policy (from 2005) and Rolls Royce International Advisory Council (from 2007).
Special Adviser: General Atlantic (from 2013).
Consultant: Capital International Inc Advisory Board (from 2007).
President: INSEAD South East Asia Council (from 2013).

Former Directorships include

Former Chairman: Republic Polytechnic (2002–2009) and Fraser & Neave, Limited (2007-2013).
Former Member: Merrill Lynch PacRim Advisory Council (2007–2010).
Former Chief Executive Officer: Singapore Telecommunications Limited (1995–2007).

Age: 56. Residence: Singapore.

Mr G R Liebelt Independent Non-Executive Director
BEc (Hons), FAICD, FTSE, FAIM

Non-Executive Director since July 2013. Member of the Risk Committee, Human Resources Committee and Technology Committee.

Skills, experience and expertise

Mr Liebelt has extensive international experience and a strong record of achievement as a senior executive including in strategy development and implementation. He brings to the Board his experience of a 23 year executive career with Orica Limited (including a period as a Chief Executive Officer), a global mining services company with operations in more than 50 countries.

Current Directorships

Deputy Chairman: The Global Foundation (from 2013, Director from 2006) and Melbourne Business School (from 2012, Director from 2008).
Director: Amcor Limited (from 2012), The Australian Foundation Investment Company Limited (from 2012) and Carey Baptist Grammar School (from 2012).

Former Directorships include

Former Chief Executive Officer and Managing Director: Orica Limited (2005-2012).
Former Director: Business Council of Australia (2010-2012).

Age: 59. Residence: Melbourne, Australia

Mr I J Macfarlane, AC, Independent Non-Executive Director, Chair of the Risk Committee
BEc (Hons), MEc, Hon DSc (Syd), Hon DSc (UNSW), Hon DCom (Melb), Hon DLitt (Macq), Hon LLD (Monash)

Non-Executive Director since February 2007. Member of the Governance Committee and Audit Committee.

Skills, experience and expertise

During his 28 year career at the Reserve Bank of Australia including a 10 year term as Governor, Mr Macfarlane made a significant contribution to economic policy in Australia and internationally. He has a deep understanding of financial markets as well as a long involvement with Asia.

Current Directorships

Director: Woolworths Limited (from 2007) and the Lowy Institute for International Policy (from 2004).
Member: Council of International Advisors to the China Banking Regulatory Commission (from 2009), International Advisory Board of Goldman Sachs (from 2007) and International Advisory Board of CHAMP Private Equity (from 2007).

Former Directorships include

Former Chairman: Payments System Board (1998–2006) and Australian Council of Financial Regulators (1998–2006).
Former Governor: Reserve Bank of Australia (Member 1992–2006, Chairman 1996–2006).
Former Director: Leighton Holdings Limited (2007-2013).

Age: 67. Residence: Sydney, Australia.

Mr D E Meiklejohn, AM, Independent Non-Executive Director, Chair of the Audit Committee
BCom, DipEd, FCPA, FAICD, FAIM

Non-Executive Director since October 2004. Member of the Technology Committee and Risk Committee.

Skills, experience and expertise

Mr Meiklejohn has a strong background in finance and accounting. He also brings to the Board his experience across a number of directorships of major Australian companies spanning a range of industries.

Current Directorships

Chairman: Manningham Centre Association Board of Governance (from 2011).
Director: Coca Cola Amatil Limited (from 2005) and Mirrabooka Investments Limited (from 2006).

Former Directorships include

Former Chairman: PaperlinX Limited (1999–2011).
Former Director and Chief Financial Officer: Amcor Limited (1985–2000).
Former President: Melbourne Cricket Club (2007–2011).

Age: 71. Residence: Melbourne, Australia.

Ms A M Watkins Independent Non-Executive Director, Chair of the Human Resources Committee
BCom, FCA, SF Fin, FAICD

Non-Executive Director since November 2008. Member of the Audit Committee and Governance Committee.

Skills, experience and expertise

Ms Watkins is an experienced CEO and established director with a grounding in strategy, finance and accounting. Her industry experience includes retailing, agriculture, food processing and financial services. Ms Watkins held senior executive roles with ANZ from 1999 to 2002.

Current Directorships

Chief Executive Officer and Managing Director: GrainCorp Limited (from 2010).
Chairman: Allied Mills Australia Pty Limited (from 2010).
Director: The Centre for Independent Studies (from 2011).
Member: Australian Government Takeovers Panel (from 2010).

Former Directorships include

Former Chief Executive Officer: Bennelong Group (2008–2010).
Former Director: Woolworths Limited (2007–2010) and AICD National Board and Victorian Council (2009–2011).
Former Member: The Nature Conservancy Australian Advisory Board (2007-2011).

Age: 50. Residence: Melbourne, Australia.

Senior Management and Executives

At October 1, 2013 the senior management and executives (excluding non-executive directors) of ANZ were:

Executive Officers	Position held	Year appointed to position	Year joined Group
M R P Smith Age – 57	Chief Executive Officer Over 31 years experience in the Banking and Financial Services Industry. Roles prior to ANZ include: President and Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited; Chairman, Hang Seng Bank Limited; Global Head of Commercial Banking for the HSBC Group and Chairman, HSBC Bank Malaysia Berhad.	2007	2007
S Babani Age – 53	Group Managing Director, Human Resources Over 22 years experience in the Financial Services Industry. Roles prior to ANZ include: Global Head of Human Resources HSBC Insurance, Chief Operating Officer, Global Resourcing HSBC Group (East Asia) and Executive Vice President HSBC Bank USA	2008	2008
P Chronican Age - 57	Chief Executive Officer, Australia Over 28 years experience in the Banking and Financial Services Industry. Roles prior to ANZ include: Group Executive, Westpac Institutional Bank, Chief Financial Officer, Westpac Banking Corporation.	2009	2009
A Currie Age - 46	Chief Operating Officer Over 23 years experience in the Financial Services Industry. Previous role within ANZ: Managing Director Transaction Banking. Roles prior to ANZ include: President and CEO, HSBC Taiwan; Regional Head of Trade Services, HSBC Asia Office, Hong Kong; COO, Wells Fargo HSBC Trade Bank NA, San Francisco.	2011	2008
S Elliott Age – 49	Chief Financial Officer Over 25 years experience in the Banking and Financial Services Industry. Roles prior to ANZ include: Head of Business Development, EFG Hermes; Chief Operating Officer, EFG Hermes; various senior positions at Citigroup across geographies and business sectors over the course of 20 years which include: CEO Global Transaction Services Asia Pacific, CEO Corporate Bank Australia/NZ & Country Corporate Officer, Vice President Strategic Planning New York, Head of Investor Derivative Sales London, and Head of NZ Derivatives Sales and Trading.	2012	2009
A Géczy Age – 50	Chief Executive Officer, International and Institutional Banking Over 25 years experience in wholesale banking, markets and asset management. Roles prior to ANZ include: Chief Executive Officer Wholesale Banking and Markets, Lloyds Banking Group; Founder, Manresa Partners; Global Head of Structured Corporate Finance, Citigroup.	2013	2013
D Hisco Age – 50	Chief Executive Officer, New Zealand Over 31 years experience in the Banking and Financial Services Industry. Previous roles within ANZ include Managing Director Esanda and Managing Director Retail Banking.	2010	1985
G K Hodges Age – 58	Deputy Chief Executive Officer Over 31 years experience across Corporate Banking and Commercial Banking. Previous roles within ANZ include: Chief Executive Officer, Australia (Acting), Chief Executive and Director of ANZ National Bank, Group Managing Director Corporate, Managing Director Corporate and Small to Medium Business, Head of Corporate Banking, Chief Economist.	2009	1991
J Phillips Age – 51	Chief Executive Officer, Global Wealth and Group Managing Director, Marketing, Innovation and Digital Over 26 years experience in the Banking and Financial Services Industry. Roles prior to ANZ include: President & Chief Operating Officer, American Life Insurance Company (ALICO); Head of International Retail Banking, New York, Citigroup; Country Business Manager, Citigroup Japan; President & CEO, Citicorp Diners Club, Citigroup Japan; Managing Director, GE Capital Global Consumer Finance, GE Japan; Director Marketing, GE Capital, GE USA.	2009	2009
G Plante Age – 50	Chief Executive Officer, Asia Pacific Over 26 years experience in wholesale banking and trading. Previous roles within ANZ include: Chief Executive Officer, Asia; Chief Executive Officer, Northeast Asia, Europe & America; Managing Director, Markets; Head of Trading, Markets; Head of Financial Markets, Europe/Americas; Global Head of Currency & Commodity Derivatives.	2012	1997
A Weatherston Age - 56	Chief Information Officer Over 18 years experience in IT roles. Roles prior to ANZ include: Group Chief Information Officer, Bank of Ireland; IT Director, Abbey/Santander; Director of UK Business Integration, Gaz de France; Director of Business Strategy, Development and IT, Student Loans Company; Head of European Convergence/Head of Strategy and Architecture Europe, National Australia Group; Project Director IT Transformation/Head of Development - Operation Division, Royal Bank of Scotland.	2010	2010
N Williams Age - 51	Chief Risk Officer Over 28 years experience in the Financial Services Industry. Previous roles within ANZ include: Managing Director Australia Institutional, Managing Director Institutional, Corporate and Commercial Banking, New Zealand, Managing Director Institutional New Zealand, Managing Director Institutional Markets ANZ National Bank Limited.	2011	1984

There are no family relationships between or among any key management personnel. All executives can be contacted through our Company Secretary on (613) 8654-8576 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Corporate Governance

Approach to Governance at ANZ

In relation to corporate governance, the ANZ Board seeks to:

- embrace principles and practices it considers to be best practice internationally;
- be an ‘early adopter’, where appropriate, by complying before a published law or recommendation takes effect; and
- take an active role in discussions of corporate governance best practice and associated regulation in Australia and overseas.

Compliance with Corporate Governance Codes

Australia

As a company listed on the ASX, ANZ is required to disclose how it has applied the Recommendations contained within the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (ASX Governance Principles) during the financial year, explaining any departures from them. ANZ confirms it has followed the Recommendations of the ASX Corporate Governance Council during the reporting period.

Full details of the location of the references in this Statement (and elsewhere in this U.S. Disclosure Document) which specifically set out how ANZ applies each Recommendation of the ASX Governance Principles are contained on anz.com > About us > Our company > Corporate governance. The information in this Statement is current as at October 11, 2013 except where otherwise indicated.

New Zealand

As an overseas listed issuer on the NZX, ANZ is deemed to comply with the NZX Listing Rules provided that it remains listed on the ASX, complies with the ASX Listing Rules and provides the NZX with all the information and notices that it provides to the ASX.

The ASX Governance Principles may differ materially from the NZX’s corporate governance rules and the principles of the NZX’s Corporate Governance Best Practice Code. More information about the corporate governance rules and principles of the ASX can be found at asx.com.au and, in respect of the NZX, at nzx.com.

ANZ has complied with all applicable governance principles in New Zealand throughout the financial year.

Other Jurisdictions

ANZ also monitors best practice developments in corporate governance across other relevant jurisdictions.

ANZ deregistered from the U.S. Securities Exchange Commission with effect from October 2007. Despite no longer being required to comply with United States (U.S.) corporate governance rules, ANZ’s corporate governance practices continue to have regard to U.S. corporate governance regulations in relation to the independence of Directors, the independence of the external auditor and the financial expertise of the Audit Committee, as described in this Statement.

Website

Further details of ANZ’s governance framework are set out at anz.com > About us > Our company > Corporate governance.

This section of ANZ’s website also contains copies of all the Board/Board Committee charters and summaries of many of the documents and policies mentioned in this Statement, as well as summaries of other ANZ policies of interest to shareholders and stakeholders. The website is regularly updated to ensure it reflects ANZ’s most recent corporate governance information.

Board Responsibility and Delegation of Authority

The Board is chaired by an independent Non-Executive Director. The roles of the Chairman and Chief Executive Officer are separate, and the Chief Executive Officer is the only Executive Director on the Board.

Role of the Chairman

The Chairman plays an important leadership role and is involved in:

- chairing meetings of the Board and providing effective leadership to it;
- monitoring the performance of the Board and the mix of skills and effectiveness of individual contributions;
- being an ex officio member of all principal Board Committees;
- maintaining ongoing dialogue with the Chief Executive Officer and providing appropriate mentoring and guidance; and
- being a respected ambassador for ANZ, including chairing meetings of shareholders and dealing with key customer, political and regulatory bodies.

Board Charter

The Board Charter sets out the Board's purpose, powers, and specific responsibilities.

The Board is responsible for:

- charting the direction, strategies and financial objectives for ANZ and monitoring the implementation of those strategies and financial objectives;
- monitoring compliance with regulatory requirements, ethical standards and external commitments, and the implementation of related policies; and
- appointing and reviewing the performance of the Chief Executive Officer.

In addition to the above and any matters expressly required by law to be approved by the Board, powers specifically reserved for the Board include approvals of the following (except to the extent delegated by the Board from time to time):

- the budget and strategic plan, at least annually;
- ANZ's Remuneration Policy, including various remuneration matters as detailed in the Charter;
- significant changes to organizational structure;
- the acquisition, establishment, disposal or cessation of any significant business;
- the issue of any shares, options, equity instruments or other equity securities;
- where practicable, the substance of any announcements to the ASX in relation to matters that have been the subject of a decision by the Board or any public statements which reflect significant issues of ANZ policy or strategy; and
- any changes to the discretions delegated from the Board.

Under ANZ's Constitution, the Board may delegate any of its powers to Committees of the Board. The roles of the principal Board Committees are set out on pages 74 to 78. The Charters of the Board and each of its principal Committees are set out on anz.com in the Corporate Governance section.

Board Meetings

The Board normally meets at least eight times each year, including a meeting to review in detail the Group's strategy.

Typically at Board meetings the agenda will include:

- minutes of the previous meeting and outstanding issues raised by Directors at previous meetings;
- the Chief Executive Officer's report;
- the Chief Financial Officer's report;
- reports on major projects and current business issues;
- specific business proposals;
- reports from Chairs of Committees which have met shortly prior to the Board meeting on matters considered at those meetings; and
- the minutes of previous Committee meetings for review.

There are two private sessions held at the end of each Board meeting which are each chaired by the Chairman of the Board.

The first involves all Directors including the Chief Executive Officer, and the second involves only the Non-Executive Directors.

The Chief Financial Officer, Group General Counsel and Company Secretary are also present at all Board meetings. Members of Senior Management attend Board meetings when an issue under their area of responsibility is being considered or as otherwise requested by the Board.

Chief Executive Officer and Delegation to Management

The Board has delegated to the Chief Executive Officer, and through the Chief Executive Officer to other Senior Management, the authority and responsibility for managing the everyday affairs of ANZ. The Board monitors Management and their performance on behalf of shareholders.

The Group Discretions Policy details the comprehensive discretions framework that applies to all employees and contractors within ANZ and its controlled entities, including when acting at ANZ's request in operational roles or as directors of other entities.

The Group Discretions Policy is maintained by the Chief Financial Officer and reviewed annually by the Audit Committee with the outcome of this review reported to the Board.

At a Senior Management level, ANZ has a Management Board which comprises the Chief Executive Officer and ANZ's most senior executives.

As at September 30, 2013, the following Senior Management, in addition to the Chief Executive Officer, were members of the Management Board: Graham Hodges – Deputy Chief Executive Officer; Shayne Elliott – Chief Financial Officer; Phil Chronican – Chief Executive Officer, Australia; Andrew Géczy – Chief Executive Officer, International and Institutional Banking; David Hisco – Chief Executive Officer, New Zealand; Joyce Phillips – Chief Executive Officer, Global Wealth and Group Managing Director, Marketing, Innovation and Digital; Gilles Planté – Chief Executive Officer, Asia Pacific; Nigel Williams – Chief Risk Officer; Alistair Currie – Group Chief Operating Officer; Anne Weatherston – Chief Information Officer; and Susie Babani – Group Managing Director, Human Resources.

Typically, a sub-group of Management Board meets every week with all Management Board members meeting each month to discuss business performance, review shared initiatives and build collaboration and synergy across the Group.

Board Composition, Selection and Appointment

The Board strives to achieve an appropriate mix of skills, tenure, experience and diversity among its Directors. Details regarding each Director in office at the date of this U.S. Disclosure report can be found on pages 64 to 67.

The Governance Committee (see pages 76) has been delegated responsibility to review and make recommendations to the Board regarding Board composition, and to assist in relation to the Director nomination process.

The Governance Committee conducts an annual review of the size and composition of the Board, to assess whether there is a need for any new Non-Executive Director appointments. This review takes the following factors into account:

- relevant guidelines/legislative requirements in relation to Board composition;
- Board membership requirements as articulated in the Board Charter; and
- other considerations including ANZ's strategic goals and the importance of having appropriate diversity within the Board including in relation to matters such as skills, tenure, experience, age and gender.

The overarching guiding principle is that the Board's composition should reflect an appropriate mix having regard to the following matters:

- specialist skill representation relating to both functions (such as accounting/finance, law and technology) and industry background (such as banking/financial services, retail and professional services);
- tenure;
- Board experience (amongst the members of the Board, there should be a significant level of familiarity with formal board and governance processes and a considerable period of time previously spent working at senior level within one or more organizations of significant size);
- age spread;
- diversity in general (including gender diversity); and
- geographic experience.

Other matters for explicit consideration by the Committee are personal qualities, communication capabilities, ability and commitment to devote appropriate time to the task, the complementary nature of the distinctive contribution each Director might make, professional reputation and community standing.

Nominations may be provided from time to time by a Board member to the Chair of the Governance Committee. The Chair of the Governance Committee maintains a list of nominees to assist the Board in the succession planning process.

Where there is a need for any new appointments, a formal assessment of nominees will be conducted by the members of the Governance Committee and should be documented by the Committee Chair. In assessing nominees, the Governance Committee has regard to the principles set out above.

Professional intermediaries may be used from time to time where deemed necessary and appropriate to assist in the process of identifying and considering potential candidates for Board membership.

If found suitable, potential candidates are recommended to the Board. The Chairman of the Board is responsible for approaching potential candidates.

The Committee also reviews and recommends the process for the election of the Chairman of the Board and reviews succession planning for the Chairman of the Board, making recommendations to the Board as appropriate.

- **Appointment Documentation**

Each new Non-Executive Director receives an appointment letter accompanied by a:

- Directors' handbook – the handbook includes information on a broad range of matters relating to the role of a Director, including details of all applicable policies; and
- Directors' Deed – each Director signs a Deed in a form approved by shareholders at the 2005 Annual General Meeting which covers a number of issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and requirements concerning confidential information.

- **Undertaking Induction Training**

Every new Director takes part in a formal induction program which involves the provision of information regarding ANZ's values and culture, the Group's governance framework, the Non-Executive Directors Code of Conduct and Ethics, Director related policies, Board and Committee policies, processes and key issues, financial management and business operations. Briefings are also provided by Senior Management about matters concerning their areas of responsibility.

- **Meeting Share Qualification**

Non-Executive Directors are required to accumulate within five years of appointment, and thereafter maintain, a holding in ANZ shares that is equivalent to at least 100% of a Non-Executive Director's base fee (and 200% of this fee in the case of the Chairman).

- **Non-Executive Director Remuneration**

Details of the structure of the Non-Executive Directors' remuneration (which is clearly distinguished from the structure of the remuneration of the Chief Executive Officer and other senior executives) are set out in the Remuneration Report in the 2013 Annual Report attached hereto as Annex A.

The ANZ Directors' Retirement Scheme was closed effective September 30, 2005. Accrued entitlements were fixed on that date for Non-Executive Directors in office at the time who had the option to convert those entitlements into ANZ shares. Such entitlements, either in ANZ shares or cash, will be carried forward and transferred to the Non-Executive Director when they retire (including interest accrued at the 30 day bank bill rate for cash entitlements). Only three current Non-Executive Directors have entitlements under the Scheme, namely Messrs Morschel and Meiklejohn and Dr Clark. Further details are set out in the Remuneration Report in the 2013 Annual Report attached hereto as Annex A.

- **Election at next Annual General Meeting**

Subject to the provisions of ANZ's Constitution and the Corporations Act, the Board may appoint a person as a Non-Executive Director of ANZ at any time, but that person must retire and, if they wish to continue in that role, must seek election by shareholders at the next Annual General Meeting.

- **Fit and Proper**

ANZ has an effective and robust framework in place to ensure that individuals appointed to relevant senior positions within the APRA regulated entities of the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment.

The framework, set out in ANZ's Fit and Proper Policy for APRA Regulated Entities, addresses the requirements of APRA's Fit and Proper Prudential Standards. It involves assessments being carried out for each Director, relevant senior executives and the lead partner of ANZ's external auditor prior to a new appointment to an APRA regulated entity being made. These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, and also involve attestations being completed by each individual, as well as the obtaining of evidence of material qualifications and the carrying out of checks such as criminal record, bankruptcy and regulatory disqualification checks. These assessments are reviewed thereafter on an annual basis.

The Governance Committee and the Board have responsibility for assessing the fitness and propriety of the Company's Non-Executive Directors. The Human Resources Committee has primary responsibility for assessing the fitness and propriety of the Chief Executive Officer and key senior executives, and the Audit Committee carries out assessments of the fitness and propriety of the external auditor.

Fit and Proper assessments were successfully carried out in respect of each Non-Executive Director, the Chief Executive Officer, key senior executives and the external auditor during the 2013 financial year.

- **Director Independence**

Under ANZ's Board Charter, the Board must include a majority of Non-Executive Directors who satisfy ANZ's criteria for independence.

The Board Charter sets out criteria that are considered in order to determine whether a Non-Executive Director is to be regarded as independent.

All Non-Executive Directors are required to notify the Chairman before accepting any new outside appointment. The Chairman will review the proposed new appointment and will consider the issue on an individual basis and, where applicable, also the issue of more than one Director serving on the same outside board or other body. When carrying out the review, the Chairman will consider whether the proposed new appointment is likely to impair the Director's ability to devote the necessary time and focus to their role as an ANZ Director and, where it will involve more than one ANZ Director serving on an outside board or other entity, whether that would create an unacceptable risk to the effective operation of the ANZ Board. Non-Executive Directors are not to accept a new outside appointment until confirmed with the Chairman who will consult the other Directors as the Chairman deems appropriate.

In the 2013 financial year, the Governance Committee conducted its annual review of the criteria for independence against the ASX Governance Principles and APRA Prudential Standards, as well as US director independence requirements.

ANZ's criteria are more comprehensive than those set in many jurisdictions including in particular the additional criteria stipulated specifically for Audit Committee members in the Audit Committee Charter. Further details of the criteria and review process are set out in the Corporate Governance section of ANZ's website.

In summary, a relationship with ANZ is regarded as material if a reasonable person in the position of a Non-Executive Director of ANZ would expect there to be a real and sensible possibility that it would influence a Director's mind in:

- making decisions on matters likely to come regularly before the Board or its Committees;
- objectively assessing information and advice given by Management;
- setting policy for general application across ANZ; and
- generally, carrying out the performance of his or her role as a Director.

During 2013, the Board reviewed each Non-Executive Director's independence and concluded that the independence criteria were met by each Non-Executive Director.

Directors' biographies on pages 64 to 67 of this U.S. Disclosure Document and on anz.com highlight their major associations outside ANZ.

- **Conflicts of Interest**

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter which relates to the affairs of ANZ. Such a situation may arise from external associations, interests or personal relationships.

Under the Directors Disclosure of Interest Protocol and Procedures for Handling Conflicts of Interest, a Director may not exercise any influence over the Board if an actual or potential conflict of interest exists.

In such circumstances, unless a majority of other Directors who do not have an interest in the matter resolve to the contrary, the Director may not be present for Board deliberations on the subject, and may not vote on any related Board resolutions. In addition, the Director may not receive relevant Board papers. These matters, should they occur, are recorded in the Board minutes.

- **Independent Advice**

In order to assist Directors in fulfilling their responsibilities, each Director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding his/her responsibilities, at the expense of ANZ. In addition, the Board and each principal Committee, at the expense of ANZ, may obtain whatever professional advice it requires to assist in its work.

- **Tenure and Retirement**

ANZ's Constitution, consistent with the ASX Listing Rules, provides that a Non-Executive Director must seek re-election by shareholders every three years if they wish to continue in their role as a Non-Executive Director.

In addition, ANZ's Board Renewal and Performance Evaluation Protocol confirms that Non-Executive Directors will retire once they have served a maximum of three 3-year terms after first being elected by shareholders, unless invited by the Board to extend their tenure due to special circumstances.

- **Continuing Education**

ANZ Directors take part in a range of training and continuing education programs. In addition to a formal induction program (see page 71), Directors also receive regular bulletins designed to keep them abreast of matters relating to their duties and responsibilities as Directors.

Each Committee also conducts its own continuing education sessions from time to time as appropriate. Internal and/or external experts are engaged to conduct all education sessions. Directors also receive regular business briefings at Board meetings. These briefings are intended to provide Directors with information on each area of ANZ's business, in particular regarding performance, key issues, risks and strategies for growth. In addition, Directors have the opportunity to participate in site visits from time to time.

- **Access in relation to Directors**

Management is able to consult Directors as required. Employees have access to the Directors directly or through the Company Secretary. Shareholders who wish to communicate with the Directors may direct correspondence to a particular Director, or to the Non-Executive Directors as a whole.

Directors have unrestricted access to Management and, in addition to the regular presentations made by Management to Board and Board Committee meetings, Directors may seek briefings or other additional information from Management on specific matters where appropriate. The Company Secretary also provides advice and support to the Directors as required.

Role of Company Secretary

The Board is responsible for the appointment of ANZ's Company Secretaries. The Board has appointed two Company Secretaries. The Group General Counsel provides legal advice to the Board as and when required. He works closely with the Chair of the Governance Committee and the Company Secretary to develop and maintain ANZ's corporate governance principles, and is responsible to the Board for the Company Secretary's Office function.

The Company Secretary is responsible for the day-to-day operations of the Company Secretary's Office including lodgements with relevant Securities Exchanges and other regulators, the administration of Board and Board Committee meetings (including preparation of meeting minutes), the management of dividend payments and associated share plans, and oversight of the relationship with ANZ's Share Registrar.

Profiles of ANZ's Company Secretaries in office as at September 30, 2013 can be found in the Directors' Report attached to this U.S. Disclosure Document as Annex A.

Performance Evaluations

- **Non-Executive Directors**

The framework used to evaluate the performance of Non-Executive Directors is based on the expectation that they are performing their duties:

- in the interests of shareholders;
- in a manner that recognizes the great importance that ANZ places on the values of honesty, integrity, quality and trust;
- in accordance with the duties and obligations imposed upon them by ANZ's Constitution, ANZ's Non-Executive Directors' Code of Conduct and Ethics, and the law; and
- having due regard to ANZ's corporate sustainability objectives, and the importance of ANZ's relationships with all its stakeholders and the communities and environments in which ANZ operates.

The performance criteria also take into account the Non-Executive Director's contribution to:

- charting the direction, strategy and financial objectives of ANZ;
- monitoring compliance with regulatory requirements and ethical standards;
- monitoring and assessing Management's performance in achieving strategies and budgets approved by the Board;
- setting criteria for and evaluating the Chief Executive Officer's performance; and
- the regular and continuing review of executive succession planning and executive development activities.

The performance evaluation process is set out in ANZ's Board Renewal and Performance Evaluation Protocol.

Performance evaluations of the Non-Executive Directors are conducted in two ways:

- Annual review – on an annual basis, or more frequently if appropriate, the Chairman has a one-on-one meeting with each Non-Executive Director specifically addressing the performance criteria including compliance with the Non-Executive Directors Code of Conduct and Ethics. To assist the effectiveness of these meetings, the Chairman is provided with objective information about each Director (e.g. number of meetings attended, Committee memberships, other current directorships/roles etc) and a guide for discussion to ensure consistency. When considering the Director's meeting attendance record during the previous year and also their other roles outside ANZ, the Chairman reviews generally whether the Director has sufficient time to properly carry out their duties as an ANZ Director and more specifically whether they are making a sufficient time commitment to their role at and outside meetings. A report on the outcome of these performance evaluations is provided to the Governance Committee and to the Board; and
- Re-election statement – when nominating for re-election, Non-Executive Directors are given the opportunity to submit a written or oral statement to the Board setting out their reasons for seeking re-election. In the Non-Executive Director's absence, the Board evaluates this statement (having regard to the performance criteria) and also considers their capacity to commit the necessary time to their role as a Director before deciding whether to endorse the relevant Director's re-election.

- **Chairman of the Board**

An annual review of the performance of the Chairman of the Board is facilitated by the Chair of the Governance Committee who seeks input from each Director individually on the performance of the Chairman of the Board against the competencies for the Chairman's role approved by the Board.

The Chair of the Governance Committee collates the input in order to provide an overview report to the Governance Committee and to the Board, as well as feedback to the Chairman of the Board.

- **The Board**

On a periodic basis, the performance of the Board is assessed using an independent external facilitator. The facilitator seeks input from each Director and certain members of senior management when carrying out the assessment.

The assessment is conducted in accordance with broad terms of reference agreed by the Governance Committee. The results of such assessment are discussed with the Chair of the Governance Committee and together with any recommendations, are presented to the Governance Committee and the Board. The last externally facilitated review took place in 2011, and it is expected that externally facilitated reviews of the Board will occur approximately every three years. The review process in the intervening years (including with respect to the year ended September 30, 2013) is conducted internally based on input sought from each Director and also members of the Management Board, and considers progress against any recommendations implemented arising from the most recent externally facilitated review, together with any new issues that may have arisen.

During the year, the Governance Committee considers assessments by a number of independent bodies regarding the Board and its performance. The Chair of the Governance Committee reports any material issues or findings from these evaluations to the Board.

- **Board Committees**

Each of the principal Board Committees conducts an annual Committee performance self-assessment to review performance using Guidelines approved by the Governance Committee. The Guidelines set out that at a minimum, the self-assessments should review and consider the following:

  - the Committee's performance having regard to its role and responsibilities as set out in its Charter;
  - whether the Committee's Charter is fit for purpose, or whether any changes are required; and
  - the identification of future topics for training/education of the Committee.

The outcomes of the performance self-assessments are reported to the Governance Committee (or to the Board, if there are any material issues relating to the Governance Committee) for discussion and noting.

- **Senior Management**

Details of how the performance evaluation process is undertaken by the Board in respect of the Chief Executive Officer and other key Senior Management, including how financial, customer, operational and qualitative measures are assessed, are set out in the Remuneration Report attached to this U.S. Disclosure Document as Annex A.

- **Review processes undertaken**

Board, Director, Board Committee and relevant Senior Management evaluations in accordance with the above processes have been undertaken in respect of the 2013 financial year.

Board Committees

As set out in this section above, the Board has the ability under its Constitution to delegate its powers and responsibilities to Committees of the Board. This allows the Board to spend additional and more focused time on specific issues. The Board has five principal Board Committees: Audit Committee, Governance Committee, Human Resources Committee, Risk Committee and Technology Committee.

- **Membership and Attendance**

Each of the principal Board Committees is comprised solely of independent Non-Executive Directors (a minimum of three is required), has its own Charter and has the power to initiate any special investigations it deems necessary. Board Committee composition is reviewed annually.

The Chairman is an ex-officio member of each principal Board Committee but does not chair any of the Committees. The Chief Executive Officer is invited to attend Board Committee meetings as appropriate. His presence is not automatic, however, and he does not attend where his remuneration is considered or discussed, nor does he attend the Non-Executive Director private sessions of Committees unless invited. Non-Executive Directors may attend any meeting of any Committee.

Each Board Committee may, within the scope of its responsibilities, have unrestricted access to Management, employees and information it considers relevant to the carrying out of its responsibilities under its Charter.

Each Board Committee may require the attendance of any ANZ officer or employee, or request the attendance of any external party, at meetings as appropriate.

- **Meetings**

Prior to the commencement of each year, each principal Board Committee prepares a calendar of business which details the items to be included on the agenda for each scheduled Committee meeting in the coming year. In addition, any training/education topics that have been identified as part of the Committee's annual performance self-assessment process are also included in the calendar. In advance of each Board Committee meeting, at least one planning session is held by the Committee Chair with relevant internal and external stakeholders to ensure that all emerging issues are also captured in the agenda for the forthcoming meeting as appropriate.

Minutes from Committee meetings are included in the papers for the following Board meeting. In addition, Committee Chairs update the Board regularly about matters relevant to the Committee's role, responsibilities, activities and matters considered, discussed and resolved at Committee meetings. When there is a cross-Committee item, the Committees will communicate with each other through their Chairs.

ANZ Board Committee Memberships – as at September 30, 2013

Audit	Governance	Human Resources	Risk	Technology
Mr D E Meiklejohn FE, C	Mr P A F Hay C	Ms A M Watkins C	Mr I J Macfarlane C	Dr G J Clark C
Ms P J Dwyer FE	Mr I J Macfarlane	Dr G J Clark	Mr G J Clark	Mr Lee Hsien Yang
Mr P A F Hay	Ms A M Watkins	Ms P J Dwyer	Ms P J Dwyer	Mr G R Liebelt
Mr I J Macfarlane	Mr J P Morschel (ex officio)	Mr P A F Hay	Mr Lee Hsien Yang	Mr D E Meiklejohn
Ms A M Watkins FE		Mr Lee Hsien Yang	Mr G R Liebelt	Mr J P Morschel (ex officio)
Mr J P Morschel (ex officio)		Mr G R Liebelt	Mr D E Meiklejohn	
		Mr J P Morschel (ex officio)	Mr J P Morschel (ex officio)	

C - Chair, FE – Financial Expert

- **Audit Committee**

The Audit Committee is responsible for reviewing:

- ANZ's financial reporting principles and policies, controls and procedures;
- the effectiveness of ANZ's internal control and risk management framework;
- the work of Global Internal Audit which reports directly to the Chair of the Audit Committee (refer to Global Internal Audit on page 78 for more information);
- reports from major subsidiary audit committees;
- prudential supervision procedures required by regulatory bodies to the extent relating to financial reporting;
- the integrity of ANZ's financial statements and the independent audit thereof, and compliance with related legal and regulatory requirements; and
- any due diligence procedures.

The Audit Committee is also responsible for:

- the appointment, annual evaluation and oversight of the external auditor, including reviewing their independence, fitness and propriety and qualifications;
- compensation of the external auditor;
- where deemed appropriate, replacement of the external auditor; and
- reviewing the performance and remuneration of the Group General Manager, Global Internal Audit and making recommendations to the Board as appropriate.

Under the Committee Charter, all members of the Audit Committee must be appropriately financially literate. Mr Meiklejohn (Chair), Ms Dwyer and Ms Watkins were determined to be 'financial experts' during the 2013 financial year under the definition set out in the Audit Committee Charter. While the Board determined that Mr Meiklejohn, Ms Dwyer and Ms Watkins each have the necessary attributes to be a 'financial expert' in accordance with the relevant requirements, it is important to note that this does not give rise to Mr Meiklejohn, Ms Dwyer or Ms Watkins having responsibilities additional to those of other members of the Audit Committee.

The Audit Committee meets with the external auditor and internal auditor without Management being present. The Chair of the Audit Committee meets separately and regularly with Global Internal Audit, the external auditor and Management.

The Deputy Chief Financial Officer is the executive responsible for assisting the Chair of the Committee in connection with the administration and efficient operation of the Committee.

Substantive areas of focus in the 2013 financial year included:

- Global Internal Audit and External Audit – the Committee approved the annual plans for Global Internal Audit and External Audit and kept progress against those plans under regular review. Adjustments to the Global Internal Audit Plan were made during the year to accommodate changing circumstances, risk profiles and business unit requests;
- Accounting and regulatory developments – reports on developments were provided to the Committee outlining relevant changes and implications for ANZ;

- Financial Reporting Governance Program – the Committee monitored the financial reporting process and the controls in place to ensure the integrity of the financial statements;
- Whistleblowing – the Committee received and reviewed information on disclosures made under ANZ's Global Whistleblower Protection Policy; and
- Charter review – the Committee reviewed and recommended to the Governance Committee for approval proposed changes to the Audit Committee Charter.

- **Governance Committee**

The Governance Committee is responsible for:

- identifying and recommending prospective Board members and ensuring appropriate succession planning for the position of Chairman (see page 71);
- ensuring there is a robust and effective process for evaluating the performance of the Board, Board Committees and Non-Executive Directors (see pages 73 to 74);
- monitoring the effectiveness of the Gender Balance and Diversity Policy to the extent it relates to Board diversity and reviewing and approving measurable objectives for achieving gender diversity on the Board (see page 71);
- ensuring an appropriate Board and Board Committee structure is in place;
- reviewing and approving the Charters for each Board Committee except its own, which is reviewed and approved by the Board;
- reviewing the development of and approving corporate governance policies and principles applicable to ANZ; and
- approving corporate responsibility objectives for ANZ, and reviewing progress in achieving them.

The Group General Counsel is the executive responsible for assisting the Chair of the Committee in connection with the administration and efficient operation of the Committee.

Substantive areas of focus in the 2013 financial year included:

- Board succession planning – the Committee monitored the process in place to identify potential candidates to replace the Non-Executive Directors who are scheduled to retire in late 2013 (together with the succession planning process for the Chairman of the Board). Mr Liebelt was appointed as a new Non-Executive Director with effect from July 1, 2013;
- Diversity – the Committee reviewed progress against the measurable objective for Board gender diversity set for 2012/2013 and approved a new objective;
- Board governance framework – the Committee conducted its annual review of the Board's governance framework and principles including in relation to Board composition and size, Director tenure, outside commitments, Board and Committee education, nomination procedures and Director independence criteria;
- Performance evaluation processes – the Committee reviewed existing processes relating to the annual performance reviews of the Board, Chairman of the Board, Non-Executive Directors and Board Committees;
- Board and Committee performance evaluations – the Committee reviewed the major themes arising from the annual Board performance review process and received a report on the outcome of the Board Committee review process; and
- Review and approval of Group policies – the Committee reviewed and, where appropriate, approved amendments to existing Group policies including the Continuous Disclosure Policy, Board Renewal and Performance Evaluation Protocol, Fit and Proper Policy, and Director Independence Criteria.

- **Human Resources Committee**

The Human Resources Committee assists and makes recommendations to the Board in relation to remuneration matters and senior executive succession, including for the Chief Executive Officer. The Committee also assists the Board by reviewing and approving certain policies, as well as monitoring performance with respect to health and safety issues and diversity (excluding Board diversity which is monitored by the Governance Committee).

The Committee is responsible for reviewing and making recommendations to the Board on:

- remuneration matters relating to the Chief Executive Officer (details in the Remuneration Report on pages 41 to 43 of the 2013 Annual Report - Annex A to this U.S. Disclosure Document);
- remuneration matters, including incentive arrangements, for other Board Appointees (other than the Group General Manager, Global Internal Audit);
- the design of remuneration structures and significant incentive plans; and
- the Group's Remuneration Policy.

In addition, the Committee considers and approves the appointment of Board Appointees (other than the Group General Manager, Global Internal Audit), approves clawback processes and outcomes, reviews senior executive succession plans, and monitors the effectiveness of ANZ's health and safety, culture, engagement and diversity programs.

The Group Managing Director, Human Resources is the executive responsible for assisting the Chair of the Committee in connection with the administration and efficient operation of the Committee.

Substantive areas of focus in the 2013 financial year included:

- Management roles and performance – the Committee reviewed the performance of the Chief Executive Officer, the Chief Executive Officer's direct reports and other key roles, and the succession plans in place for Management Board and business critical roles;
- Regulatory changes – the Committee closely monitored regulatory developments and the implications for ANZ both in Australia and globally;
- Fitness and propriety – the Committee completed fit and proper assessments for all existing and new Board Appointees;
- Remuneration – the Committee conducted an annual review of remuneration for Non-Executive Directors and also reviewed the compensation structure for the Chief Executive Officer and Senior Management. The Committee also agreed with the Board the contractual arrangements for a number of senior appointments and departures at Board Appointee level;
- Remuneration Policy – the Committee reviewed ANZ's Remuneration Policy to ensure it remains appropriate for its intended purpose;
- Health, Safety and Diversity – the Committee received reports on health and safety performance and related initiatives, and reviewed ANZ's diversity strategy and performance towards stated targets; and
- Employee Engagement and Culture – the Committee reviewed the annual employee engagement results and action plan and also the cultural alignment with ANZ strategy and values.

For more details on the activities of the Human Resources Committee, please refer to the Remuneration Report on pages 28 to 50 of the 2013 Annual Report (Annex A to this U.S. Disclosure Document).

- **Risk Committee**

The Board is principally responsible for approving the Group's risk appetite and risk tolerance, related strategies and major policies, for the oversight of policy compliance, and for the effectiveness of the risk and compliance management framework that is in place.

The purpose of the Risk Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, equity and other investment, financial, operational, liquidity and reputational risk management and for the oversight of the management of ANZ's compliance obligations.

The Committee is also authorized to approve credit transactions and other related matters beyond the approval discretion of the Chief Risk Officer.

The Chief Risk Officer is the executive responsible for assisting the Chair of the Committee in connection with the administration and efficient operation of the Committee.

Substantive areas of focus in the 2013 financial year included:

- Regulatory change – the Committee monitored proposed new regulations, both local and global, including in particular in relation to capital and liquidity requirements for banks;
- Credit portfolios – the Committee received regular updates on the quality of ANZ's credit portfolios and the status of the more significant exposures;
- Market, Funding and Liquidity Risk – the Committee received regular updates on the Group's exposures and responses to changes in market conditions;
- Operational Risk and Compliance – the Committee received regular updates on the Group's approach and policy implementation in response to market developments; and
- Business updates – the Committee received updates from businesses across the Group.

A risk management and internal control system to manage ANZ's material business risks is in place, and Management reported to the Board during the year as to the effectiveness of the management of ANZ's material business risks. In addition, the Board received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

For further information on how ANZ manages its risks arising from financial instruments, please see the disclosures in relation to AASB 7 'Financial instruments: Disclosure' in the notes to the financial statements in Annex A.

For further information on risk management governance and ANZ's approach in relation to risk oversight and the management of material business risks, please see the Corporate Governance section of anz.com.

- **Technology Committee**

The Technology Committee assists the Board in the effective discharge of its responsibilities in relation to technology and related operations. The Committee is responsible for:

- monitoring that appropriate key technology related controls are in place;
- approving the technology strategy of ANZ;
- making recommendations to the Board regarding and monitoring material technology investments;
- reviewing and monitoring the progress of the strategic and operating plans for the management and control of technology activities and services; and
- the approval and monitoring of ANZ's information and technology security strategy.

The Chief Information Officer is the executive responsible for assisting the Chair of the Committee in connection with the administration and efficient operation of the Committee.

Substantive areas of focus in the 2013 financial year included:

- Operational performance and major projects – the Committee reviewed reports on operational performance (including service and systems stability and performance) and monitored the progress of major projects;
- Strategy – the Committee received updates on the progress of ANZ's Technology strategy. During the year the Committee visited the U.S. and met with some of the world's leading technology-based organizations to discuss the role of technology in driving competitive advantage;
- Investment – the Committee reviewed Management's progress in delivering the business investment agenda; and
- Information Security – the Committee monitored the continuing process of improving information security capability to address constantly evolving security threats and increasing regulatory requirements.

- **Directors' Meetings**

The number of Board meetings and meetings of Committees during the year the Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Audit Committee		Governance Committee		Human Resources Committee		Risk Committee		Technology Committee		Executive Committee[1]		Shares Committee[1]		Committee of the Board[1]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Dr G J Clark	11	10					5	5	8	8	4	4					1	1
Ms P J Dwyer	11	11	6	6			5	5	8	8							2	2
Mr P A F Hay	11	11	6	6	4	4	5	5									1	1
Mr Lee Hsien Yang	11	11					5	5	8	8	4	4					2	2
Mr G R Liebelt	3	3					2	2	2	2	1	1						
Mr I J Macfarlane	11	11	6	6	4	3			8	8							1	1
Mr D E Meiklejohn	11	11	6	6					8	8	4	4			1	1	6	6
Mr J P Morschel	11	11	6	6	4	4	5	5	8	8	4	4			3	3	6	6
Mr M R P Smith	11	11													1	1	6	6
Ms A M Watkins	11	11	6	6	4	4	5	5							1	1	1	1

Column A - Indicates the number of meetings the Director was eligible to attend.

Column B - Indicates the number of meetings attended. The Chairman is an ex-officio member of the Audit, Governance, Human Resources, Risk and Technology Commitees.

With respect to Committee meetings, the table above records attendance of Committee members. Any Director is entitled to attend these meetings and from time to time Directors attend meetings of Committees of which they are not a member.

[1] The meetings of the Executive Commitee, Shares Committee and Committee of the Board as referred to in the table above include those conducted by written resolution.

- **Additional Committees**

In addition to the five principal Board Committees, the Board has constituted an Executive Committee and a Shares Committee, each consisting solely of Directors, to assist in carrying out specific tasks.

The Executive Committee has the full power of the Board and is convened as necessary between regularly scheduled Board meetings to deal with urgent matters. The Shares Committee has the power to manage on behalf of the Board the issue of shares and options (including under ANZ's Employee Share Acquisition Plan and Share Option Plan). The Board also forms and delegates authority to ad-hoc Committees of the Board as and when needed to carry out specific tasks.

Audit and Financial Governance

- **Global Internal Audit**

Global Internal Audit is a function independent of Management and its role is to provide the Board and Management with an efficient and independent appraisal of the internal controls established by ANZ's first (business) and second (Group and Divisional risk and finance functions) lines of defense. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Global Internal Audit is directly and solely to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditor.

The Global Internal Audit Plan is developed utilizing a risk based approach and is refreshed on a quarterly basis. The Audit Committee approves the plan, the associated budget and any changes thereto.

All audit activities are conducted in accordance with ANZ policies and values, as well as local and international auditing standards promulgated by the professional auditing bodies, and the results thereof are reported to the Audit Committee, Risk Committee and Management. These results influence the performance assessment of business heads.

Furthermore, Global Internal Audit monitors the remediation of audit issues and highlights the current status of any outstanding audits.

- **External Audit**

The external auditor's role is to provide an independent opinion that ANZ's financial reports are true and fair and comply with applicable regulations. The external auditor performs an independent audit in accordance with Australian Auditing Standards. The Audit Committee oversees ANZ's Stakeholder Engagement Model for Relationship with the External Auditor. Under the Stakeholder Engagement Model, the Audit Committee is responsible for the appointment (subject to ratification by shareholders) and also the compensation, retention and oversight of the external auditor.

The Stakeholder Engagement Model also stipulates that the Audit Committee:

- pre-approves all audit, audit related and non-audit services on an engagement by engagement basis or pursuant to specific pre-approval policies adopted by the Committee;
- regularly reviews the independence of the external auditor; and
- evaluates the effectiveness of the external auditor.

The Stakeholder Engagement Model also requires that all services provided by the external auditor, including the non-audit services that may be provided by the external auditor, must be in accordance with the following principles:

- the external auditor should not have a mutual or conflicting interest with ANZ;
- the external auditor should not audit its own work;
- the external auditor should not function as part of Management or as an employee; and
- the external auditor should not act as an advocate of ANZ.

The Stakeholder Engagement Model, which sets out in detail the types of services the external auditor may and may not provide, can be found on the Corporate Governance section of anz.com.

Details of the non-audit services provided by the external auditor, KPMG, during the 2013 financial year, including their dollar value, together with the statement from the Board as to their satisfaction with KPMG's compliance with the related independence requirements of the Corporations Act, are set out in the Directors' Report on page 10 of the 2013 Annual Report (attached as Annex A). In addition, the auditor has provided an independence declaration under Section 307C of the Corporations Act.

ANZ requires a two year period before any former partner or employee of the external auditor is appointed as a Director or senior executive of ANZ. The lead partner of the external auditor is required to rotate off the audit after five years and cannot return for a further five years. Certain other senior audit staff are required to rotate off after a maximum of seven years. Any appointments of ex-partners or ex-employees of the external auditor as ANZ finance staff, at senior manager level or higher, must be pre-approved by the Chair of the Audit Committee.

- **Financial Controls**

The Audit Committee oversees ANZ's financial reporting policies and controls, the integrity of ANZ's financial statements, the relationship with the external auditor, the work of Global Internal Audit, and the audit committees of various significant subsidiary companies.

ANZ maintains a financial governance framework which evaluates the design and tests the operational effectiveness of key financial reporting controls. In addition, half-yearly certifications are completed by Senior Management, including senior finance executives. These certifications comprise representations and questions about financial results, disclosures, processes and controls and are aligned with ANZ's external obligations.

Any material issues arising from the evaluation and testing are reported to the Audit Committee. This process assists the Chief Executive Officer and Chief Financial Officer in making the certifications to the Board under the Corporations Act and ASX Governance Principles as referred to in the Directors' Report on page 10 of the 2013 Annual Report (Annex A to this U.S. Disclosure Document).

Ethical and Responsible Decision-making

- **Codes Of Conduct And Ethics**

ANZ has two main Codes of Conduct and Ethics, the Employee Code and the Non-Executive Directors Code. These Codes provide employees and Directors with a practical set of guiding principles to help them make decisions in their day to day work. Having two Codes recognizes the different responsibilities that Directors have under law but enshrines the same values and principles.

The Codes embody honesty, integrity, quality and trust, and employees and Directors are required to demonstrate these behaviors and comply with the Codes whenever they are identified as representatives of ANZ.

The principles underlying ANZ's Codes of Conduct and Ethics are:

- we act in ANZ's best interests and value ANZ's reputation;
- we act with honesty and integrity;
- we treat others with respect, value difference and maintain a safe working environment;
- we identify conflicts of interest and manage them responsibly;
- we respect and maintain privacy and confidentiality;
- we do not make or receive improper payments, benefits or gains;
- we comply with the Codes, the law and ANZ's policies and procedures; and
- we immediately report any breaches of the Codes, the law or ANZ policies and procedures.

The Codes are supported by the following detailed policies that together form ANZ's Conduct and Ethics Policy Framework:

- ANZ Anti-Money Laundering and Counter-Terrorism Financing Policy;
- ANZ Use of Systems, Equipment and Information Policy;
- ANZ Fraud Policy;
- ANZ Expenses Policy;
- ANZ Equal Opportunity, Bullying and Harassment Policy;
- ANZ Health and Safety Policy;
- Conflict of Interest Policy;
- Trading in ANZ Securities Policy;
- Trading in non-ANZ Securities Policy;
- ANZ Anti-Bribery and Anti-Corruption Policy; and
- ANZ Whistleblower Protection Policy.

Leaders are encouraged to run sessions for new direct reports and ensure they, in turn, brief their teams where required on ANZ's values and ethical decision making within the team. The sessions are designed to build line manager capability, equipping ANZ leaders and their teams with tools and knowledge to make carefully considered, values-based and ethical business decisions and to create team behavior standards that are in line with the ANZ Values.

Within two months of starting work with ANZ, and thereafter on an annual basis, all employees are required to complete a training course that takes each employee through the eight Code principles and a summary of their obligations under each of the policies in the Conduct and Ethics Policy Framework. Employees are required to declare that they have read, understand and have complied with the principles of the Employee Code, including key relevant extracts of the policies set out above.

To support the Employee Code of Conduct and Ethics, ANZ's Performance Improvement and Unacceptable Behavior Policy sets out the process to be followed to determine whether the Code has been breached and the consequences that should be applied to employees who are found to have breached the Code. Under the ANZ Global Performance Management Framework, any breach of the Code that leads to a consequence (such as a warning) will result in an unacceptable risk/compliance/behavior flag being given at the time of the performance assessment. A flag must be taken into account when determining an employee's performance and remuneration outcome and will almost always negatively impact those outcomes for the financial year in question.

Directors' compliance with the Non-Executive Directors Code continues to form part of their annual performance review.

- **Securities Trading**

The Trading in ANZ Securities Policy prohibits trading in ANZ securities by all employees, Directors and contractors who are aware of information that could be reasonably expected to have a material or significant effect on the price or value of an ANZ security and which is not generally available.

The Policy specifically prohibits certain 'restricted persons' (which includes ANZ Directors, senior executives and their associates) from trading in ANZ securities during 'blackout periods' as defined in the Policy. The Policy also provides that certain types of trading are excluded from the operation of the trading restrictions under the Policy, and for exceptional circumstances where trading may be permitted during a prohibited period with prior written clearance.

ANZ Directors are required to obtain written approval from the Chairman in advance before they or their associates trade in ANZ securities. The Chairman of the Board is required to seek written approval from the Chair of the Audit Committee. Senior executives and other restricted persons are also required to obtain written approval before they, or their associates, trade in ANZ securities.

The Policy also prohibits employees from hedging interests that have been granted under any ANZ employee equity plan that are either unvested or subject to a holding lock.

ANZ Directors and Management Board members are also prohibited from using ANZ securities in connection with a margin loan or similar financing arrangement which may be subject to a margin call or loan to value ratio breach.

- **Whistleblower Protection**

The ANZ Global Whistleblower Protection Policy provides a mechanism by which ANZ employees and contractors can raise concerns regarding actual or suspected contraventions of ANZ's ethical and legal standards without fear of victimization or disadvantage.

Complaints may be made under the Policy to Managers, designated Whistleblower Protection Officers, or via an independently managed Whistleblower hotline.

Commitment to Shareholders

Shareholders are the owners of ANZ and the approaches described below are enshrined in ANZ's Shareholder Charter, a copy of which can be found on the Corporate Governance section of anz.com.

- **Communication**

In order to make informed decisions about ANZ, and to communicate views to ANZ, it is important for shareholders to have an understanding of ANZ's business operations and performance.

ANZ encourages shareholders to take an active interest in ANZ, and seeks to provide shareholders with quality information in a timely fashion through ANZ's reporting of results, the Annual Report, the Shareholder Review, announcements and briefings to the market, half yearly newsletters and via its dedicated shareholder site on anz.com. ANZ strives for transparency in all its business practices, and recognizes the impact of quality disclosure on the trust and confidence of shareholders, the wider investor market and the community. To this end, ANZ, outside of its scheduled results announcements, issued additional Trading Updates to the market during the 2013 financial year.

Should shareholders require any information, contact details for ANZ and its Share Registrar are set out in ANZ's Annual Report, the 2013 Shareholder Review, the half yearly shareholder newsletter, and the Shareholder center section of anz.com.

- **Meetings**

To allow as many shareholders as possible to have an opportunity to attend shareholder meetings, ANZ rotates meetings around capital cities and makes them available to be viewed online using webcast technology.

Further details on meetings and presentations held throughout this financial year are available on anz.com > About us > Shareholder centre> Menu> Investor guide> Investor presentations. Prior to the Annual General Meeting, shareholders are given the opportunity to submit any questions they have for the Chairman or Chief Executive Officer to enable key common themes to be considered.

The external auditor is present at ANZ Annual General Meetings and available to answer shareholder questions on any matter that concerns them in their capacity as auditor.

Directors are also required to attend the Annual General Meeting each year, barring unusual circumstances, and be available afterwards to meet with and answer questions from shareholders.

Shareholders have the right to vote on various resolutions related to company matters. Shareholders are encouraged to attend and participate in meetings but, if shareholders are unable to attend a meeting, they can submit their proxies via post or electronically. Where votes are taken on a poll, which is usual ANZ practice, shareholders are able to cast their votes on a confidential basis. ANZ appoints an independent party to verify the results, normally KPMG, which are reported as soon as possible to the ASX and posted on anz.com.

- **Continuous Disclosure**

ANZ's practice is to release price-sensitive information to the ASX in a timely manner as required under the ASX Listing Rules and then to all relevant overseas Securities Exchanges on which ANZ's securities are listed, and to the market and community generally through ANZ's media releases, website and other appropriate channels.

Through ANZ's Continuous Disclosure Policy, ANZ demonstrates its commitment to achieving best practice in terms of disclosure by acting in accordance with the spirit, intention and purposes of the applicable regulatory requirements and by looking beyond form to substance. The Policy reflects relevant obligations under applicable securities exchange listing rules and legislation.

For disclosure purposes, price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of ANZ's securities. Designated Disclosure Officers have responsibility for reviewing proposed disclosures and making decisions in relation to what information can be or should be disclosed to the market. Each ANZ employee is required to inform a Disclosure Officer regarding any potentially price-sensitive information concerning ANZ as soon as they become aware of it.

A committee of senior executives (the Continuous Disclosure Review Sub-Committee) also meets on a regular basis to review the effectiveness of ANZ's systems and procedures for achieving compliance with applicable regulatory requirements in relation to the disclosure of price-sensitive information. This Sub-Committee reports to the Governance Committee of the Board on an annual basis.

- **Corporate Sustainability**

ANZ aims to be a role model for responsible business growth and behavior as it pursues its goal of becoming a super regional bank. ANZ's purpose is to achieve sustainable growth and prosperity for its customers, shareholders and people and the communities in which ANZ operates. ANZ's well established Corporate Sustainability Framework, launched in 2009, supports its purpose.

During 2013, ANZ reviewed its Corporate Sustainability Framework, taking into account issues of importance to ANZ and its stakeholders and the areas in which it can achieve greatest impact. Following review, ANZ's realigned framework distinguishes between 'Enhanced Value' – areas of the sustainability agenda distinctive to ANZ that could offer competitive advantage – and fundamental responsibilities that determine ANZ's 'License to Operate'.

Enhanced Value contributes to ANZ's commercial value and is delivered through:

- Sustainable development – integrating social and environment considerations into business decisions, products and services to help customers achieve their sustainability ambitions and deliver long term value for stakeholders.

  Working with institutional and commercial clients in this way benefits ANZ customers, strengthens business relationships and opportunities and reduces ANZ's reputational and commercial risk.

- Diversity and inclusion – building the most diverse and inclusive workforce of any major bank in the region.

  ANZ employees come from more than 230 different cultural backgrounds. Diversity assists ANZ to innovate, identify new markets, connect with customers effectively and make better, more informed decisions.

- Financial inclusion and capability – building the financial capability of people across the region to promote financial inclusion and progression of individuals and communities.

  Delivery of financial education programs to the employees of ANZ institutional and commercial clients strengthens business relationships and opportunities. Delivery to low income and excluded groups in many of the countries in which ANZ operates supports business expansion plans as financial inclusion and building financial capability is a policy aim of many governments. Financially capable retail customers hold more financial products.

ANZ's License to Operate activities include commitments to ensuring that ANZ's customers, people and suppliers, and the communities and environment in which it operates, are treated in a manner befitting a responsible corporate citizen.

The Corporate Sustainability and Diversity Committee is chaired by the Chief Executive Officer. It provides strategic leadership on ANZ's corporate sustainability agenda and monitors progress and results. The Committee reports to the Management Board and Board Governance Committee. Each year, ANZ sets public targets and a business-wide program of work to respond to key issues and opportunities. This year ANZ achieved or made strong progress on 80% of its public targets. Detail is reported in ANZ's 2013 Shareholder Review and 2013 Corporate Sustainability Review.

In 2013, ANZ was again assessed the global banking sector leader in the Dow Jones Sustainability Index. This is the sixth year in the past seven that ANZ has received this assessment. The Dow Jones Sustainability Index assessment tracks the approach and performance of companies across a broad range of criteria, such as corporate governance, risk management, codes of conduct and compliance, environmental management and reporting, products and services, brand management, HR practices and policies, stakeholder engagement and community investment. ANZ performed strongly across all criteria, with particularly notable ratings for risk and brand management, policies and initiatives to create a diverse and highly engaged workforce and investment in building financial capability and inclusion in Australia, New Zealand and Asia Pacific.

ANZ keeps interested stakeholders abreast of sustainability developments through a monthly e-bulletin, and annual and interim Corporate Sustainability reporting. ANZ follows the guidelines of the Global Reporting Initiative for its full online corporate sustainability reporting. Detailed information on ANZ's approach and results is available on anz.com> About us > Corporate Responsibility.

Diversity at ANZ

- **Gender balance and diversity at ANZ**

Having the best connected and most respected workforce is a key 'people' foundation for achieving ANZ's goals. ANZ is focused on attracting, valuing and capitalizing on the inherent strength of a vibrant, diverse and inclusive team to innovate, connect with customers and make better, more informed decisions for its business.

- **Gender balance at Board, Senior Executive and Management Levels**

ANZ's Board currently comprises ten Directors including two women – 20% of the Board. This figure will increase to 25% following the retirement of two Non-Executive Directors at the time of the 2013 AGM at which point the Board will comprise eight Directors.

Ms Watkins and Ms Dwyer joined the Board as Non-Executive Directors in November 2008 and April 2012 respectively. Ms Watkins is Chair of the Human Resources Committee and a member of the Audit Committee and Governance Committee. Ms Dwyer is a member of the Audit Committee, Risk Committee and Human Resources Committee.

The Board has a tenure policy which limits the period of service of a Non-Executive Director to three 3-year terms after first being elected by shareholders unless invited by the Board to extend their tenure due to special circumstances. In accordance with this policy, Mr Meiklejohn and Dr Clark will retire at the time of the 2013 AGM and Mr Morschel will retire following completion of the succession process relating to the Chairman of the Board. The objective previously set by the Board in relation to Board gender diversity was that the new Directors appointed to replace the retiring Directors would include at least one woman. This objective has been achieved as evidenced by the appointment of Ms Dwyer in April 2012. The Board has now set a new objective which is to increase the number of women on the board over time as vacancies arise following completion of the current succession process.

ANZ has three women on its Management Board: the Chief Executive Officer Global Wealth & Group Managing Director Marketing, Innovation & Digital; the Chief Information Officer; and the Group Managing Director Human Resources. At Senior Executive and Executive levels, 22.2% of leadership positions are held by women.

Overall representation of women in management remains relatively steady at 38.7% (including those on Parental Leave), and 44.3% in ANZ's Australia Division. A low employment growth environment, together with challenges accessing balanced candidate pools in some geographic and some business areas has slowed ANZ's progress in achieving its targets, however improvements in particular occurred at senior management from 28.1% to 30.6%.

- **Targets and Progress for Improving Outcomes in Gender Equality**

Annual, public targets have been set for women in management since 2004. Progress and results for 2013 are set out below including a more detailed breakdown on progress in ANZ's Senior Executive and Executive ranks, in line with work undertaken by the Male Champions of Change initiative to improve the consistency and detail of reporting on women in Management in Australia. These senior roles typically involve leading countries, large businesses, operations or projects; and / or strategy, policy and governance in specific areas for the Group.

Group	2012 Baseline (excludes employees on Parental Leave)	2013 Target (excludes employees on Parental Leave)	2013 Actual % of women*	2013 Actual number of women*	2014 Target*
Senior Executives and Executives [1]	23.9%	24.9%	22.2%	190	
Chief Executive Officer-1: Direct reports to the Chief Executive Officer			23.1%	3	
Chief Executive Officer-2: Group 1 Direct reports to Chief Executive Officer-1			30.9%	25	
Chief Executive Officer-3: All other Group 1 Senior Executives			20.8%	20	
Chief Executive Officer-4: All Group 2 Executives			21.4%	142	
Senior Manager [2]	28.1%	29.1%	30.6%	604	
Manager [3]	39.6%	40.6%	40.6%	6,457	
Total women in management (Groups 1-4) [4]	37.8%	38.8%	38.7%	7,251	39.7%
Non-Management [5]	64.4%		64.6%	18,968	
ANZ Overall	54.2%		54.6%	26,219	

Notes:

** Includes employees on Parental Leave. Parental Leave data is available for Australia, New Zealand and Bangalore employees only.*

1. *Senior Executives and Executives comprise persons holding roles within ANZ designated as Group 1 and 2 respectively.*
2. *Senior Manager comprises persons holding roles within ANZ designated as Group 3.*
3. *Manager comprises persons holding roles within ANZ designated as Group 4.*
4. *Total women in management represents all roles within ANZ designated as Group 1 to 4.*
5. *Non-Management comprises persons holding roles within ANZ designated as Group 5 and 6.*

Leadership, Governance and Accountability

The ANZ Chairman is actively involved in the Australian Institute of Company Directors Chairmen's Mentoring Program to advance more women into Board positions. Chief Executive Officer Michael Smith is a member of the Male Champions of Change program convened by the Australian Sex Discrimination Commissioner, Elizabeth Broderick in April 2010. The program encourages and supports male Chief Executive Officers and Directors to use their individual and collective influence to ensure the issues of gender equality and women's representation in leadership are elevated on the national Australian business agenda.

The Human Resources Committee plays an important role in relation to ANZ's people strategy, remuneration strategy and approach to gender balance and diversity. This includes annual reviews of progress on gender balance and diversity priorities (other than gender diversity matters in connection with the Board, which are the responsibility of the Governance Committee), succession planning and overall representation of women in management. The Human Resources Committee also reviews annual performance and remuneration outcomes to ensure there is no unconscious or systemic bias in related processes and outcomes.

Management Board sets annual CEO and Group shared targets for improving the representation of women in management, and creating a vibrant, diverse and inclusive culture. Progress is reviewed monthly and results inform performance bonus outcomes.

The Corporate Sustainability and Diversity Committee which is chaired by the CEO and meets five times per year is responsible for advising the ANZ Board and Management Board on corporate sustainability and diversity, setting diversity strategies, policies and targets and monitoring progress. In 2013, the Committee determined that 'Building the most diverse and inclusive workforce in our region' should be one of three sustainability priorities to be pursued by ANZ over the coming years.

Building a Vibrant, Diverse and Inclusive Workforce

ANZ has prioritized building a vibrant, diverse and inclusive work environment for all employees regardless of gender, age, ethnicity, cultural background, disability, religion, sexual orientation, marital status and caring responsibilities.

In 2013, ANZ conducted a comprehensive review of its workforce diversity. The survey revealed that ANZ employees come from more than 230 different cultural backgrounds, 43% identify with an Asian cultural background and, regardless of gender or other diversity grouping, there are no material differences in levels of engagement. Globally, 88% of employees agreed or strongly agreed that their manager treats them with respect, while 89% agreed or strongly agreed ANZ is creating a workforce that is open and accepting of individual difference.

Progress on 2013 publicly stated gender balance and diversity goals	Status
Improve employee engagement to at least 73%, with a long term target of 83%	Partially achieved[1]
Improve perceptions of 'values-based leadership' amongst ANZ employees to at least 70%, with a long term target of 80%	Achieved
Achieve a 1% increase in the representation of women in management in 2013, with a medium term goal of 40% and a long term target of 45% representation	Did not achieve
Achieve gender balance and greater cultural diversity in ANZ's key recruitment, talent development and learning programs	Achieved
Play a leadership role in advancing women in society and improving cultural diversity in business through high profile business, government and community partnerships	Achieved
Provide 230 positions to people from traditionally excluded groups and disadvantaged backgrounds through ANZ's traineeships, graduate program and permanent employment	Achieved
Develop and commence implementation of a global approach to improving age diversity across ANZ's business	In progress
Publicly report outcomes of ANZ's current Reconciliation Action Plan and Disability Action Plan	Partially achieved[2]

[1] ANZ achieved an improvement in employee engagement to 72%, on track for ANZ's long term target
[2] ANZ reported on its Accessibility and Inclusion Plan (formerly Disability Action Plan) in May 2013. ANZ will refresh its Indigenous Action Plan (formerly Reconciliation Action Plan) in December 2013, reporting on outcomes achieved through the current plan.

Prevention of Sex-Based Harassment and Discrimination

ANZ reviews its Equal Employment Opportunity (EEO) policies and training annually to ensure they are up-to-date and proactively educating employees and their managers on harassment, bullying and victimization for sex-based issues. All ANZ employees are required to complete EEO training on an annual basis, and reported incidents related to sexual harassment, bullying and victimisation for sex-based issues are carefully tracked and managed.

Recruitment, Progression and Development Practices

ANZ aims to achieve gender balance and diversity in its key recruitment, talent development and learning programs to ensure it is building a strong pipeline of men and women leaders for the future. For example, ANZ's 2014 graduate intake is 50% women and 24% of the total intake speaks an Asian language; one graduate has a self-disclosed disability and four graduates are from an Indigenous background. ANZ's latest intake of the Generalist Banker accelerated development program has 45% women and 73% of all participants speak an Asian language. Of the participants in the Building Enterprise Talent program, 50% are women and 60% of all participants have had more than three years international experience. 45% of participants in the Leadership Pathway training programs are women.

Pay Equity

ANZ tracks progress in achieving pay equity across the organization. The gender pay differential between males and females (based on like-for-like job size) continues to be minimal, with further reductions achieved in 2013. Annual reviews of ANZ's performance and remuneration outcomes occur to ensure balance and parity, with absolute performance outcomes and relative performance assessments (which inform remuneration outcomes) being equitably applied between males and females.

Parental Leave and Flexible Work Arrangements

ANZ offers flexible work arrangements, breaks from work and other support in special circumstances to help balance life priorities with work and to manage careers. Considerable work was completed in 2013 to enhance ANZ's flexible working policies and support resources, and build awareness and profile of key leaders (male and female) who are role models of flexible working. The 2013 employee survey showed that 82% of employees believe ANZ supports their efforts to balance their work and personal commitments.

Recognition and support for equality and inclusion in ANZ's communities

In 2013, ANZ was again assessed by the Dow Jones Sustainability Index as the leading bank globally, including specific recognition for its gender balance and diversity progress. ANZ also continues to be recognized as an Employer of Choice for Women by the Australian Government's Workplace Gender Equality Agency ("WEGA"). In New Zealand, ANZ was recognized by the United Nations Women National Committee for excellence in Equal Opportunity and Non-discrimination.

ANZ partners and/or participates in the Male Champions of Change initiative; Chief Executive Women; and Melbourne Business School's Gender Equality Project. ANZ is a founding member of the annual Sustaining Women in Business conference and the Diversity Council of Australia; a member of Pride in Diversity and the Australian Network on Disability; and it supports the Australian Government's 'Racism, it stops with me' program.

Future Goals

Building the most diverse and inclusive workforce of any major bank in our region.

2014 Gender Balance, Diversity and Inclusion Goals:
Improve employee engagement to at least 74%
Improve perceptions of 'values-based leadership' amongst ANZ employees to at least 73%
Increase the representation of women in management by 1% and achieve gender balance in ANZ's key recruitment, talent and leadership programs
Employ 230 people through ANZ's traineeships, graduate program and permanent employment from disadvantaged and under-represented groups to enhance diversity and support economic and social inclusion in ANZ's communities
Achieve 80% favorable perceptions of 'Involvement and Empowerment' in ANZ's employee survey as a measure of ANZ's progress in building a diverse and inclusive workforce

Community Investment

ANZ has made a long term public commitment to invest in the communities in which it operates and contributed around $15.1 million in cash, time and in-kind services during the year ended September 30, 2013. Adding "foregone revenue" such as the cost of providing low or fee free accounts to government benefit recipients, ANZ's total contribution amounted to over $65.1 million.

Building financial inclusion and capability is a key element of ANZ's Corporate Sustainability framework, targeting especially those in disadvantaged communities who are most at risk of financial exclusion. For this reason approximately $4.7 million was invested in programs designed to build money management skills and savings: Saver Plus, MoneyMinded and MoneyBusiness. MoneyMinded is the most widely used financial literacy program in Australia. In 2013 MoneyMinded received a MoneySmart Award for "Outstanding Achievement" in the Community category, reflecting its effectiveness and the success of the corporate and community partnership approach to program delivery.

MoneyMinded has been adapted for use in Asia and the Pacific and is now delivered in 17 countries in which ANZ operates. RMIT University estimates that since 2003, more than 240,000 people have completed MoneyMinded.

ANZ supports many community causes and organisations through its Giving, Investing, Volunteering and Emergency (GIVE) program. This highlights the ways ANZ contributes to local communities by giving donations to charities, investing in partnerships with community organisations, volunteering skills and time to support community causes and responding to emergencies through supporting disaster relief and recovery activities. This year ANZ contributed over $900,000 to communities affected by natural disasters in the locations in which it operates.

ANZ offers all staff at least one day of paid volunteer leave per year to make a difference in their local communities. In the past year, ANZ staff volunteered more than 89,000 hours. A number of staff contribute to non-profit organisations through workplace giving, which ANZ matches dollar for dollar.

Further details can be accessed at anz.com/cr.

Political Donations

For the year to September 30, 2013, ANZ donated $150,000 to the Liberal Party of Australia and $75,000 to the Australian Labor Party.

Employees

At September 30, 2013, ANZ employed 47,512 people worldwide (2012: 48,239) on a full-time equivalent basis ("FTEs"), of which 44,771 were permanent employees and 2,741 were temporary. There were 14,586 FTEs in Australia division at September 30, 2013 compared with 14,606 FTEs at September 30, 2012 (refer to table below).

In Australia, terms and conditions of employment of most non-management staff, including salaries, may be negotiated between unions and management as part of a collective agreement subject to majority employee approval.

Staff Numbers

	Years ended September 30		
Division	**2013**	**2012**	**2011**
Australia	14,586	14,606	15,466
International and Institutional Banking	13,182	13,838	14,627
New Zealand	7,400	8,217	8,359
Global Wealth and Private Banking	4,267	4,024	4,587
Other	8,077	7,554	7,258
Totals	47,512	48,239	50,297

	Years ended September 30		
Geography	**2013**	**2012**	**2011**
Australia	21,137	21,682	24,381
Asia Pacific, Europe & America	18,091	17,500	16,492
New Zealand	8,284	9,057	9,424
Totals	47,512	48,239	50,297

Industrial Relations

Approximately 20% (2012: 20%) of employees in Australia are members of the Finance Sector Union of Australia ("FSU"). ANZ has a specific industrial award that contains terms and conditions of employment that apply in differing degrees to all ANZ Australian staff. The award is supplemented by a collective enterprise bargaining agreement ("EBA") and in addition the majority of senior management and executive staff are covered by individual common law contracts of employment.

In late 2012 and early 2013, ANZ negotiated a new EBA with the FSU, known as the ANZ Enterprise Agreement 2013-2014 (Australia). This agreement contains the minimum employment terms and conditions for Australian-based ANZ employees (junior management and non-management employees). It was endorsed by 83% of employees who voted and then approved by the Fair Work Commission, commencing operation on January 17, 2013. The agreement applies for a two year period, covering the 2012 and 2013 remuneration reviews. The new EBA provides a 3.5% salary increase budget for most non-management staff for each year of the agreement. ANZ has committed to resume negotiations in 2014 for a replacement EBA for the same group of employees.

Superannuation

The Group has established a number of pension, superannuation and post retirement medical benefit schemes throughout the world. Note 44 to the 2013 Annual Report (attached as Annex A) gives further detail on ANZ's superannuation commitments. ANZ also provides loans at concessional rates to eligible employees and senior management but excluding executives and directors.

Employee Equity

ANZ operates a number of employee share and option schemes which operate under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan. Refer to Note 45 of the 2013 Annual Report (attached as Annex A) for further details.

Major Shareholders

We are not directly or indirectly owned or controlled by another corporation, any government or any other natural or legal person(s), separately or jointly. As at the date of this U.S. Disclosure Document, we know of no person who is the beneficial owner of 5% or more of our ordinary shares. For further information regarding major shareholders (including share and option holdings by key management personnel (including directors)) refer to the Remuneration Report and Shareholder Information Section contained in our 2013 Annual Report (attached as Annex A to this U.S. Disclosure Document).

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

Description of Ordinary Shares and Constituent Documents

Constitution

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

Dividend rights

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

The Company must not pay a dividend unless:

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

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

Voting rights

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

Right to share in surplus assets

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

Rights to redemption

Ordinary shareholders have no right to redeem their shares.

Further calls

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

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

Preference shares

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

Changes to the rights of shareholders

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

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

Share rights – American Depositary Shares ("ADSs")

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

Convening of and admission to general meetings

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

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

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

Transfer

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

Limitations on ownership and changes in control

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

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

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

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

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

Constitution provisions governing disclosure of shareholdings

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

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

Changes in capital

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

Change in Control

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

Related Party Transactions

All related party loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and entities, and did not involve more than the normal risk of collectability or present other unfavorable features. For further information on related party transactions refer to Notes 46 and 47 together with the Remuneration Report in the 2013 Annual Report (attached as Annex A to this U.S. Disclosure Document).

CHESS

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

Any public documents referred to in this U.S. Disclosure Document may be inspected by contacting the Company Secretary on (613) 8654-8576 or in writing to the Company Secretary, Australia and New Zealand Banking Group Limited, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Legal Proceedings

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made. In some instances ANZ has not disclosed the estimated financial impact as this may prejudice the interests of the Group. Refer to Note 43 of ANZ's 2013 Annual Report (attached as Annex A to this U.S. Disclosure Document) for a discussion of material legal proceedings as at September 30, 2013.

Significant events since the end of the financial year

No significant events for ANZ have occurred from September 30, 2013 to the date of this U.S. Disclosure Document.

Dividend Distribution Policy

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

ANZ has a dividend reinvestment plan ('DRP') and a bonus option plan ('BOP'). For the proposed 2013 final dividend, ANZ intends to provide ordinary shares under the DRP and BOP through the issue of new ordinary shares. For the purposes of the DRP and BOP terms and conditions in respect of the proposed 2013 final dividend, no discount will be applied when calculating the "Acquisition Price".

Exchange Controls

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

1. The Autonomous Sanctions Regulations 2011 prohibit dealing with certain "designated persons or entities" by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit. "Designated persons or entities" include:
   - (a) persons who have been indicted for an offense by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia, as well as certain supporters of the former Milosevic regime;
   - (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
   - (c) certain persons or entities associated with the weapons of mass-destruction or missiles program of the Democratic People's Republic of Korea (North Korea);
   - (d) certain persons associated with the Myanmar regime;
   - (e) certain persons or entities who have contributed or are contributing to Iran's nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
   - (f) certain close associates of the former Gaddafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya;
   - (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; and
   - (h) certain individuals associated with Commodore Josaia Voreqe Bainimarama, the Republic of Fiji Military Forces, the Fijian interim government or the Fijian judiciary.
2. Under Part 4 of the Charter of the United Nations Act 1945 and pursuant to the Charter of the United Nations ("Dealings with Assets") Regulations 2008, sanctions against using or dealing with financial or other assets of persons or entities listed by the Minister for Foreign Affairs in the Commonwealth of Australia Gazette from time to time. Such persons or entities include those in:
   - (a) Liberia (see the Charter of the United Nations (Sanctions – Liberia) Regulations 2008);
   - (b) Côte d'Ivoire (see the Charter of the United Nations (Sanctions – Côte d'Ivoire) Regulations 2008);
   - (c) Democratic Republic of the Congo (see the Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008);
   - (d) Democratic People's Republic of Korea (North Korea) (see the Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008);
   - (e) Sudan (see the Charter of the United Nations (Sanctions – Sudan) Regulations 2008);
   - (f) Iran (see the Charter of the United Nations (Sanctions – Iran) Regulations 2008);
   - (g) Iraq (see the Charter of the United Nations (Sanctions – Iraq) Regulations 2008);
   - (h) Al-Qaida and the Taliban (see the Charter of the United Nations (Sanctions – Al-Qaida and the Taliban) Regulations 2008);
   - (i) Somalia (see the Charter of the United Nations (Sanctions – Somalia) Regulations 2008);
   - (j) Lebanon (see the Charter of the United Nations (Sanctions – Lebanon) Regulations 2008);
   - (k) Eritrea (see the Charter of the United Nations (Sanctions – Eritrea) Regulations 2010); and
   - (l) Libya (see the Charter of the United Nations (Sanctions – Libyan Arab Jamahiriya) Regulations 2011.

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

Limitations Affecting Security Holders

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

- Foreign Acquisitions and Takeovers Act 1975

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

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

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

- Financial Sector (Shareholdings) Act 1998

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

- Corporations Act 2001and ASX Listing Rules

  Shareholding restrictions

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

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

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

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

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

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

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

  Divestment of shares in relation to control transactions

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

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

Restrictions on voting under the Corporations Act and ASX Listing Rules

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

- Competition and Consumer Act 2010

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

Withholding Taxes

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

Constitution

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

Material Contracts

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

AAS - Australian Accounting Standards.

AASB - Australian Accounting Standards Board.

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

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

IFRS – International Financial Reporting Standards.

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

Impaired commitments and contingencies comprises undrawn facilities and contingent facilities where the customer's status is defined as impaired.

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

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

IRRBB is the acronym for interest rate risk in the banking book. This represents interest rate exposure on ANZ's non-trading core banking activities.

Liquid assets are cash and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, are readily convertible to cash at ANZ's discretion and are subject to an insignificant risk of material changes in value.

Net loans and advances includes gross loans and advances and acceptances and capitalized brokerage/mortgage origination fees, less unearned income and provisions for credit impairment.

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

Net tangible assets equals share capital and reserves attributable to shareholders of the Group less preference share capital and unamortized intangible assets (including goodwill and software).

Operating expenses excludes the provision for impairment of loans and advances charge.

Operating income includes net interest and other operating income.

Repo discount is a discount applicable on the repurchase by a central bank of an eligible security pursuant to a repurchase agreement.

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

Revenue includes net interest income and other operating income.

Annex A: 2013 Financial Statements, Notes to the Financial Statements and Remuneration Report (extracts from the 2013 Annual Report)

Annex B: 2012 Financial Statements, Notes to the Financial Statements and Remuneration Report (extracts from the 2012 Annual Report)