2012

Annual U.S. Disclosure Document

for the fiscal year ended September 30, 2012

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

Annual U.S. Disclosure Document
Fiscal year ended September 30, 2012

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All references in this document to “this U.S. Disclosure Document” should be read as referring to this 2012 Annual U.S. Disclosure Document of Australia and New Zealand Banking Group Limited for the fiscal year ended September 30, 2012 (and includes the Annexes attached hereto).

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, 2012, ANZ ranked fourth among Australian banking groups in terms of total assets and had a strong position in all market segments of the New Zealand banking market. ANZ’s principal ordinary share listing and quotation is on the Australian Securities Exchange (“ASX”). As of September 30, 2012 ANZ was ranked among the top five 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, 2012, 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 2012 Financial Statements (as hereinafter 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 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 operate;
- the effects of competition in the geographic and business environments in which we operate;
- our ability to adjust to and compete in the Asian geographic markets into which we are expanding;
- 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, including 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 operate;
- our ability to complete, integrate, and process acquisitions and disposals;
- the stability of Australian and international financial systems and disruptions to financial markets and any losses we 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 strengthening 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, 2012 and 2011, and income statement data for the fiscal years ended September 30, 2012 and 2011 have been derived from the Group’s audited financial statements for the financial year ended September 30, 2012 (the ‘2012 Financial Statements’). The consolidated balance sheet as of September 30, 2010 and income statement data for the fiscal year ended September 30, 2010 have been derived from the comparative information in the Group’s audited financial statements for the year ended September 30, 2011 (the ‘2011 Financial Statements’) and, together with the 2012 Financial Statements, the ‘Financial Statements’. The Group’s 2012 Financial Statements are contained within ANZ’s 2012 Annual Report (excerpts of which, including the 2012 Financial Statements, are attached to this U.S. Disclosure Document as Annex A). The Group’s 2011 Financial Statements are contained within ANZ’s 2011 Annual Report (excerpts of which, including the 2011 Financial Statements, are attached as Annex B).

The Financial Statements and the financial information included herein, except where otherwise noted, is 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”). Further information on Significant Accounting Policies is contained in Note 1 of the Notes to the Financial Statements (attached as part of Annex A).

Amounts in this U.S. Disclosure Document are presented in Australian dollars unless otherwise stated. Amounts reported in United States Dollars (“USD”) have been translated at the September 30, 2012 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$1.0388 = AUD$1.00. For further information on the currency of presentation in this U.S Disclosure Document refer to page 23.

Comparative information

Certain amounts in the comparative information for 2011 have been restated as a result of reclassifications to conform with current period financial statement presentations. 2010 comparative information, along with other prior years presented within this U.S. Disclosure Document, has not been restated.

The restatement of 2011 comparative information resulting from reclassifications included:

- “Liability for acceptances” previously shown on the face of the balance sheet has been included in “other liabilities”. The 2011 comparative balance of $970 million has been reclassified to align with the current year presentation.

- "Regulatory deposits" previously included in "other assets" has been shown as a separate item on the face of the balance sheet with the comparative balances reclassified accordingly.
- "Securities purchased under agreement to resell" previously presented as "Due from other financial institutions" was reclassified to "Liquid assets" to ensure consistent classification across the Group. The 2011 comparative balance of $728 million has been reclassified accordingly.
- The reporting treatment of collateral received on derivative asset position and collateral posted on derivative liability positions has changed to better reflect the nature of the asset/liabilities and to be consistent with market practice. There was no impact on net assets. The income statement presentation of interest paid/received on collateral balance has changed to align with the revised balance sheet classification. Comparative information has been reclassified and the net interest earned on collateral of $17 million previously shown as "other income" has been presented gross as "interest income" ($75 million) and "interest expense" ($58 million).

	Sep 11 $m		
Collateral reclassification	**Previously reported**	**Change**	**Currently reported**
Liquid assets[1]	24,899	728	25,627
Due from other financial institutions[1]	8,824	4,474	13,298
Derivative financial instruments	54,118	4,523	58,641
Total assets	594,488	9,725	604,213
Due to other financial institutions	23,012	4,523	27,535
Derivative financial instruments	50,088	5,202	55,290
Total liabilities	556,534	9,725	566,259

1. *"Due from other financial institutions" at September 30, 2011 was also reduced by the reclassification of $728 million of "securities purchased under agreements to resell" to "liquid assets"*

In addition, the Group completed an organizational change which resulted in a new divisional structure. The financial information presented for the 2011 and 2010 comparative fiscal years, has been restated to reflect the new divisional structure. Refer to page 7 for further details on the new divisional structure.

Summary of consolidated statement of income

	Years ended September 30					
	2012 USD $M[1]	2012 $M	2011[2] $M	2010 $M	2009 $M	2008 $M
Interest income	31,723	30,538	30,443	26,608	26,286	32,604
Interest expense	(19,143)	(18,428)	(18,943)	(15,739)	(16,398)	(24,754)
Net interest income	12,580	12,110	11,500	10,869	9,888	7,850
Net funds management and insurance income	1,250	1,203	1,405	1,099	230	182
Share of associates' profit	410	395	436	433	465	361
Other operating income	4,159	4,003	3,591	3,291	3,027	3,766
Operating income	18,399	17,711	16,932	15,692	13,610	12,159
Operating expenses	(8,850)	(8,519)	(8,023)	(7,304)	(6,225)	(5,696)
Profit before credit impairment and income tax	9,549	9,192	8,909	8,388	7,385	6,463
Provision for credit impairment[3]	(1,245)	(1,198)	(1,237)	(1,787)	(3,005)	(1,948)
Profit before income tax	**8,304**	**7,994**	**7,672**	**6,601**	**4,380**	**4,515**
Income tax expense[4]	(2,417)	(2,327)	(2,309)	(2,096)	(1,435)	(1,188)
Profit for the year	5,887	5,667	5,363	4,505	2,945	3,327
Profit attributable to non-controlling interests	(6)	(6)	(8)	(4)	(2)	(8)
Profit attributable to shareholders of the Company	**5,881**	**5,661**	**5,355**	**4,501**	**2,943**	**3,319**
Non-interest income as a % of operating income[5]	31.6%	33.9%	34.7%	30.7%	27.3%	35.4%
Dividends on ordinary shares	3,834	3,691	3,491	2,667	2,452	2,506
Earnings per fully paid ordinary share (cents)						
Basic	221	213	208	179	131	170
Diluted	214	206	199	175	130	162
Ordinary share dividend payout ratio (%)[6]	69.3%	69.3%	68.6%	71.6%	82.3%	82.7%
Dividend per ordinary share (cents)	150.6	145.0	140.0	126.0	102.0	136.0

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, 2012 Noon Buying rate applied in this document.*
2. *Comparative information has changed for certain line items. Refer to pages 2 to 3 for details.*
3. *The provision for credit impairment charge represents the individual and collective provision charge.*
4. *2012, 2011 and 2010 amounts include income tax expense attributable to income relating to policyholder income and contributions tax gross up in respect of ANZ Wealth Australia (formerly OnePath Australia Limited).*
5. *Non-interest income comprises net income from wealth management, insurance income and other operating income.*
6. *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:*

	2012 $M	*2011 $M*	*2010 $M*	*2009 $M*	*2008 $M*
Interim	*1,769*	*1,662*	*1,318*	*993*	*1,192*
Final	*2,149**	*2,002*	*1,895*	*1,403*	*1,514*
Total	*3,918*	*3,664*	*3,213*	*2,396*	*2,706*

**Based on the proposed final dividend as at November 5, 2012.*

Summary of consolidated balance sheet

	As at September 30			
	2012 USD $M[1]	2012 $M	2011 $M[2]	2010 $M
Shareholders' equity[3]	42,768	41,171	37,906	34,091
Subordinated debt	12,376	11,914	11,993	12,280
Bonds and notes	65,546	63,098	56,551	59,714
Deposits and other borrowings	412,531	397,123	368,729	310,383
Gross loans and advances[4,5]	449,137	432,361	402,180	368,420
Less: Individual provision for credit impairment	(1,842)	(1,773)	(1,697)	(1,875)
Less: Collective provision for credit impairment	(2,872)	(2,765)	(3,176)	(3,153)
Net loans and advances	444,423	427,823	397,307	363,392
Total assets	667,042	642,127	604,213	531,703
Net assets	42,819	41,220	37,954	34,155
Risk weighted assets[6]	311,764	300,119	279,964	264,242
Summary of consolidated ratios				
Net profit after income tax as a percentage of:				
Average total assets		0.9%	0.9%	0.9%
Average shareholders' equity[3]		14.6%	15.3%	13.9%
Average ordinary shareholders' equity as a percentage of average total assets		6.2%	6.1%	6.1%
Ratio of earnings to fixed charges[7]		43.1%	40.2%	41.6%
Capital adequacy ratios:				
Tier 1		10.8%	10.9%	10.1%
Tier 2		1.4%	1.2%	1.8%
Total		12.2%	12.1%	11.9%
Number of ordinary shares on issue (millions)		2,717.4	2,629.0	2,559.7

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, 2012 Noon Buying rate applied in this document.*
2. *Comparative information has changed for certain line items. Refer to pages 2 to 3 for details.*
3. *Excludes non-controlling interests and preference shares.*
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 are calculated using the Basel II methodology.*
7. *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			
	2012 USD $M	**2012 $M**	**2011 $M**	**2010 $M**
Gross impaired assets:				
Impaired assets - subject to provision for credit impairment	4,167	4,011	4,376	5,892
Without provision for credit impairment:				
Impaired loans	367	353	274	183
Restructured items	545	525	700	141
Non-performing commitments and contingencies	319	307	231	345
Total gross impaired assets	**5,398**	**5,196**	**5,581**	**6,561**
Provision for credit impairment:				
Individual provision - impaired loans	1,796	1,729	1,687	1,849
Individual provision - non-performing commitments and contingencies	46	44	10	26
Collective provision	2,872	2,765	3,176	3,153
Total provision for credit impairment	**4,714**	**4,538**	**4,873**	**5,028**
Total gross loans and advances[1,2]	**449,137**	**432,361**	**402,180**	**368,420**
Gross impaired assets as a percentage of:				
Gross impaired assets as a percentage of gross loans and advances		1.2%	1.4%	1.8%
Individual provision for credit impairment as a percentage of gross impaired assets		33.3%	30.2%	28.2%
Total provision for credit impairment as a percentage of:				
Gross loans and advances[1,2]		1.0%	1.2%	1.4%
Credit risk weighted assets[3]		1.8%	2.0%	2.2%

1. *Net of unearned income and including capitalized brokerage/mortgage origination fees and customers' liability for acceptances.*
2. *Loans and advances are disclosed in the balance sheet net of individual and collective provisions. For ease of presentation gross amounts are shown here.*
3. *Credit risk weighted assets are calculated using the Basel II methodology.*

Results by Division

In February 2012 the Group announced that it had put in place a new senior management structure and other organizational changes designed to support its super regional aspirations, give focus to areas of growth and opportunity, and strengthen succession planning within the senior management team.

The Group operates on a divisional structure, with Australia, International and Institutional Banking (IIB), New Zealand and Global Wealth and Private Banking now being the major operating divisions. 2011 and 2010 comparative financial information has been restated to conform with the new divisional structure.

The results for Corporate Banking Australia were reported within IIB for the financial year ended September 30, 2012 and all prior periods presented herein. However, effective October 1, 2012, Corporate Banking Australia was transferred to the Australia division and its results will be reported accordingly in future periods.

Assets, liabilities, income and profit before tax

	Years ended September 30						
Division[1]	2012 USD $M	2012 $M	%	2011 $M[4]	%	2010 $M	%
Total assets							
Australia	257,135	247,531	39%	231,113	38%	217,625	41%
International and Institutional Banking	287,027	276,306	43%	259,397	43%	195,659	37%
New Zealand	74,602	71,816	11%	69,072	12%	68,599	13%
Global Wealth and Private Banking	47,111	45,351	7%	43,970	7%	45,787	8%
Other	1,167	1,123	0%	661	0%	4,033	1%
	667,042	**642,127**	**100%**	**604,213**	**100%**	**531,703**	**100%**
Total liabilities							
Australia	160,667	154,666	26%	138,168	24%	122,676	25%
International and Institutional Banking	240,966	231,966	38%	223,420	40%	188,605	38%
New Zealand	60,086	57,842	10%	53,039	9%	51,757	10%
Global Wealth and Private Banking	48,046	46,251	8%	43,456	8%	44,798	9%
Other[2]	114,457	110,182	18%	108,176	19%	89,712	18%
	624,222	**600,907**	**100%**	**566,259**	**100%**	**497,548**	**100%**
Income[3]							
Australia	19,081	18,369	51%	18,382	51%	15,807	50%
International and Institutional Banking	11,823	11,381	31%	10,717	30%	8,990	29%
New Zealand	4,789	4,610	13%	4,829	13%	5,140	16%
Global Wealth and Private Banking	1,745	1,680	5%	1,695	5%	1,466	5%
Other	103	99	0%	252	1%	28	0%
	37,541	**36,139**	**100%**	**35,875**	**100%**	**31,431**	**100%**
Profit before tax							
Australia	3,697	3,559	45%	3,412	45%	3,209	49%
International and Institutional Banking	3,357	3,232	40%	3,140	41%	2,773	42%
New Zealand	1,068	1,028	13%	945	12%	614	9%
Global Wealth and Private Banking	641	617	8%	640	8%	574	9%
Other	(459)	(442)	-6%	(465)	-6%	(569)	-9%
	8,304	**7,994**	**100%**	**7,672**	**100%**	**6,601**	**100%**

1. *For discussion of operating results see 'Section 3: Operating and financial review and prospects - Results by division'.*
2. *Other external liabilities includes a major proportion of the Group's wholesale funding within Group Treasury.*
3. *Income consists of interest income and non-interest income (comprising net income from wealth management, insurance income and other operating income).*
4. *Comparative information has changed for certain line items. Refer to pages 2 to 3 for details.*

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, 2012, ANZ had a market capitalization of approximately $67.3 billion. As at September 30, 2012, ANZ had total assets of $642.1 billion, and shareholders' equity of $41.2 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.

ANZ's primary strategy is to become a super regional bank focusing on Australia, New Zealand and the Asia Pacific region. Consistent with this strategy, its aim includes increasing Asia Pacific, Europe & America profit after tax (including network revenues) contribution to ANZ to between 25% and 30% by 2017. While there is a strong focus on organic growth, ANZ continues to explore appropriate acquisitions throughout Asia where opportunities arise.

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 and Private Banking being the major operating divisions. Other comprises functions that service the organization globally.

Australia

The Australia division comprises Retail and Commercial business units. Retail includes Mortgages, Consumer Cards and Unsecured Lending and Deposits. Commercial includes Esanda, Regional and Commercial 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.
- **Commercial**
  - **Esanda** provides motor vehicle and equipment finance and investment products.
  - **Regional Commercial Banking** provides a full range of banking services to personal customers and to small business and agribusiness customers in rural and regional Australia, and includes the acquisition of loans and deposits from Landmark Financial Services.
  - **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.
  - **Small Business Banking** provides a full range of banking services for metropolitan based small businesses in Australia with lending up to A$1 million.

International and Institutional Banking

The International and Institutional Banking (IIB) division comprises Global Institutional, Retail Asia Pacific and Asia Partnerships business units, together 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. Global Institutional delivers transaction banking, specialized and relationship lending and markets solutions in Australia, New Zealand, Asia Pacific, Europe and America.
  - **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. Markets provides origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. 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** 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** 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. During the March 2012 half, the investment in Saigon Thuong Tin Commercial Joint-Stock (Sacombank) was sold.

- **Relationship & Infrastructure** includes client relationship management teams for global institutional and financial institution and corporate customers in Australia and Asia, commercial customers in 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).

- **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 and Private Banking

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

- **Private Banking** specialises in assisting individuals and families to manage, grow and preserve their wealth. The businesses within Private Banking include Private Bank, ANZ Trustees, E*Trade, Investment Lending, Super Concepts and Other Wealth.
- **Funds 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 the Group Center functions of Global Services & Operations, Group Technology, 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 and Shareholder functions. 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.

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

ANZ's aspiration is to have 25 to 30% of ANZ Group profit after tax (including network revenues) sourced from Asia Pacific, Europe and America, by 2017. ANZ has made good progress towards this aspiration.

Central to delivery of this goal will be ongoing productivity improvements including a 2% reduction in the cost to income ratio over the next two years, greater capital efficiency and increasing earnings stream differentiation.

Since the super regional strategy was launched in 2007, ANZ has made significant progress as follows.

- Established a more significant presence in Asia
  - ANZ Group now has 100 branches and over two million customers in Asia compared to just 30 branches and less than one million customers in 2007
  - Achieved local incorporation in Vietnam in 2008
  - Received a qualifying full bank license in Singapore in 2010
  - Increased presence in China through local incorporation in 2011 and received a retail RMB license in 2012
  - Established a branch in Mumbai, India in 2011
- Strengthened ANZ's domestic franchises in Australia and New Zealand
  - In Australia market share was increased in key segments including retail mortgages where ANZ was again recognized as home lender of the year in 2012
  - Invested in digital channels in Australia and launched goMoney, a market leading mobile banking application
  - Progressed the simplification program in New Zealand that has involved migration to a single operating system in 2012 and the cessation of the National Bank of New Zealand brand to operate solely under the ANZ brand
- Completed the integration of acquisitions to complement organic growth
  - Acquired the Asian assets from the Royal Bank of Scotland in Taiwan, Singapore, Indonesia, Hong Kong, the Philippines and Vietnam in 2010
  - Purchased the remaining 51% of wealth management joint venture with ING in Australia and New Zealand in 2009
  - Acquired the deposit and lending books of Landmark from AWB in 2009

Medium to Long Term Strategic Goals

ANZ is committed to delivering above-peer earnings growth with strong capital and expense disciplines, targeting a 200 basis points improvement in the ANZ Group cost to income ratio over the next two years while increasing return on equity from current levels. The target dividend payout ratio remains at around 65% of profit which we believe to be a sustainable level in a Basel 3 environment.

To do this the ANZ Group proposes to take the following action:

- Further strengthen its position in the ANZ Group's core markets of Australia and New Zealand by driving productivity benefits, leveraging the super regional strategy and using technology to drive improved functionality.
  - In Australia the ANZ Group is investing to transform the business through improved channel management (branch network reconfiguration, digital platforms), improving sales effectiveness and lowering cost to serve in its commercial business, and investing in customer insights and understanding.
  - In New Zealand the ANZ Group will work under one brand on one platform with more efficient market coverage.
- Focus the ANZ Group's Asian expansion primarily on Institutional Banking, supporting its Australian and New Zealand customers, targeting profitable markets and segments in which the ANZ Group has expertise which are connected through trade and capital flows while continuing to efficiently build 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 return on equity.
- Build on ANZ Group super regional capabilities – utilizing management bench-strength and continuing to deepen the international talent pool.
- Apply strict acquisition criteria when reviewing non-organic opportunities.

Recent developments

No significant events for ANZ have occurred between September 30, 2012 and 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 43 to 44 of Section 3: Operating and Financial Review and Prospects - Capital Management of this U.S. Disclosure Document.

Basel II and Other Capital Regulatory Considerations

The common framework for determining the appropriate level of bank regulatory capital is set by the Basel Committee under a framework developed in 2004 that is commonly known as 'Basel II'. A key objective of Basel II is to improve the stability of the global financial system by encouraging improved risk management practices and requiring financial institutions, including ADIs, to hold levels of regulatory capital commensurate with their risk profile. In particular, Basel II introduced a more risk-sensitive and detailed regulatory capital regime for credit risk and introduced for the first time an explicit regulatory capital charge for operational risk.

A major innovation of the accord is that Basel II allows ADIs of varying sophistication in their risk management practices to enter the regulatory capital framework at one of three levels, with incentives embedded (by way of the potential for reduced regulatory capital requirements) to attract ADIs with more sophisticated risk measurement and management approaches to reach the more advanced levels. ADIs are required to both choose their approach and be accredited at a level of compliance in each of credit and operational risk.

On December 10, 2007, APRA advised that the ANZ Group had achieved Advanced accreditation under the Basel II rules for the purposes of calculating its minimum capital requirements, which enables use of the Advanced Internal Ratings Based ("AIRB”) methodology for credit risk weighted assets and the Advanced Measurement Approach for the operational risk weighted asset equivalent. This means the ANZ Group has used the most sophisticated approaches for the three major types of risk facing banks, being credit risk, operational risk and market risk, for regulatory capital determination from January 1, 2008 when the Basel II principles took effect in Australia.

Under Basel II, financial institutions are required to make extensive qualitative and quantitative disclosures with respect to capital adequacy and credit risk management. ANZ provides this information quarterly in its Basel II Pillar III Report.

In addition, on December 10, 2007 ANZ National Bank Limited (predecessor to ANZ Bank New Zealand Limited) received accreditation from the RBNZ to use the AIRB methodology which took effect on January 1, 2008.

Pre Basel III Liquidity

Liquidity is controlled by individual agreements between APRA and each ADI that take into consideration the specific operations of each organization. APRA requires that ADIs have a comprehensive liquidity policy statement that defines the guidelines and systems for managing domestic and foreign currency liquidity, including a formal contingency plan for dealing with a liquidity crisis. The ANZ directors must approve this statement. An ADI's liquidity management policy should cater to a range of potential conditions and APRA requires an ADI's liquidity risk to be assessed under two specific scenarios.

The first scenario is known as the 'going-concern' scenario and refers to the normal behavior of cash flows in the ordinary course of business. It constitutes a key day-to-day focus of an ADI's liquidity management. APRA requires that an ADI must be able to meet all commitments and obligations under this 'going concern' scenario, within the ADI's normal funding capacity, over at least the following 30 calendar days.

The second scenario, known as the 'name crisis' scenario, models the behavior of cash flows where there is a problem (real or perceived) which may include, but is not limited to, operational issues, doubts about the solvency of an ADI, or adverse rating changes. Under the 'name crisis' scenario, APRA requires an ADI to have sufficient liquidity to remain cash flow positive for at least the five following business days.

Proposed Changes to the Capital and Liquidity Framework

In December 2010, the Basel Committee released their liquidity package entitled 'Basel III: International framework for liquidity and risk measurement, standards and monitoring'. The Basel III liquidity proposals aim to strengthen the resilience of banks to liquidity risk, and are centered upon the following two key measures:

- Liquidity Coverage Ratio ("LCR"): a severe name specific stress scenario, whereby the 'ADI is required to maintain sufficient liquidity to meet its needs for a 30 day calendar time horizon under a significant severe liquidity stress scenario'. This stress assumes a significant customer deposit run and no access to wholesale funding markets; and
- Net Stable Funding Ratio ("NSFR"): a one year structural liquidity measure requiring all 'core' assets to be funded by 'core' or 'stable' sources.

Following the publication of earlier discussion papers relating to liquidity prudential requirements, APRA issued a Discussion Paper and a draft Prudential Standard in November 2011 addressing the Basel III Committee proposals for enhanced liquidity risk management. These proposals include enhancements to qualitative aspects of liquidity management including governance, the requirement for a clear Board approved liquidity risk tolerance statement that emphasizes the importance of stress testing, funding strategies, internal pricing and contingency funding plans. Many of these aspects have been integrated into ANZ's liquidity management framework for some time and ANZ believes it is well positioned to satisfy these qualitative liquidity risk management enhancements. The changes to the quantitative requirements include the introduction of two new liquidity ratios to measure and enhance liquidity risk (the LCR and the NSFR) and are more significant. A component of the liquidity required under the proposed standards will likely be met through 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 by APRA are in general more challenging. These changes will impact the future composition and size of ANZ's liquidity portfolio, the size and composition of ANZ's funding base, and consequently could affect future profitability. APRA is proposing to release further details on the implementation of Basel III liquidity requirements at the start of calendar 2013 and to implement the LCR ratio on January 1, 2015 and the NSFR ratio 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 III 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 below.

The Basel Committee is yet to release details of contingent and 'bail-in' capital requirements.

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 Center ("AUSTRAC") and various securities exchanges.

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

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, creating crimes and 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 subsidiaries and U.S. broker-dealer subsidiary, as well as, ANZ's New York branch.

Those regulations impose obligations on 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 reputation 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 (also known as the Financial Modernization 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 the 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's New York branch is subject to supervision, examination and regulation by the Comptroller under the U.S. International Banking Act of 1978 (the "IBA") and under regulations adopted pursuant to the IBA. The IBA provides, among other things, that a federal branch of a non-U.S. bank can exercise the same rights and privileges that are available to national banks. In addition, the exercise of any such right or privilege must be subject to the same duties, restrictions, penalties, liabilities, conditions and limitations that apply to national banks in the same jurisdiction. The federal branch must maintain its accounts and records separate from those of the non-U.S. bank and must comply with such additional requirements as may be prescribed by the Comptroller.

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.

Also, under the IBA, a non-U.S. bank is subject to certain restrictions with respect to opening new U.S. domestic deposit-taking branches and establishing new U.S. subsidiary banks in States outside of its "home-state", which in the ANZ's case is New York.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. Implementation of the Dodd-Frank Act will require many lengthy rulemaking processes that are expected to result in the promulgation of 200 or more new regulations. 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, over-the-counter (“OTC”) derivatives and other activities.

The so-called "Volcker Rule" provisions of the Dodd-Frank Act impose broad restrictions on proprietary trading and investing in and sponsoring private equity and hedge funds by banking organizations. The outcome of rulemaking implementing Volcker Rule restrictions could affect ANZ's domestic and international business lines accordingly.

ANZ's businesses may be affected by a variety of new regulations under the Dodd-Frank Act including, but not limited to, greater regulation of OTC derivatives, including stricter capital and margin requirements, the central clearing of standardized OTC derivatives, and heightened supervision of all OTC derivatives dealers, and major market participants. 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. The extent of these impacts will depend on the rules the U.S. regulatory agencies develop and implement under the Dodd-Frank Act over the next several years.

The Foreign Account Tax Compliance Act ("FATCA") was enacted on March 18, 2010. FATCA imposes significant U.S. withholding taxes on “non-U.S.” financial institutions (such as ANZ and many of its subsidiaries) that fail to provide the U.S. Internal Revenue Service ("IRS") (or possibly the Australian Tax Office which would then forward the information to the IRS) with information on certain non-U.S. accounts held by U.S. persons or, in some cases, held by non-U.S. entities with substantial U.S. owners. ANZ Group is expected to make significant investments in order to comply with FATCA and its potential onerous reporting requirements. However, final regulations under FATCA have not yet been published by the IRS, Australia has not yet decided to enter into an intergovernmental agreement with the U.S. (which may modify some of FATCA's requirements), and unified market practices regarding FATCA have not yet developed. Therefore, it is possible that some or all of ANZ Group may become subject to significant U.S. withholding taxes under FATCA. Further, it is also possible that some or all of ANZ Group may be required to make significant gross-up payments to others in respect of FATCA withholding under existing or future transaction documentation.

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, 2012, 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 corporates and financial institutions in Australia. The business has a number of specialist product teams including Global Loans (structured finance, working capital and term lending), Global Markets (foreign exchange, fixed income and other capital markets products) and Transaction Banking (cash management and trade), who work together with relationship teams and enablement functions to support client needs in Australia. Institutional 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 Australia's competitors at the large corporate and institutional customer level are generally the other major Australian banks, as well as some international investment banks operating in niche markets, the boutique operations of large multi-national banking conglomerates or domestic investment banks with a focus on niche areas. Institutional Australia's key competitive strength is its focused geographic and sector experience, 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 appropriate repricing for risk. This followed a decline in margins over the majority of the previous 10 years. Competition intensified once again in 2011/2012 and, in conjunction with increased funding costs, has contributed to a contraction in Institutional margins since that time. In response the Institutional Australia business is focused on growing in less balance sheet intensive and more 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.

For the past two 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 Bank New Zealand Limited (formerly ANZ National Ltd.) ("ANZ NZ") operates is very concentrated and highly competitive. ANZ NZ principal competitors are the three other major banks: ASB Bank Limited, Bank of New Zealand and Westpac New Zealand Limited. Each of these is a subsidiary of an Australian bank. Together with ANZ NZ (including the New Zealand branch of ANZBGL), these banks (including the New Zealand branches of their Australian bank parents) held approximately 88% of the New Zealand banking system's assets as at December 31, 2011 and participate across all customer segments from individuals to large corporations.

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.

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.

The non-bank financial sector in New Zealand is relatively small, constituting approximately 3% of total financial system assets. It is made up principally of two groups of participants: finance companies (typically involved in asset finance/property development) and savings institutions (mostly co-operative/mutual societies). Several New Zealand finance companies are no longer trading, being either in receivership or in moratorium as a consequence of credit quality and/or liquidity failures. Savings institutions are going through a period of change due to increased regulation/compliance costs, elevated funding costs and adverse credit quality.

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 rates of economic growth are superior to those of the developed Western markets, and Asian financial systems have proven resilient through the recent global financial crisis. We believe the major global banks see Asia Pacific as a key market in which they must succeed to ensure a leading position in global institutional banking. Smaller regional banks are also looking for an increased share of the institutional and commercial banking segment in Asia resulting in a further intensification of competition.

ANZ has had a long standing presence in Asia and the Pacific and currently has operations in 14 Asian markets and 12 countries (in addition to Australia and New Zealand) across the Pacific. Our competitive position across these markets ranges from holding significant market share in a number of countries across the Pacific, to being a new and emerging entrant in several Asian markets. This range is reflective of the length of presence and specific strategic approach that ANZ is taking in each market. A priority for ANZ is to expand in a number of franchise markets in Asia that we believe will be high growth and where we see competitive space for us to participate in that growth.

ANZ provides a broad suite of financial services to Institutional, Commercial, Retail, Wealth and Private banking customers in Asia Pacific, and to Australia and New Zealand based customers who do business in Asia Pacific. ANZ's super regional strategy and the regional network that has been established 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.

Trade Finance has been a long standing core competency for ANZ and is an area of focus within ANZ's super regional strategy. The trade finance market has seen fluctuations in the levels of competition, principally driven in recent times by the participation level of European banks. As the European sovereign crisis escalated in late 2010 and early 2011 many of the European banks active in trade finance were forced to direct more of their available liquidity away from Asia Pacific and towards their home markets. This in turn resulted in a lessening of competition and a widening of margins. In 2012 many of these banks returned to the market aided by the additional liquidity provided through initiatives such as the European Central Banks Long Term Refinancing Operations (LTRO) program. This has intensified competition once again and resulted in a fall in margins.

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 in 2008 and 2009 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 that still persist in many regions. More recently, sovereign risk (particularly in Europe) and its potential impact on financial institutions in Europe and globally has emerged as a significant risk to the growth prospects of the global economy. The impact of the global financial crisis and its aftermath (such as heightened sovereign risk) continue to affect global economic activity, confidence and capital markets.

The economic effects of the global financial crisis and the more recent 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 more recent European sovereign debt crisis (and potential contagion from it) suggest ongoing vulnerability and potential adjustment of consumer and business behavior.

The sovereign debt crisis could have serious implications for the European Union and the euro which, depending on the circumstances in which they take place, could adversely impact the Group's business operations and financial condition. 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, albeit less so than in many European countries and in the United States of America.

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

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

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

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing unrest and conflicts in the Middle East, 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 recent Christchurch earthquakes, see 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 relatively high level 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. Recently, commodity prices have fallen and the Australian and New Zealand dollars have remained high, removing some of the traditional "natural hedge" the currencies have played for commodity producers and the broader economy. 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, United States dollar and other currencies has a negative earnings translation effect, 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 appreciation, 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 and segments that are considered to provide higher growth prospects or are in greatest demand (for example, customer deposits or the Asian region). 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, banks organised 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. Any regulatory or behavioral change that occurs in response to this policy shift 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 U.S. Federal Reserve and the monetary authorities in the Asian jurisdictions in which ANZ carries out business) set official interest rates so as to affect the demand for money and credit in their relevant jurisdictions (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 the recovery prospects of many economies. This risk is particularly relevant to a number of European countries though it is not limited to these places and includes the U.S. 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 ensure that it continues 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 global financial crisis, developments in the US mortgage industry and in the US and European markets more generally, including recent European sovereign debt concerns, did adversely affect 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.

On May 18, 2011, Moody's Investors Service Pty Ltd downgraded ANZ's deposit and long term, senior, unsecured debt rating to Aa2/stable. Subsequently, on December 2, 2011, as part of the implementation of their new global bank ratings criteria, Standard and Poor's (Australia) Pty. Ltd. downgraded the deposit and long term, senior unsecured debt ratings of the four major Australian banks, including ANZ, by one notch within the AA band from AA/stable to AA-/stable. We can't provide any assurance that we won't be subject to further downgrade in the future.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 capital and Tier 2 capital securities) issued by ANZ (and banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies. 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 UK Financial Services Authority, United States of America regulators and regulators in various Asia Pacific jurisdictions (such as Hong Kong Monetary Authority, and 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 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 U.S. dollar) which 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).

Global and domestic regulators have released proposals, including the Basel III proposals, to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities, and insurance entities. These proposals, 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 may have been 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.

Credit exposure may also be increased by a number of factors including deterioration in the financial condition of the economy, including a sustained high level of unemployment, a deterioration of the financial condition of the Group's counterparties, the value of assets the Group holds as collateral, and the market value of the counterparty instruments and obligations it holds. 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 US 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 U.S. financial guarantors. The underlying structures involve credit default swaps ("CDSs") over synthetic collateralised 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-collateralised 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, reputational 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, eg. rogue trader;
- external fraud: fraudulent acts or attempts which originate from outside ANZ, eg. 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, misuse of customer information etc;
- business disruption (including systems failure): 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, 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 center infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorised 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, 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 of 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. In addition, the Group may in the future have difficulty attracting highly qualified people to fill 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 is exposed to climate related events (including climate change). These events may include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The impact of these events may temporarily interrupt or restrict the provision of some Group services, and also adversely affect the Group's collateral position in relation to credit facilities extended to customers.

ANZ may also be exposed to other events such as geological events (volcanic or seismic activity, tsunamis); plant and animal diseases or a flu pandemic. These may severely disrupt normal business activity and have a negative effect on the Group's business, operations and financial condition. The most recent example of this would be the major earthquakes in Christchurch New Zealand. Whilst much of the widespread property damage was covered by public (Earthquake Commission) and private insurance, there will potentially be negative impacts on property (and hence security) values and on future levels of insurance and reinsurance coverage across New Zealand. A reduction in value of New Zealand property as a result of geological events such as earthquakes could increase lending losses which may adversely affect the Group's business, operations and financial condition.

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 index 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 US Federal Reserve Board, the US Department of Treasury, the US Office of the Comptroller of the Currency, the US Office of Foreign Assets Control, the UK Financial Services 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, regulators have proposed various amendments to financial regulation that will affect the Group. APRA, the Basel Committee on Banking Supervision (the “Basel Committee“) and regulators in other jurisdictions where the Group has a presence have released discussion papers and in some instances draft regulations in regard to strengthening the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. In addition, the U.S. has passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the U.S.

Uncertainty remains as to the final form that the proposed regulatory changes will take in Australia, New Zealand, the U.S. and other countries in which the Group operates 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) or retain capital (through lower dividends), and hold significant levels of additional liquid assets and undertake additional long-term wholesale funding to replace short-term wholesale funding to more closely match the Group’s asset maturity profile.

22. 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.

23. 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.

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

Under Australian Accounting Standards, the Group recognizes at fair value:

- financial instruments classified as “held-for-trading“ or “designated as at fair value through profit or loss”;
- financial assets classified as “available-for-sale”; and
- derivatives.

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. In certain circumstances, the data for individual financial instruments or classes of financial instruments used by such estimates or techniques may not be available or may become unavailable due to changes in market conditions. In these circumstances, the fair value is determined using data derived and extrapolated from market data, and tested against historic transactions and observed market trends.

The valuation models incorporate the impact of factors that would influence the fair value determined by a market participant. Principal inputs used in the determination of the fair value of financial instruments based on valuation techniques include data inputs such as statistical data on delinquency rates, foreclosure rates, actual losses, counterparty credit spreads, recovery rates, implied default probabilities, credit index tranche prices and correlation curves. These assumptions, judgments and estimates need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on the Group’s earnings.

25. 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.

26. The Group may be exposed to the risk of impairment to 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 intangible assets. As at September 30, 2012, 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.

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, an impairment may be recorded, adversely impacting the Group's financial condition.

27. 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 of the 2012 Financial Statements. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

28. 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 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.

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$1.0388 = 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, 2012. As at November 9, 2012 the Noon Buying Rate was US$1.0395 = 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**
Annual periods				
2007	0.8855	0.7434	0.8163	0.8855
2008	0.9797	0.7831	0.9065	0.7904
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

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, 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 2007 to September 2011, the Australian Dollar moved against these currencies as follows:

Australian Dollar movement against foreign currencies

Years ended September 30	2012	2011	2010	2009	2008	2007
Chinese Yuan (CNY)	-3%	9%	22%	-22%	3%	4%
Euro (EUR)	8%	11%	23%	-1%	-1%	0%
British Pound (GBP)	2%	11%	22%	3%	12%	-1%
Malaysian Ringgit (MYR)	2%	6%	14%	-13%	5%	2%
New Zealand Dollar (NZD)	-1%	4%	3%	3%	5%	-1%
U.S. Dollar (USD)	0%	14%	23%	-19%	12%	8%

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 Notes to the Financial Statements (attached as part of Annex A) for further details on the 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, 2012 is referred to as "2012", and other fiscal years are referred to in a corresponding manner. Our 2012 Financial Statements and 2011 Financial Statements are contained in our 2012 Annual Report (excerpts of which, including the 2012 and 2011 audited financial statements, are attached as Annex A to this U.S. Disclosure Document).

Operating Results

The following discussion of statutory profit is based on the 2012 and 2011 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. Certain amounts in the 2011 comparative information has been restated, refer to the section headed "Comparative Information" on pages 2 to 3 for details.

Summary of ANZ's results over the past three years

	Years ended September 30		
	2012 $M	2011 $M	2010 $M
Net interest income	12,110	11,500	10,869
Net funds management and insurance income	1,203	1,405	1,099
Other operating income	4,398	4,027	3,724
Operating income	17,711	16,932	15,692
Operating expenses	(8,519)	(8,023)	(7,304)
Profit before credit impairment and income tax	9,192	8,909	8,388
Provision for credit impairment	(1,198)	(1,237)	(1,787)
Profit before income tax	7,994	7,672	6,601
Income tax expense	(2,327)	(2,309)	(2,096)
Non-controlling interests	(6)	(8)	(4)
Profit attributable to shareholders of the Company	**5,661**	**5,355**	**4,501**

Profit and loss

- **Comparison of 2012 with 2011**

ANZ recorded a profit after tax of $5,661 million for the year ended September 30, 2012, an increase of $306 million (6%) from $5,355 million for the year ended September 30, 2011.

Significant influences on profit after tax 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 $160 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.

- **Comparison of 2011 with 2010**

ANZ recorded a profit after tax of $5,355 million for the year ended September 30, 2011, an increase of $854 million (19%) from $4,501 million for the year ended September 30, 2010.

Significant influences on profit after tax were:

- Net interest income increased $631 million (6%) mainly due to:
  - An 8% increase in average interest earning assets to $474 billion; and
  - An 11% increase in average deposits to $339.2 billion; offset by
  - A reduction in net interest margin of 5 basis points to 2.42%.

- Net funds management and insurance income increased by $306 million (28%) mainly due to the full acquisition of OnePath Australia (formerly INGA) and OnePath New Zealand (formerly INGNZ) occurring on November 30, 2009. The comparatives for 2010 represent income for 10 months compared to 12 months for 2011.
- Other operating income increased $303 million (8%) mainly due to:
  - Higher net foreign exchange earnings of $70 million primarily due to higher volumes and pricing initiatives;
  - An increase in other income of $35 million resulting from a reduction in economic hedging losses in comparison to 2010; and
  - Other operating income in 2010 was impacted by a $217 million valuation adjustment following the recalculation of the fair value of the Group's pre-existing 49% interest on the full acquisition of OnePath Australia and OnePath New Zealand in 2010.
- Operating expenses increased $719 million (10%), mainly driven by:
  - Restructuring costs of $125 million relating to the adoption of a single core banking system in New Zealand; and
  - Increased personnel expenses of $474 million driven by both annual rate increases and the continued build out of the Institutional franchise in APEA.
- Total credit impairment charge relating to lending assets, commitments and debt securities classified as available-for-sale assets decreased $550 million (31%), mainly due to improvements across New Zealand, and IIB portfolios. New Zealand provisions would have improved further had it not been for the impact of the Christchurch earthquake. An increase in the Australian Retail and Commercial books reflects provisioning for the impact of flooding in Queensland and Victoria and the higher Australian dollar.
- The Group's income tax expense increased by $213 million (10%). The Group's effective tax rate was 30.1%, down 1.7%, which was primarily due to an adjustment attributable to policyholder income and contributions tax.

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 Australia, New Zealand and International and Institutional Banking divisions.

	Years ended September 30		
	2012	**2011**	**2010**
Net interest income ($M)	12,110	11,500	10,869
Net interest margin (%)	2.31	2.42	2.47

	Years ended September 30		
Net interest margin	**2012 %**	**2011 %**	**2010 %**
Australia[1]	2.47	2.59	2.58
International and Institutional Banking[1]	1.85	2.09	2.30
New Zealand[1]	2.62	2.52	2.32

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

	Years ended September 30		
Average interest earning assets	**2012 $M**	**2011 $M**	**2010 $M**
Australia	239,821	223,568	204,917
International and Institutional Banking	207,706	175,442	155,760
New Zealand	67,594	67,636	70,185
Other	8,340	7,656	8,415
Group	**523,461**	**474,302**	**439,277**

	Years ended September 30		
Average deposits and other borrowings	**2012 $M**	**2011 $M**	**2010 $M**
Australia	133,258	119,405	106,180
International and Institutional Banking	143,345	127,536	112,003
New Zealand	40,688	38,272	41,818
Other	67,176	53,965	46,625
Group	**384,467**	**339,178**	**306,626**

- **Comparison of 2012 with 2011**

  The increase in net interest income of $0.6 billion was driven by an increase in average interest earning assets partially offset by a decline in the net interest margin.

  Volume

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

  - Australia (+ $16.3 billion or 7%): Mortgages up $13.0 billion and Commercial up $3.1 billion, primarily in Business Banking;
  - IIB (+$32.3 billion or 18%): 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; and
  - 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; and
  - New Zealand (+$2.4 billion or 6%): uplift in customer deposits in Small Business Banking and Retail.

  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.

- **Comparison of 2011 with 2010**

The increase in net interest income of $0.6 billion was driven by an increase in average interest earning assets partially offset by a decline in the net interest margin.

Volume

Group Average interest earning assets (+$35.0 billion or 8%):

- Australia (+$23.1 billion or 9%): primarily in Mortgages ($15.5 billion) mainly due to continuing customer demand for retail housing;
- IIB (+$19.7 billion or 13%): Markets had an increase of $4.5 billion which was a result of re-classification of commercial bills from trading securities to Loans & Advances;
- New Zealand (+$3.0 billion or 4%): mainly in Retail, Commercial and Agri sector, with customers de-leveraging their balance sheets in response to economic conditions.

Group Average deposits and other borrowings increased (+$32.6 billion or 11%):

- Australia (+$13.2 billion or 12%): primarily due to an uplift in customer deposits across the Retail and Commercial businesses;
- IIB (+$15.5 billion or 14%): resulting from business expansion and RBS acquisition in Asia and deposit raising strategies in UK/Europe;
- New Zealand (-$3.5 billion or -8%): primarily due to a decline in Commercial Paper issuance due to reduced funding requirements.

Margin

Net interest margin (-5 basis points):

- Funding and asset mix changes (+3 bps) driven primarily by benefit from lower reliance on wholesale funding as growth in customer deposits meets ongoing funding requirements.
- Funding costs (-3 bps) from the increase in wholesale funding costs.
- Deposit costs (-8 bps) mainly due to competitive pressures (-5 bps), continued customer migration to lower margin deposit products (-2 bps) and lower returns from the replicating portfolio (-1 bp).

Reference rates

	Years ended September 30		
Average rates	**2012**	**2011**	**2010**
Average Australian 5-year fixed housing loan rate charged by ANZ	6.8%	7.7%	8.0%
Average Australian variable housing loan rate charged by ANZ	7.3%	7.8%	7.0%
Average Australian 90-day fixed term deposit rate[1]	4.7%	4.2%	3.5%
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		
	2012 $M	2011 $M	2010 $M
Funds management income	825	868	730
Investment income/(loss)	2,730	(511)	1,165
Insurance premium income	1,237	1,184	847
Commission income/(expense)	(438)	(490)	(358)
Claims	(598)	(548)	(414)
Changes in policy liabilities[1]	(2,449)	854	(836)
Elimination of treasury share gain/(loss)[2]	(104)	48	(35)
Total net funds management and insurance income	**1,203**	**1,405**	**1,099**

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 2012 with 2011**

Net funds management and insurance income decreased $202 million (-14%). Significant influences on 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 policyholder 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.

- **Comparison of 2011 with 2010**

Net funds management and insurance income increased $306 million (28%). Significant influences on the result were:

- Funds management income increased by $138 million (19%) mainly due the full acquisition of OnePath Australia (formerly INGA) and OnePath New Zealand (formerly INGNZ) occurring on November 30, 2009. The comparatives for 2010 represent income for 10 months compared to 12 months for 2011.
- The $1,676 million decrease in investment income was due to general deterioration in investment market conditions, primarily driven by weaker returns from the Australian equities market.
- Insurance premium income increased by $337 million (40%), commission expense increased by $132 million (37%) and the increase in the claims experience by $134 million (32%) were all primarily due to the full acquisition of OnePath Australia and OnePath NZ occurring on November 30, 2009.
- Changes in policyholder liabilities increased by $1,690 million which reflects the inverse relationship with the investment income recorded in the respective years.
- An $83 million gain on elimination of treasury shares.

Other operating income

	Years ended September 30		
	2012 $M	**2011 $M**	**2010 $M**
Net fee and commission income	2,412	2,391	2,324
Net foreign exchange earnings	1,081	817	747
Share of associates' profit	395	436	433
Profit on trading instruments	353	299	354
Other	157	84	(134)
Total other operating income	**4,398**	**4,027**	**3,724**

- **Comparison of 2012 with 2011**

Other operating income increased $371 million (9%):

- 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 (SRCB) 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.

- **Comparison of 2011 with 2010**

Other operating income increased $303 million (8%):

- Net fee and commission income increased $67 million (3%) mainly due to:
  - Transaction Banking increasing $57 million (14%) driven mainly by volume growth;
  - Cards and Unsecured Lending Australia increasing $26 million (7%) driven by volume growth; and
  - Deposits Australia decreasing $26 million (10%) due to lower exception fees and reduction in volumes.
- Net foreign exchange earnings increased $70 million (9%) mainly due to:
  - Global Markets increasing by $73 million reflecting the improved performance of the foreign exchange business;
  - Transaction Banking increasing by $25 million due to higher volumes and pricing initiatives;
  - Retail & Wealth Asia increasing $13 million driven by higher volumes; and
  - Revenue and net investment hedges decreasing by $49 million.
- Share of associates' profit increased $3 million (1%) due to higher earnings in SRCB of $93 million offset by lower earnings in Bank of Tianjin ($14 million), P.T. Bank Pan Indonesia ($10 million) and Saigon Securities Inc ($9 million). In addition, the investments in OnePath Australia Limited, OnePath NZ Holdings Limited, Diversified Yield Fund and Diversified Income Fund were accounted for as joint ventures up to November 30, 2009 prior to full acquisition. This reduced share of associates profit by a further $56 million.
- Profit on trading instruments decreased $55 million (-16%) mainly due to a $28 million reduction in Global Markets reflecting difficult trading conditions.
- Other income increased by $218 million mainly due to a:
  - Fair value impairment arising on the full acquisition of OnePath Australia and OnePath NZ of $217 million booked in the 2010 year;
  - Lower fair value economic hedging loss of $35 million recognized in the 2011 year; and
  - Write down of ANZ's investment in Sacombank of $35 million in the 2011 year principally due to a decline in the Vietnamese currency.

Operating expenses

	Years ended September 30		
	2012 $M	2011 $M	2010 $M
Personnel expenses	4,765	4,724	4,250
Premises expenses	716	685	639
Computer expenses	1,383	1,040	866
Restructuring costs	274	148	34
Other expenses	1,381	1,426	1,515
Total operating expenses	**8,519**	**8,023**	**7,304**
Total full time equivalent staff (FTE) [1]	**48,239**	**50,297**	**47,099**

1. *Comparative amounts for 2011 have changed reflecting an amendment to FTE to align to the current year methodology. 2010 numbers have not been restated.*

- **Comparison of 2012 with 2011**

Operating expenses increased $496 million (6%):

- 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, including the New Zealand Simplification Programme, being undertaken across the Group.

- **Comparison of 2011 with 2010**

Operating expenses increased $719 million (10%):

- Personnel expenses increased $474 million (11%) as a result of salary increases and a 4% increase in staff numbers. Growth in staff numbers was mainly due to our investment in Asia Pacific, Europe & America with the build-up of regional revenue generating staff and support capabilities.
- Premises expenses increased $46 million (7%) reflecting higher staff numbers, inflationary increases and increased costs associated with reducing our carbon footprint.
- Computer expenses increased $174 million (20%) mainly driven by an increase in depreciation and amortization, primarily the amortization of software, and an increase in computer contractors' costs from our significant investment in technology across the Group.
- Other expenses decreased $89 million (6%) driven by a strong focus on constraining discretionary costs.
- Restructuring expenses increased $114 million due to costs associated with the move to a single core banking system in New Zealand.

Pension Payments

Pension payments on defined benefit schemes are our principal post-retirement benefit. Other post-retirement benefits are not material. ANZ does not provide post-retirement health insurance in Australia. Some post-retirement health care is provided in Japan and the UK.

Under IFRS, the Group is required to recognize surpluses (assets) and/or deficits (liabilities) that arise within these schemes in the balance sheet. The Group elected to apply the option under IFRS to recognize actuarial gains and losses associated with these schemes in the Balance Sheet (i.e. the 'direct to retained earnings' approach). The non-cash expense (representing the notional cost of the benefits accruing to members in respect of service provided over the reporting period) is charged to the income statement.

Refer to Note 44 in the notes to the 2012 Financial Statements (attached to this U.S. Disclosure Document as part of Annex A) for further detail.

Provision for credit impairment charge

	Years ended September 30		
Division	2012 $M	2011 $M	2010 $M
Australia	666	719	619
International and Institutional Banking	427	293	816
New Zealand	148	166	408
Global Wealth and Private Banking	4	(8)	(32)
Other[1]	(47)	67	(24)
Total provision for credit impairment charge	**1,198**	**1,237**	**1,787**

[1.] *Other includes non continuing businesses.*

	Years ended September 30					
	2012 $M		2011 $M		2010 $M	
Division	Individual provision for credit impairment	Collective provision for credit impairment	Individual provision for credit impairment	Collective provision for credit impairment	Individual provision for credit impairment	Collective provision for credit impairment
Australia	704	(38)	671	48	587	32
International and Institutional Banking	727	(300)	278	15	872	(56)
New Zealand	193	(45)	256	(90)	360	48
Global Wealth and Private Banking	5	(1)	(2)	(6)	(5)	(27)
Other	(52)	5	27	40	(23)	(1)
Total	**1,577**	**(379)**	**1,230**	**7**	**1,791**	**(4)**

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 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 concentrations within the portfolio and the economic cycle.

The provision for credit impairment charge is calculated by identifying objective evidence of impairment. In assessing the impacts of adopting IFRS standards and preparing for Basel accreditation, the Group performed a detailed analysis of historical incurred losses in both the retail loan portfolio and the wholesale loan portfolio. This analysis identified the events that triggered the losses in these portfolios and resulted in an estimate of the average period between the time when the loss events occurred until the Group assessed the loans for individual impairment and made an individual provision for credit impairment. The Group considers this period to be the emergence period. The emergence period for retail portfolios was determined based on historical economic modeling. The "emergence period" for wholesale portfolios was determined based on a defaulted loan file review.

- **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 individual provision for credit impairment charge increased $347 million (28%), primarily due to increased provisions in IIB, partially offset by a provision decrease in New Zealand division:
  - The increase in IIB of $449 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 collective provision for credit impairment charge decreased by $386 million during the year with decreases in Australia and IIB:
  - The $38 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 $300 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.

- **Comparison of 2011 with 2010**

Total provision for credit impairment charge relating to lending assets, commitments, and debt securities classified as available-for-sale assets decreased $550 million (31%), as the global economy recovered from higher levels of bankruptcies, business liquidations and commercial losses, and a reduction in the number of large individual impaired assets.

- The individual provision for credit impairment charge decreased $561 million (31%), due mainly to reductions in IIB:
  - The decrease in IIB of $594 million reflects improved portfolio quality, recoveries and a reduction in new impaired assets;
  - The decrease in New Zealand of $104 million reflects the slowly improving economy in New Zealand; and
  - Australia saw an $84 million increase reflecting the impact of the natural disasters and weakness in the rural sector.
- The collective provision for credit impairment charge increased by $11 million during the year with increases in Australia and IIB, partially offset by decreases in New Zealand and Global Wealth and Private Banking:
  - The $16 million increase in Australia was primarily driven by growth and an upward trend in delinquencies in the retail portfolio, floods and writebacks in the prior year;
  - The increase in the IIB division charge of $71 million is mainly driven by growth in Global Loans and Asia;
  - The New Zealand reduction of $138 million largely reflected credit cycle adjustments booked in the 2010 year, with part releases in 2011;
  - Releases in Global Wealth and Private Banking were significantly higher in 2010 due to improved asset valuations on legacy wholesale equity backed loans during the year; and
  - An additional central economic cycle provision of $40 million due to ongoing global economic uncertainty.

Structured credit intermediation trades

	Years ended September 30		
	2012 $M	2011 $M	2010 $M
Credit risk on structured credit intermediation trades (gain)/loss[1]	(73)	(4)	(69)

[1.] *In 2010, ANZ partially hedged the foreign currency exposure relating to structured credit intermediation trades. Included in the 2010 full year result is a $14 million loss on foreign currency hedges.*

The credit risk on structured credit intermediation trades gain of $73 million during the year ended September 30, 2012 (2011: a gain of $4 million) was primarily due to the positive impact of market movements in credit spreads and AUD/USD rates.

ANZ entered into a series of structured credit intermediation trades from 2004 to 2007. The underlying structures involved credit default swaps over synthetic collateralized debt obligations, portfolios of external collateralized loan obligations or specific bonds/floating rate notes. ANZ 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 U.S. financial guarantors.

Refer to Section 2: Information on the Group - Risk factors on page 19 for a description of ANZ's credit intermediation trades.

ANZ is actively managing this portfolio with a view to reduce the exposure through termination and restructuring of both the bought and sold protection if and when ANZ deems it cost effective relative to the perceived risk associated with a specific trade or counterparty. Costs were incurred in prior fiscal years managing these positions. The notional amount on the outstanding sold trades at September 30, 2012 was US$8.0 billion (September 30, 2011: US$8.3 billion).

	As at September 30		
	2012 $M	2011 $M	2010 $M
Financial impacts on credit intermediation trades			
Mark-to-market credit exposure to financial guarantors	359	803	641
Cumulative costs relating to financial guarantors			
Credit valuation adjustment for outstanding transactions (accounted for through "other income")	116	197	195
Realized close out and hedge costs	322	314	320
Cumulative life to date charges	**438**	**511**	**515**

The cumulative costs include realized losses relating to restructuring of trades in order to reduce risks and realized losses on termination of sold protection trades. It also includes foreign exchange hedging losses.

The credit risk expense on structured credit derivatives still remains volatile reflecting the impact of market movements in credit spreads and AUD/USD rates. It is likely there will continue to be volatility in this market value. The overall credit exposure however is significantly reduced reflecting reduction in credit spreads, relative stabilization in the credit markets and progress in unwinding these trades. The remaining trades continue to be actively managed with a view to termination where appropriate opportunities arise.

Income tax expense

	Years ended September 30		
	2012 $M	2011 $M	2010 $M
Income tax expense charged to the income statement	2,327	2,309	2,096
Effective tax rate	29.1%	30.1%	31.8%
Australian corporate tax rate	30.0%	30.0%	30.0%

- **Comparison of 2012 with 2011**

The Group's income tax expense increased by $18 million (1%) from $2,309 million for the year ended September 30, 2011 to $2,327 million for the year ended September 30, 2012.

The effective tax rate decreased 1.0% from 30.1% to 29.1% for the year ended September 30, 2012.

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

- **Comparison of 2011 with 2010**

The Group's income tax expense increased by $213 million (10%) from $2,096 million for the year ended September 30, 2010 to $2,309 million for the year ended September 30, 2011.

The effective tax rate decreased 1.7% from 31.8% to 30.1% for the year ended September 30, 2011.

The decrease was due primarily to the 2010 year having included a non-deductible fair value impairment of our interest in OnePath Australia and OnePath NZ offset by a release of excess New Zealand conduit tax provision and a favorable impact from the resolution of an outstanding tax matter in the US. The 2011 year included a release of withholding tax provisions no longer required and a favorable overseas tax rate differential.

Results by Division

In February 2012 the Group announced that it had put in place a new senior management structure and other organizational changes designed to support its super regional aspirations, give focus to areas of growth and opportunity, and to strengthen succession planning within the senior management team.

The Group operates on a divisional structure, with Australia, International and Institutional Banking (IIB), New Zealand and Global Wealth and Private Banking now being the major operating divisions. 2011 and 2010 comparative financial information has been restated to conform with the divisional structure.

The results for Corporate Banking Australia were reported within IIB for the financial year ended September 30, 2012 and all prior periods presented herein. However, effective October 1, 2012, Corporate Banking Australia was transferred to the Australia division and its results will be reported accordingly in future periods.

	Years ended September 30		
Division	**2012 $M**	**2011 $M**	**2010 $M**
Profit before income tax			
Australia	3,559	3,412	3,209
International and Institutional Banking	3,232	3,140	2,773
New Zealand	1,028	945	614
Global Wealth and Private Banking	617	640	574
Other	(442)	(465)	(569)
	7,994	7,672	6,601
Income tax expense			
Australia	(1,067)	(1,022)	(964)
International and Institutional Banking	(854)	(830)	(679)
New Zealand	(285)	(283)	(184)
Global Wealth and Private Banking	(166)	(183)	(123)
Other	45	9	(146)
	(2,327)	(2,309)	(2,096)
Non-controlling interests			
International and Institutional Banking	(6)	(9)	(4)
Other	-	1	-
	(6)	(8)	(4)
Profit after income tax and non-controlling interests			
Australia	2,492	2,390	2,245
International and Institutional Banking	2,372	2,301	2,090
New Zealand	743	662	430
Global Wealth and Private Banking	451	457	451
Other	(397)	(455)	(715)
	5,661	5,355	4,501

Australia Division

Australia Division	2012 $M	2011 $M	2010 $M
	Years ended September 30		
Net interest income	5,924	5,782	5,279
Other operating income	1,194	1,185	1,217
Operating income	7,118	6,967	6,496
Operating expenses	(2,893)	(2,836)	(2,668)
Profit before credit impairment and income tax	4,225	4,131	3,828
Provision for credit impairment	(666)	(719)	(619)
Profit before income tax	3,559	3,412	3,209
Income tax expense and non-controlling interests	(1,067)	(1,022)	(964)
Profit after income tax	**2,492**	**2,390**	**2,245**

Selected Australian economic indicators are shown below:

	2012	2011	2010
	Years ended September 30		
Nominal rates of growth in Gross Domestic Product[1,2]	3.9%	7.3%	5.5%
Inflation rates[3]	2.0%	3.3%	2.7%
Real rates of growth in Gross Domestic Product[1,2]	3.4%	2.0%	2.7%

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 2012 with 2011**

Profit after income tax increased $102 million (4%). Significant influences on profit after tax were:

- Net interest income increased 2% 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%
  - Asset growth was largely self-funded, with average deposit growth of 12% in the year and the majority of the deposit growth coming from savings products.
  - Net interest margin declined 12 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 increased 1%, driven by 2% growth in Commercial from higher lending volumes resulting in increased loan administration fees, package fees and guarantee fees.
- Operating expenses increased 2%, due to 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 7% 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 4% due to a 4% increase in profit before tax.

- **Comparison of 2011 with 2010**

Profit after income tax increased $145 million (6%). Significant influences on profit after tax were:

- Net interest income increased 10% mainly due to:
  - Average net loans and advances increased 9% mainly due to increases in Mortgages, combined with double digit growth in both the business banking and small business banking portfolio.
  - Average customer deposits increased 12% with solid contributions from both the retail and commercial deposit portfolios.
  - Net interest margin declined 2bps as continued competitive pricing on deposits and the impact of a shift in deposit product mix offset any benefit from asset repricing.
- Other operating income decreased 3%, mainly due to the adverse impact of removal of exception fees and deferred establishment fees from Retail, partly offset by volume driven increases.
- Operating expenses increased 6%, mainly due to inflationary impacts, annual salary increases, higher staff levels and project related spend.
- Provision for credit impairment increased 16%. South East Queensland in particular struggled due to higher than national average unemployment combined with adverse tourism impacts from the strong AUD and the floods earlier in the year. The individual provision increased 16% reflecting the stress on customers as a consequence of the deteriorating economic conditions. The year on year increase of $16 million in the collective provision charge was driven by growth and an upward trend in delinquencies in the Retail portfolio, flood provisions and writebacks in the prior year. Net impaired assets increased from 0.26% to 0.29% of net advances.
- Income tax expense increased by 6% due to a 6% increase in profit before tax.

International and Institutional Banking Division

	Years ended September 30		
International and Institutional Banking Division	2012 $M	2011 $M	2010 $M
Net interest income	3,842	3,667	3,588
Other operating income	2,750	2,523	2,304
Operating income	6,592	6,190	5,892
Operating expenses	(2,933)	(2,757)	(2,303)
Profit before credit impairment and income tax	3,659	3,433	3,589
Provision for credit impairment	(427)	(293)	(816)
Profit before income tax	3,232	3,140	2,773
Income tax expense and non-controlling interests	(860)	(839)	(683)
Profit after income tax	**2,372**	**2,301**	**2,090**
Consisting of:			
Global Institutional			
Australia	1,228	1,277	1,099
Asia Pacific, Europe & America	539	402	387
New Zealand	244	268	279
Global Institutional total	2,011	1,947	1,765
Asia Partnerships	330	318	341
Retail Asia Pacific	129	80	43
Relationship & Infrastructure	(98)	(44)	(59)
Profit after income tax	**2,372**	**2,301**	**2,090**

- **Comparison of 2012 with 2011**

Profit after income tax increased $71 million (3%). Significant influences on profit after tax were:

- Net interest income was higher mainly due to:
  - Solid growth in APEA accounted for most of the overall increases in customer deposits (up 10%) and net loans and advances (up 11%);
  - Net interest margin (excluding Global Markets) declined 40 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 $227 million (9%), primarily due to increases in Global Institutional in APEA (in particular, Transaction Banking and Global Markets).
- Operating expenses increased by $176 million (6%), driven by higher amortization charges and restructuring costs with continued re-investment in the business, partially offset by cost savings from productivity gains and greater utilization of our hub resources.
- Provision charges for credit impairment were 46% 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 increased by 3% due to a 3% increase in profit before tax.

- **Comparison of 2011 with 2010**

Profit after income tax increased $211 million (10%). Significant influences on profit after tax were:

- Net interest income was marginally higher mainly due to:
  - Average loans, advances and acceptances increasing by 16% due to solid balance sheet growth. All business lines increased loans and deposits reflecting strong franchise momentum.
  - This was offset by an adverse movement in the USD relative to the AUD; and an 8 basis point decrease in net interest margin.
- Other operating income increased by $219 million (10%), primarily due to:
  - Strong contribution from Global Markets primarily from higher fees;
  - Gain on the sale of the Taiwan credit card business; and
  - Increased equity accounted earnings from Asia Partnerships, offset by the Sacombank impairment charge.
- Operating expenses increased 20%, mainly due to the build up of staff and support capabilities.
- Provision charges for credit impairment were 64% lower compared with the prior year. Individual provision charges were lower in 2011 due to higher recoveries achieved mainly in the Retail businesses in Asia (in particular, Taiwan), partially offset by higher charges associated with certain legacy institutional positions. Collective provision charges were lower due to the upgrade of a few large Institutional customers and the release arising from active de-risking of the previously RBS-owned portfolios.
- Income tax expense increased by 23% mainly due to a 13% increase in profit before tax.

New Zealand

New Zealand Division	Years ended September 30 2012 $M	2011 $M	2010 $M
Net interest income	1,772	1,701	1,630
Other operating income	325	316	352
Operating income	2,097	2,017	1,982
Operating expenses	(921)	(906)	(960)
Profit before credit impairment and income tax	1,176	1,111	1,022
Provision for credit impairment	(148)	(166)	(408)
Profit before income tax	1,028	945	614
Income tax expense and non-controlling interests	(285)	(283)	(184)
Profit after income tax	**743**	**662**	**430**

- **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 $81 million (12%). Significant influences on profit after income tax were:

- Net interest income increased mainly due to:
  - Lending volumes increased 4%, driven primarily by strong growth in mortgages.
  - Strong customer deposits growth (10%), driven by Retail and Small Business Banking, resulted in an improvement in the funding mix year on year; and
  - Net interest margin improved by 10 basis points, driven by a favorable lending mix, a reduction in unproductive balances and lower mortgage break costs.
- Other operating income increased 3%, mainly due to fee income uplift driven by an increase in pricing of both the Retail and Business Banking overdraft fees in 2012.
- Operating expenses increased 2%, reflecting annual salary increases partly offset by productivity initiatives, resulting in the cost to income ratio falling 100 bps to 43.9%.
- Provision for credit impairment was 11% lower over the year, reflecting an improvement in the quality of the loan book and improved recovery rates.
- Income tax expense increased 1% mainly driven by a 9% increase in profit before tax, largely offset by a reduction in the New Zealand corporate tax rate.

- **Comparison of 2011 with 2010**

The business in New Zealand is based on a functional currency of NZ dollars. Therefore, the reported result for New Zealand region has been impacted by the devaluation of the NZD against the AUD over the period. Translation of the 2011 results to AUD was at an average exchange rate for the year ended September 30, 2011 of NZ$1.3051 to A$1.00 compared to an average exchange rate for the year ended September 2010 of NZ$1.2603 to A$1.00.

Profit after income tax increased $232 million (54%). Significant influences on profit after income tax were:

- Net interest income increased by $71 million (4%). Net interest margin increased by 20 basis points. This growth reflected the benefit from repricing of the fixed rate lending book and mix benefit from an increased proportion of variable rate lending in the mortgage portfolio. These gains were partly offset by a further intensification in the competition for deposits that has raised the cost of retail funding. Lending volumes declined 1% reflecting customer deleveraging, especially in the rural sector, and customer deposits increased 7%, in each case largely market-driven.
- Other operating income decreased 10%, mainly due to lower retail fees driven by a full year's impact from the fee restructure implementation in 2010.
- Operating expenses decreased 6%, reflecting productivity gains from simplifying the business, which more than offset inflationary impacts.
- The individual provision for credit impairment charge decreased by $104 million (29%) with loss rates declining as the economy recovers.
- The collective provision for credit impairment charge declined $138 million, largely reflecting credit cycle adjustments booked in the 2010 year, with part release in 2011.
- Income tax expense increased by 54% mainly driven by a 54% increase in profit before tax.

Global Wealth and Private Banking

Global Wealth and Private Banking Division	2012 $M	2011 $M	2010 $M
	Years ended September 30		
Net interest income	123	135	143
Other operating income	172	191	238
Net funds management and insurance income	1,183	1,159	895
Operating income	1,478	1,485	1,276
Operating expenses	(857)	(853)	(734)
Profit before credit impairment and income tax	621	632	542
Provision for credit impairment	(4)	8	32
Profit before income tax	617	640	574
Income tax expense and non-controlling interests	(166)	(183)	(123)
Profit after income tax	**451**	**457**	**451**

- **Comparison of 2012 with 2011**

Profit after income tax decreased $6 million (1%) driven by adverse investor sentiment and subdued market returns negatively impacting volumes and resulting in lower net interest and other operating income. Significant influences on profit after income tax were:

- Net interest income and other operating income declined by 9% and 10% respectively as a result of challenging market conditions in 2012.
- Net funds management and insurance income increased by 2% mainly due to higher capital investment earnings as a result of the positive impact of interest and inflation rates on insurance and annuity reserves.
- Flat operating expenses were mainly driven by the investment in growth initiatives, partially offset by benefits realized from business simplification initiatives.
- 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 9% mainly driven by a 4% decrease in profit before tax.

- **Comparison of 2011 with 2010**

Profit after tax was $6 million (1%) higher as a result of volatile market conditions and negative investor sentiment adversely impacting volumes and margin compression. In addition, the result has been impacted by the catastrophic weather events of 2011, higher levels of investment in strategic projects and the normalisation of the provision for credit impairments following the recovery of asset valuations in 2010 from the 2009 level.

- Net interest income is lower due to the repayment of wholesale legacy loans combined with higher funding costs in ANZ Private and Other Wealth.
- Income from Insurance operations reflected continued growth across all Retail segments, however general insurance claims were higher due to the catastrophic weather events in the September 2011 full year.
- Operating expenses increased $119 million (16%) due to higher levels of investment in strategic projects and one off charges relating to software impairments, partially offset by integration benefits and tight control of discretionary spend.
- Releases of provisions for credit impairment were significantly higher in 2010 due to improved asset valuations on legacy wholesale equity backed loans during the year, resulting in a decrease of $24 million (75%) in the credit impairment expense.
- Tax expense and the related effective tax rate were higher in September 2011 as the September 2010 year benefited from one-off tax credits.

Balance sheet[1]

	As at September 30		
	2012 $M	2011 $M	2010 $M
Assets			
Liquid assets and due from other financial institutions	53,681	38,925	24,426
Trading and available-for-sale assets	61,164	58,338	54,257
Derivative financial instruments	48,929	58,641	37,821
Net loans and advances	427,823	397,307	363,392
Regulatory deposits	1,478	1,505	1,056
Investments backing policy liabilities	29,895	29,859	32,171
All other assets[1]	19,157	19,638	18,580
Total assets	642,127	604,213	531,703
Liabilities			
Due to other financial institutions	30,538	27,535	21,610
Deposits and other borrowings	397,123	368,729	310,383
Derivative financial instruments	52,639	55,290	37,217
Bonds and notes	63,098	56,551	59,714
Insurance policy liabilities	33,486	32,536	34,429
All other liabilities	24,023	25,618	34,195
Total liabilities	600,907	566,259	497,548
Net assets	41,220	37,954	34,155

1. *Comparative information has changed for certain line items. Refer to pages 2 to 3 for further details.*
2. *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 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 (29%) 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.

- **Comparison of 2011 with 2010**

Liquid assets and due from other financial institutions increased by $14.5 billion (59%) primarily due to:

- An increase of $6.7 billion in liquid assets mainly due to the Group's drive to attract more deposits in Australia and Asia leading to greater liquidity requirements.
- An increase of $7.8 billion in due from other financial institutions mainly driven by volatility in foreign exchange rates and derivatives.

Trading and available-for-sale assets

- **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.

- **Comparison of 2011 with 2010**

Trading and available-for-sale assets increased $4.0 billion (8%) mainly due to the balance sheet reclassification of non-tradable bill acceptances as net loans and advances rather than trading securities and a $1.5 billion (7.3%) increase in available for-sale-assets in predominantly Global Markets due to reduced trading opportunities.

Derivative financial instruments

- **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.

- **Comparison of 2011 with 2010**

Derivative financial instruments increased by $20.8 billion (55%), due to depreciation in the AUD against other currencies late in the second half of 2011 and volatility in the foreign exchange and interest rate markets.

Net loans and advances

- **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.

- **Comparison of 2011 with 2010**

Net loans and advances increased by $33.9 billion (9%) primarily due to

- The balance sheet reclassification of non-tradable bill acceptances as net loans and advances rather than trading securities in September 2010 of $6.0 billion.
- Net loans and advances in Australia growing by $13.2 billion (6%), with housing loans in Mortgages increasing by $11 billion (7%).
- Net loans and advances in International and Institutional Banking increasing by $11.7 billion (43%) as a result of the acquisition of RBS businesses and growth in Transaction Banking and Specialized and Relationship Lending.
- Net loans and advances in New Zealand decreasing by $0.9 billion (1%) mainly due to reduced customer demand for loans and advances as a result of the current economic climate.

Investments backing policy liabilities

Investments relating to ANZ Wealth Australia (previously OnePath Australia) and OnePath New Zealand were valued at $29.9 billion at year ended September 30, 2012 (2011: $29.9 billion; 2010: $32.2 billion).

All other assets

- **Comparison of 2012 with 2011**

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

- **Comparison of 2011 with 2010**

All other assets increased by $1.1 billion (6%) mainly due to reclassifications undertaken.

Liabilities

Due to other financial institutions

- **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.

- **Comparison of 2011 with 2010**

Due to other financial institutions increased $5.9 billion (27%) primarily due to increased funding requirements from customers in Australia, New Zealand and Asia.

Deposits and other Borrowings

- **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.

- **Comparison of 2011 with 2010**

Deposits and other borrowings increased $58.3 billion (19%) mainly due to:

- An increase in deposits and other borrowings in Australia of $16.0 billion (14%) as customers responded to continued attractive rates on offer partially offset by a reduction in Institutional, which declined due to the impact of competitive pressures.

- Deposits and other borrowings in IIB continued to grow at a steady rate with an increase of $18.1 billion (33%) due to a number of initiatives to raise customer deposits levels in order to reduce the Group's reliance on wholesale funding.
- Deposits and other borrowings in New Zealand continued to decline with a decrease of $0.9 billion (2%) due to the current economic environment and the Christchurch earthquake

Derivative financial instruments

- **Comparison of 2012 with 2011**

The derivative liability balance has decreased by $2.7 billion (4.8%), 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.

- **Comparison of 2011 with 2010**

Derivative financial liabilities increased $18.1 billion (49%) mainly due to reclassifications undertaken.

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 Australian dollar during the year.

- **Comparison of 2011 with 2010**

Bonds and notes decreased $3.2 billion (5%) mainly due to an increase in net issuances, partly offset by favorable currency exchange rate movements caused by the strong appreciation in the Australian dollar during the year.

Insurance policy liabilities

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

- **Comparison of 2012 with 2011**

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

- **Comparison of 2011 with 2010**

Insurance policy liabilities were valued at $32.5 billion at year ended September 30, 2011 down $1.9 billion from $34.4 billion at September 30, 2010.

All other liabilities

- **Comparison of 2012 with 2011**

All other liabilities decreased $1.6 billion.

- **Comparison of 2011 with 2010**

All other liabilities decreased by $8.6 billion.

Capital management – APRA Basel 2

Qualifying Capital	As at September 30 2012 $M	2011 $M	2010 $M
Tier 1			
Shareholders' equity and non-controlling interests	41,220	37,954	34,155
Prudential adjustments to shareholders' equity	(3,857)	(3,479)	(2,840)
Fundamental Tier 1 capital	37,363	34,475	31,315
Deductions	(10,839)	(10,611)	(10,057)
Common Equity Tier 1 capital	26,524	23,864	21,258
Non-innovative Tier 1 capital instruments	4,390	5,111	3,787
Innovative Tier 1 capital instruments	1,587	1,641	1,646
Tier 1 capital	32,501	30,616	26,691
Tier 2			
Upper Tier 2 capital	1,185	1,228	1,223
Subordinated notes	5,702	5,017	6,619
Deductions	(2,814)	(3,071)	(3,026)
Tier 2 capital	4,073	3,174	4,816
Total qualifying capital	36,574	33,790	31,507
Capital adequacy ratios			
Common Equity Tier 1[1]	8.8%	8.5%	8.0%
Tier 1	10.8%	10.9%	10.1%
Tier 2	1.4%	1.2%	1.8%
Total	12.2%	12.1%	11.9%
Risk weighted assets[2]	300,119	279,964	264,242

1. *Common Equity Tier 1 is Tier 1 excluding hybrid Tier 1 capital instruments.*
2. *Risk weighted assets are calculated using the Basel II methodology.*

- **Comparison of 2012 with 2011**

Tier 1 Ratio

The Tier 1 ratio 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 capitalized 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).

- **Comparison of 2011 with 2010**

Tier 1 Ratio

The Tier 1 ratio at September 30, 2011 of 10.9% represents an increase from September 30, 2010 of 80 basis points.

The key contributors to the increase were:

- Statutory profit after preference share dividends of $5.3 billion (+202 basis points).
- Ordinary share dividend commitments net of actual and expected reinvestment through the DRP and BOP of $2.2 billion (-83 basis points).
- Increase in Risk Weighted Assets (RWA) was $15.7 billion, excluding the impact of exchange rate movements was $14.4 billion due to:
  - Portfolio growth and mix (-65 basis points);
  - Risk migration incorporating decline in RWA and decrease in Expected Loss versus Eligible Provision shortfall (+8 basis points);
  - Portfolio data review (+2 basis points); and
  - Higher non-credit risk RWA (-2 basis points), due to interest rate risk in the banking book and Operational RWA more than offsetting declining Market RWA.
- Increase in investment/profit retention in funds management businesses, associates and commercial operations excluding the impact of exchange rate movements (-15 basis points).
- Other items (net -17 basis points) including movement in capitalized software expense (-14 basis points), partially offset by movement in net deferred tax assets (+4 basis points) and other deductions (+3 basis points).
- Further investment in Shanghai Rural Commercial Bank (-5 basis points) and a commitment to further invest in Bank of Tianjin (-2 basis points).
- Additional net hybrid capital issuances of $5.3 billion (+51 basis points).

Hybrid capital and Tier 1 capital

ANZ raises hybrid Tier 1 capital to further strengthen the Group's capital base and supplement its Common Equity Tier 1 capital position, ensuring compliance with APRA's prudential capital requirements and meeting Group operating targets for Tier 1. The total amount of qualifying hybrid capital is known as Residual Tier 1 capital which is limited to 25% of Tier 1 capital. Innovative Tier 1 capital, a sub category of Residual Tier 1 capital, is limited to 15% of Tier 1 capital. On September 28, 2012, APRA released final prudential standards implementing the Basel 3 framework, with Residual Tier 1 capital replaced by additional Tier 1 capital, and the distinction between Innovative and Non-innovative instruments abolished and the current limits removed, with effect from January 1, 2013.

As at September 30, 2012, ANZ's hybrid Tier 1 capital usage and instrument details were as follows:

Instrument	$M	% of Net Tier 1 capital	Limit	Amount in issue currency	Accounting classification	Interest rate
ANZ Convertible Preference Shares (CPS1)	1,081			AUD1,081 million	Debt	90 day BBSW + 2.50% (gross pay equivalent)
ANZ Convertible Preference Shares (CPS2)	1,969			AUD1,969 million	Debt	90 day BBSW + 3.10% (gross pay equivalent)
ANZ Convertible Preference Shares (CPS3)	1,340			AUD1,340 million	Debt	180 day BBSW + 3.10% (gross pay equivalent)
Non-innovative instruments	**4,390**					
Euro Trust Securities	871			EURO500 million	Equity	Euribor (3 month) + 0.66%
US Trust Securities	716			USD750 million	Debt	Coupon: 5.36%
Innovative instruments	**1,587**	**4.9%**	**15%**			
Residual Tier 1 capital	**5,977**	**18.4%**	**25%**			

Regulatory change

The Basel Committee on Banking Supervision has released a series of consultation papers (Basel III) containing a number of proposals to strengthen the global capital and liquidity framework to improve the banking sector's ability to absorb shocks arising from financial and economic stress.

Following on from the December 2010 Basel Committee paper on prudential capital reforms, APRA released its new prudential capital standards in September 2012 detailing the implementation of the majority of Basel III capital reforms in Australia. APRA is adopting the Basel III reforms with increased capital deductions from Common Equity Tier 1 (CET1) capital, an increase in capitalization rates (including prescribed minimum capital buffers), tighter requirements around new Tier 1 and Tier 2 securities and transitional arrangements for existing Tier 1 and Tier 2 securities that do not conform to the new regulations.

Based upon the APRA Basel III standards, ANZ would have reported a CET1 capital ratio of 8.0% as at September 30, 2012.

ANZ is well placed to meet APRA's early adoption of the Basel III capital reforms on January 1, 2013, and the implementation of the capital conservation measures, including the capital conservation buffer, on January 1, 2016.

APRA is still to finalize capital standards on the Basel III reforms dealing with the improvements in capital disclosures, leverage ratio, counterparty credit risk, contingent capital and measures to address systematic and inter-connected risks.

Deferred acquisition costs and deferred income

The Group recognizes as assets deferred acquisition costs relating to the acquisition of interest earning assets. The Group also recognizes deferred income that is integral to the yield of an originated financial instrument, net of any direct incremental costs. This income is deferred and recognized as net interest income over the expected life of the financial instrument under AASB 139: 'Financial Instruments: Recognition and Measurement'. Deferred acquisition costs that do not relate to interest earning assets, for example those relating to the acquisition of life investment contracts, are excluded from this analysis.

The balances of deferred acquisition costs and deferred income were:

	Deferred acquisition costs[1]		Deferred income	
Division	**2012 $M**	**2011 $M**	**2012 $M**	**2011 $M**
Australia	704	597	68	84
International and Institutional Banking	12	-	309	299
New Zealand	80	32	35	28
Global Wealth and Private Banking	1	-	3	3
Other	53	59	-	-
Total	850	688	415	414

1. *Deferred acquisition costs largely include the amounts of brokerage capitalized and amortized in Australia and New Zealand. Deferred acquisition costs also include capitalized debt raising expenses.*

Deferred acquisition costs analysis:

	2012		2011	
	Amortization Charge	**Capitalized Costs[1]**	**Amortization Charge**	**Capitalized Costs[1]**
Division	**$M**	**$M**	**$M**	**$M**
Australia	356	464	314	355
International and Institutional Banking	4	16	1	-
New Zealand	25	72	31	21
Global Wealth and Private Banking	-	-	-	-
Other	21	16	19	25
Total	406	568	365	401

1. *Costs capitalized during the year exclude brokerage trailer commissions paid.*

Software capitalization

At September 30, 2012, the Group's intangibles included $1,762 million in relation to costs incurred in acquiring and developing software. Details are set out in the table below:

	As at September 30		
	2012 $M	2011 $M	2010 $M
Balance at start of period	1,572	1,217	849
Software capitalized during the period	786	645	592
Amortization during the period	(320)	(249)	(207)
Software impaired/written-off	(274)	(44)	(17)
Foreign exchange movements	(2)	3	-
Total software capitalization	1,762	1,572	1,217
Less: software capitalized excluded from Capital calculation	(60)	(82)	(90)
Capitalized software as per deductions from Tier 1 capital	1,702	1,490	1,127

Capitalized cost analysis:

	As at September 30		
	2012 $M	2011 $M	2010 $M
Australia	180	77	89
International and Institutional Banking	345	347	282
New Zealand	31	36	29
Global Wealth and Private Banking	46	42	98
Other	184	143	94
Total	786	645	592

Net book value by division:

	As at September 30		
	2012 $M	2011 $M	2010 $M
Australia	338	302	313
International and Institutional Banking	906	860	612
New Zealand	81	66	60
Global Wealth and Private Banking	75	93	99
Other	362	251	133
Total	1,762	1,572	1,217

Following the identification of impairment triggers, an impairment assessment was performed on intangible assets, including internally generated software assets. A detailed review of the recoverable amount was performed, and where the benefits associated with the asset were substantially reduced from what had originally been anticipated, the assets were written down to their recoverable amount. This resulted in the write down of $274 million (pre-tax) during 2012.

Commitments

The Group leases land and buildings under operating leases from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria. Contingent rentals are not included in lease rental commitments, and are not provided for due to their immateriality and therefore are expensed as incurred.

The table below shows total commitments for each of the three years ended September 30:

	As at September 30		
	2012 $M	2011 $M	2010 $M
Property			
Capital expenditure			
Contracts for outstanding capital expenditure	78	61	62
Total capital expenditure commitments	78	61	62
Lease rentals			
Land and buildings	1,561	1,502	1,445
Furniture and equipment	177	130	121
Total lease rental commitments	1,738	1,632	1,566
Not later than 1 year	400	377	372
Later than 1 year but not later than 5 years	887	863	805
Later than 5 years	451	392	389
Total lease rental commitments	1,738	1,632	1,566

Credit related commitments

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

	As at September 30		
	2012 $M	2011 $M	2010 $M
Undrawn facilities[1]	141,355	135,243	124,029

1. *September 2011 undrawn facilities have been restated by $2,646 million using the revised methodology for undrawn overdrafts that was implemented during 2012. 2010 numbers have not been restated.*

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		
	2012 $M	**2011 $M**	**2010 $M**
Financial guarantees	6,711	6,923	6,313
Standby letters of credit	2,450	2,672	1,991
Documentary letter of credit	3,201	2,964	2,498
Performance related commitments	19,440	17,770	16,103
Other	581	881	580
Total contingent liabilities	32,383	31,210	27,485

Customer financings

Customer financing through redeemable preference shares is undertaken as part of an in-house debt/equity hybrid capability making investments in small medium enterprise ('SMEs') customers. Redeemable preference shares take the form of convertible redeemable preference notes, with an equity conversion right in the event of an Initial Public Offering, trade sale or other specified trigger event.

Although legally described as preference shares, advances to customers using this product meet the definition of financial assets under IFRS, and therefore would be recorded as part of net loans and advances or investments if appropriate. Income received on these products, consistent with their recognition as assets, would be recorded as part of interest income. Our policies for management of lending in the form of redeemable preference shares are consistent with our policies for general lending of similar amounts to similar clients.

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 liquidity risk associated with the timing mismatch of cash flows 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 held is based on a range of ANZ specific and general market liquidity stress scenarios such that our cash flow obligations can continue to 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, including the different behavior 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 also 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 central bank 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 $18.0 billion;
  - Australian Commonwealth and State Government securities and gold of $12.6 billion; and
  - cash and other securities to satisfy local country regulatory liquidity requirements which are not included in the liquid assets.

Prime liquidity portfolio (Market Values)[1]	As at September 30 2012 $M	2011 $M	2010 $M
Australia	24,050	20,815	20,974
New Zealand	10,990	9,141	7,547
United States	1,367	1,353	1,275
United Kingdom	3,260	2,654	2,183
Singapore	4,491	6,409	3,737
Hong Kong	608	273	467
Japan	1,340	-	-
Total excluding internal Residential Mortgage Backed Securities	**46,106**	**40,645**	**36,183**
Internal Residential Mortgage Backed Securities (Australia)	34,871	26,831	26,657
Internal Residential Mortgage Backed Securities (New Zealand)	2,981	3,899	3,812
Total prime portfolio	**83,958**	**71,375**	**66,652**
Other eligible securities including gold and cash on deposit with central banks	30,605	20,130	3,318
Total liquidity portfolio	**114,563**	**91,505**	**69,970**

1. *Market value is post the repo discount applied by the applicable central bank.*

Wholesale Funding

ANZ targets a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency. Diversification was further enhanced during the year ended September 2012 with the introduction of the Group covered bond funding program.

As at September 30, 2012, the composition of the Group's wholesale funding profile was:

- Term wholesale funding with a remaining maturity of more than one year of $68.4 billion (12% of total funding);
- Term wholesale funding with a remaining maturity of one year or less of $25.4 billion (5% of total funding);
- Short term wholesale funding (including central bank deposits) of $78.9 billion (14% of total funding); and
- Shareholders' equity and hybrids, of $46.3 billion (8% of total funding).

$25.8 billion of term wholesale debt (with a remaining term greater than one year as at September 30, 2012) was issued during the September 2012 financial year, of which $4.5 billion is pre-funding for the September 2013 financial year.

ANZ maintained access to all major global wholesale funding markets during 2012.

- Benchmark term debt issues were completed in AUD, USD, EUR, JPY, CHF, GBP, CNH and NZD;
- All short term wholesale funding needs were met;
- The weighted average tenor of new term debt issuance remained relatively flat at 4.6 years (4.7 years in 2011); and
- The weighted average cost of new term debt issuance increased further in 2012 as a result of volatility in global markets. Conditions improved towards the end of the year, however average portfolio costs remain substantially above pre global financial crisis levels and continue to increase as maturing term wholesale funding is replaced at higher spreads.

The following tables show the Group's funding composition:

	As at September 30		
	2012 $M	2011 $M	2010 $M
Customer deposits and other liabilities[1]			
Australia	140,798	126,969	111,181
International and Institutional Banking	142,662	129,683	108,471
New Zealand	39,622	35,938	33,331
Global Wealth and Private Banking	9,449	8,129	7,389
Other	(4,655)	(3,965)	(3,497)
Total customer deposits	327,876	296,754	256,875
Other[2]	9,841	11,450	9,113
Total customer deposits and other liabilities (funding)	337,717	308,204	265,988
Wholesale funding[4,5]			
Bonds and notes[6]	62,693	56,551	59,714
Loan capital	11,914	11,993	12,280
Certificates of deposit	56,838	55,554	39,530
Commercial paper issued	12,164	14,333	11,641
Due to other financial institutions	30,538	27,535	23,065
Other wholesale borrowings[3]	4,585	(450)	12,180
Total wholesale funding	178,732	165,516	158,410
Shareholders' equity (excl preference shares)	40,349	37,083	33,284
Total funding	556,798	510,803	457,682
Wholesale funding maturity[4,5]			
Short term wholesale funding (excluding Central Banks)	63,433	56,918	49,513
Central Bank deposits	15,475	10,646	11,495
Long term wholesale funding[4]			
- Less than 1 year residual maturity	25,391	27,883	26,779
- Greater than 1 year residual maturity	68,449	63,293	72,065
Hybrid capital including preference shares	5,984	6,776	5,523
Total wholesale funding and preference share capital excluding shareholders' equity	178,732	165,516	165,375
Total funding maturity			
Short term wholesale funding (excluding Central Banks)	11%	11%	13%
Central Bank deposits	3%	2%	0%
Long term wholesale funding			
- Less than 1 year residual maturity	5%	6%	6%
- Greater than 1 year residual maturity	12%	12%	16%
Total customer liabilities (funding)	61%	60%	57%
Shareholders' equity and hybrid debt	8%	9%	8%
Total funding and shareholders' equity	100%	100%	100%

1. *Includes term deposits, other deposits and an adjustment to eliminate OnePath Australia investments in ANZ deposit products.*
2. *Includes interest accruals, payables and other liabilities, provisions and net tax provisions, excluding other liabilities in OnePath Australia.*
3. *Includes net derivative balances, special purpose vehicles, other borrowings and preference share capital Euro hybrids.*
4. *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.*
5. *Liability for acceptances have been removed as they do not provide net funding.*
6. *Excludes term debt issued externally by OnePath.*

Term debt maturity profile

	Years ended September 30					
Year of maturity	**2013 $M**	**2014 $M**	**2015 $M**	**2016 $M**	**2017 $M**	**>2017 $M**
Senior term debt	23,506	8,028	14,817	9,703	5,578	4,964
Government guaranteed term debt	420	7,962	77	-	-	-
Covered bonds	-	-	650	5,200	2,220	3,123
Subordinated and perpetual debt	1,465	1,004	-	-	2,726	2,396
Total	**25,391**	**16,994**	**15,544**	**14,903**	**10,524**	**10,483**

Credit risk management

Central and divisional credit risk teams perform key roles in portfolio management such as the development and validation of credit risk measurement systems, loan asset quality reporting, stress testing, and the development of credit policies. Credit policies and procedures cover all aspects of the credit life cycle such as transaction structuring, risk grading, initial approval, ongoing management and problem debt management, as well as specialist policy topics.

The Group's grading system is fundamental to the management of credit risk, seeking to measure the probability of default ('PD'), the exposure at default ('EAD') and the loss in the event of default ('LGD') for all transactions.

From an operational perspective, the Group's credit grading system has two separate and distinct dimensions that:

- measure the PD, which is expressed by a 27-grade Customer Credit Rating ('CCR'), reflecting the ability to service and repay debt. Within the programmed credit assessment sphere, the PD is typically expressed as a score which maps back to the PD.
- measure the LGD, which is expressed by a Security Indicator ('SI') ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which can be realized in the event of default. The security-related SIs are supplemented with a range of other SIs to cover situations where ANZ's LGD research indicates certain transaction characteristics have different recovery outcomes. Within the programmed credit assessment sphere, exposures are grouped into large homogenous pools – and the LGD is assigned at the pool level.

The development and regular validation of rating models is undertaken by specialist central risk management teams. The outputs from these models drive many day-to-day credit decisions, such as origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation and provisioning. The risk grading process includes monitoring of model-generated results to ensure appropriate judgment is exercised (such as overrides to take into account any out-of-model factors).

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	**2012 $M**	**2011 $M**	**2010 $M**
Impaired loans	4,364	4,650	6,075
Restructured items	525	700	141
Non-performing commitments and contingencies	307	231	345
Gross impaired assets	**5,196**	**5,581**	**6,561**
Individual provisions			
Impaired loans	(1,729)	(1,687)	(1,849)
Non-performing commitments and contingencies	(44)	(10)	(26)
Net impaired assets	**3,423**	**3,884**	**4,686**

	As at September 30		
	2012 $M	**2011 $M**	**2010 $M**
Total gross impaired loans	4,364	4,650	6,075
Subject to specific provision for credit impairment	4,011	4,376	5,892
Without specific allowance for loan losses	353	274	183

	As at September 30		
Gross impaired loans by geographic region	**2012 $M**	**2011 $M**	**2010 $M**
Australia	2,838	2,592	3,837
Asia Pacific, Europe & America	535	666	687
New Zealand	991	1,392	1,551
Total gross impaired loans	4,364	4,650	6,075

	As at September 30		
New impaired assets by geographic region	**2012 $M**	**2011 $M**	**2010 $M**
Australia	3,119	2,804	3,406
Asia Pacific, Europe & America	284	308	324
New Zealand	800	1,167	1,715
Total new impaired assets	4,203	4,279	5,445

- **Comparison of 2012 with 2011**

Gross impaired assets decreased by $385 million (7%) over the year, driven by a reduction in impaired loans in the year and a reduction in restructured items, partially 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 loans of 41% at September 30, 2012.

- **Comparison of 2011 with 2010**

Gross impaired assets decreased $980 million (15%), driven by portfolio improvement and asset realizations within the Institutional portfolio.

Net impaired assets decreased by $802 million (17%) from $4,686 million at September 30, 2010. The Group has an individual provision coverage ratio of 30%, reflecting a prevalence of well secured exposures within impaired assets.

Impaired loans (by geographic region) – five year summary

	Years ended September 30				
	2012 $M	2011 $M	2010 $M	2009 $M	2008 $M
Gross impaired loans subject to specific provision					
Australia	2,681	2,486	3,717	3,110	1,272
Asia Pacific, Europe & America	339	499	630	145	149
New Zealand	991	1,391	1,545	923	255
Total	4,011	4,376	5,892	4,178	1,676
Individual provisions for credit impairment	(1,729)	(1,687)	(1,849)	(1,512)	(646)
Net exposure	2,282	2,689	4,043	2,666	1,030
Gross impaired loans not subject to specific provision					
Australia	156	107	120	123	34
Asia Pacific, Europe & America	196	166	57	41	21
New Zealand	1	1	6	50	19
Total	353	274	183	214	74
Net impaired loans[1]	2,635	2,963	4,226	2,880	1,104
Gross impaired loans					
Australia	2,837	2,592	3,837	3,232	1,306
Asia Pacific, Europe & America	535	666	687	187	170
New Zealand	992	1,392	1,551	973	274
Total	**4,364**	**4,650**	**6,075**	**4,392**	**1,750**
Individual provisions for credit impairment	(1,729)	(1,687)	(1,849)	(1,512)	(646)
Net impaired loans[1]	2,635	2,963	4,226	2,880	1,104
Ratio of individual provision for credit impairment to gross impaired loans	39.6%	36.3%	30.4%	34.4%	36.9%

1. *Excluding restructured items of $525 million (2011: $700 million; 2010: $141 million; 2009: $673 million; 2008: $823 million) and off-balance sheet commitments that have been classified as non-performing commitments and contingencies of $307 million (2011: $231 million; 2010: $345 million; 2009: $530 million, 2008: $77 million) net of a provision of $44 million (2011: $10 million; 2010: $26 million; 2009: $14 million, 2008: $29 million).*

Restructured items (by geographic region)

	As at September 30		
	2012 $M	2011 $M	2010 $M
Australia	324	684	134
Asia Pacific, Europe & America	53	-	-
New Zealand	148	16	7
Total restructured items[1]	525	700	141

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 (by geographic region)

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		
	2012 $M	2011 $M	2010 $M
Australia	280	205	312
Asia Pacific, Europe & America	8	5	9
New Zealand	19	21	24
Gross impaired commitments and contingencies	307	231	345

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 (by geographic region)

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		
	2012 $M	2011 $M	2010 $M
Australia	1,473	1,523	1,234
Asia Pacific, Europe & America	59	69	83
New Zealand	181	242	238
Total past due loans	1,713	1,834	1,555

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 based on its experienced judgment.

Credit exposures, including loans and advances and off-balance sheet items, such as commitments and guarantees, are reviewed at least at each reporting date for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated. Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans) and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data such as changed economic conditions. The provision also takes account of the impact of inherent risk of large concentrated losses within the portfolio.

The estimated impairment losses are measured as the difference between the assets' carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognized in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgment. These judgments are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. In order to reduce any differences between loss estimates and actual loss experience, the historical loss experience is reviewed and may be adjusted based on current observable data and events and an assessment of the impact of model deficiencies.

The collective provision is regularly reviewed to ensure it is adequate, having regard to the loss rate and term of the portfolio. The provision for credit impairment is determined from analysis of both individual loan and portfolio risk gradings, associated default and loss expectancy rates and an assessment of the emergence period for incurred losses.

Provision for credit impairment by geographic region

	As at September 30		
Individual provision balance	**2012 $M**	**2011 $M**	**2010 $M**
Australia	1,128	908	977
Asia Pacific, Europe & America	277	387	429
New Zealand	368	402	469
Total individual provision	1,773	1,697	1,875

	Years ended September 30		
	2012 $M	**2011 $M**	**2010 $M**
Collective provision			
Balance at start of period	3,176	3,153	3,000
Charge/(credit) to income statement	(379)	7	(4)
Provisions acquired	(4)	-	240
Adjustment for exchange rate fluctuations	(28)	16	(83)
Total collective provision[1]	2,765	3,176	3,153
Individual provision			
Balance at start of period	1,697	1,875	1,526
New and increased provisions	2,293	2,033	2,350
Write-backs	(537)	(613)	(437)
Provisions acquired	-	-	394
Adjustment for exchange rate fluctuations	(34)	8	(100)
Discount unwind	(143)	(185)	(165)
Bad debts written-off	(1,503)	(1,421)	(1,693)
Total individual provision	1,773	1,697	1,875
Total provision for credit impairment	4,538	4,873	5,028

1. *Collective provision includes amounts for off-balance sheet credit exposures: $529 million at September 30, 2012 (Sep 2011: $572 million; Sep 2010: $576 million). The impact on the income statement for the year ended September 30, 2012 was a $14 million release (Sep 2011: $7 million release; Sep 2010: $nil).*

	Years ended September 30		
Provision movement analysis	**2012 $M**	**2011 $M**	**2010 $M**
New and increased provisions			
Australia	1,730	1,362	1,620
Asia Pacific, Europe & America	187	212	171
New Zealand	376	459	559
	2,293	2,033	2,350
Write-backs	(537)	(613)	(437)
	1,756	1,420	1,913
Recoveries of amounts previously written-off	(214)	(227)	(143)
Individual provision charge for loans and advances	1,542	1,193	1,770
Impairment on available-for-sale assets	35	37	21
Collective provision charge/(credit) to income statement	(379)	7	(4)
Charge to income statement	1,198	1,237	1,787

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, 2012 72% of gross loans and advances were booked in Australia (September 2011: 72%), and 18% were booked in New Zealand (2011: 19%). The inherent risk characteristics of ANZ's loan portfolio are therefore very much linked to general economic conditions in Australia and New Zealand, where the portfolio is diversified across different regions, industries, customer types, and products.

As at year ended September 30, 2012, ANZ's largest credit exposure in Australia was in the category 'Personal Lending' (49%), 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 2012 Annual Report, excerpts of which are attached to this U.S. Disclosure Document as Annex A, for details.

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, 2012 the Directors were:

Director's Name	Position held	Year appointed	Age
J P Morschel	Chairman, Independent Non-Executive Director	2004	69
G J Clark	Independent Non-Executive Director	2004	69
D E Meiklejohn, AM	Independent Non-Executive Director	2004	70
I J Macfarlane, AC	Independent Non-Executive Director	2007	66
M R P Smith, OBE	Chief Executive Officer, Executive Director	2007	56
A M Watkins	Independent Non-Executive Director	2008	49
P A F Hay	Independent Non-Executive Director	2008	62
Lee Hsien Yang	Independent Non-Executive Director	2009	55
P J Dwyer	Independent Non-Executive Director	2012	52

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, 2012 the Board comprised eight 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: 69. Residence: Sydney, Australia.

Mr M R P Smith, OBE

Mr M R P Smith, OBE, Chief Executive Officer, Executive Director

BSc (Hons)

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).
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: Chongqing Mayor's International Economic Advisory Council (from 2006), 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 CEO 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 Board Member: Visa International (Asia Pacific) Limited (2005–2007).

Age: 56. 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).

Former Directorships include

Former Director: Eircom Holdings Ltd (formerly Babcock & Brown Capital Limited) (2006–2009).
Former Principal: Clark Capital Partners (2003–2010).

Age: 69. Residence: Based in New York, United States of America and also resides in Sydney, Australia.

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

Non-Executive Director since April 2012. Member of the Audit Committee and Risk 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: Baker IDI Heart and Diabetes Institute (from 2005).
Director: Leighton Holdings Limited (from 2012) and Lion Pty Ltd (from 2012).
Member: Australian Government Takeovers Panel (from 2008).

Former Directorships include

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: 52. 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

Chairman: Lazard Pty Ltd Advisory Board (from 2009).
Director: Alumina Limited (from 2002), Landcare Australia Limited (from 2008), GUD Holdings Limited (from 2009) and Myer Holdings Limited (from 2010).
Member: Australian Government Takeovers Panel (from 2009).

Former Directorships include

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: 62. 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: Fraser & Neave Limited (from 2007), The Islamic Bank of Asia Limited (from 2012, Director from 2007), Asia Pacific Investments Pte Ltd (from 2012, Director from 2009) and Civil Aviation Authority of Singapore (from 2009).
Director: Singapore Exchange Limited (from 2004) 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).
Consultant: Capital International Inc Advisory Board (from 2007).

Former Directorships include

Former Chairman: Republic Polytechnic (2002–2009).
Former Member: Merrill Lynch PacRim Advisory Council (2007–2010).
Former Chief Executive Officer: Singapore Telecommunications Limited (1995–2007).

Age: 55. Residence: Singapore.

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), Leighton Holdings 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 JB Were (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).

Age: 66. 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: 70. Residence: Melbourne, Australia.

Ms A M Watkins Independent Non-Executive Director, Chair of the Human Resources Committee
BCom, FCA, F 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).
Member: Australian Government Takeovers Panel (from 2010).

Former Directorships include

Former CEO: 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: 49. Residence: Melbourne, Australia.

Senior Management and Executives

At October 1, 2012 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 – 56	Chief Executive Officer Over 30 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 – 52	Group Managing Director, Human Resources Over 21 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 - 56	Chief Executive Officer, Australia Over 27 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 - 45	Group Chief Operating Officer Over 22 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 – 48	Chief Financial Officer Over 24 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
D Hisco Age – 49	Chief Executive Officer, New Zealand Over 30 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 – 57	Deputy Chief Executive Officer Over 30 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 – 50	Chief Executive Officer, Global Wealth and Private Banking and Group Managing Director, Marketing, Innovation and Digital Over 25 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
A Thursby Age – 52	Chief Executive Officer, International and Institutional Banking Over 22 years experience in the Banking and Financial Services Industry. Roles prior to ANZ include senior Institutional roles with Standard Chartered Bank in Singapore, North East Asia, China, and United Arab Emirates.	2008	2007
A Weatherston Age - 55	Chief Information Officer Over 17 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 - 50	Chief Risk Officer Over 27 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

ANZ has equity securities listed on the Australian Securities Exchange (ASX) and the New Zealand Stock Exchange (NZX), and debt securities listed on these and other overseas Securities Exchanges. ANZ must therefore comply (and has complied) with a range of listing and corporate governance requirements from Australia and overseas.

- **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.

Changes to the ASX Governance Principles came into effect for ANZ's financial year beginning on October 1, 2011. ANZ has taken steps to comply with these changed requirements.

- **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 materially differ 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 (SEC) with effect from October 2007. Despite no longer being required to comply with United States of America (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.

Directors

The information below relates to the Directors in office and sets out their Board Committee memberships and other details, as at September 30, 2012.

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 these 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:

- approval of ANZ's Remuneration Policy, including various remuneration matters as detailed in the Charter;
- any matters in excess of any discretions delegated to Board Committees or the Chief Executive Officer;
- annual approval of the budget and strategic plan;
- significant changes to organizational structure; and
- the acquisition, establishment, disposal or cessation of any significant business.

Under ANZ's Constitution, the Board may delegate any of its powers and responsibilities to Committees of the Board. The roles of the principal Board Committees are set out on pages 70 to 72. 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 last 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 CEO, 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.

CEO 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 within ANZ and to employees appointed to operational roles or directorships of controlled entities and minority interest 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, 2012, 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; David Hisco – Chief Executive Officer, New Zealand; Joyce Phillips – Chief Executive Officer, Global Wealth and Private Banking and Group Managing Director, Marketing, Innovation and Digital; Alex Thursby – Chief Executive Officer, International & Institutional Banking; Susie Babani – Group Managing Director, Human Resources; Alistair Currie – Group Chief Operating Officer; Anne Weatherston – Chief Information Officer and Nigel Williams – Chief Risk Officer.

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 59 to 62.

The Governance Committee (see pages 70 to 71) 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.

Potential candidates for new Directors may be provided at any 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 Governance Committee. 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) is set out in the Remuneration Report in the 2012 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 2012 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 2001, 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 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, addresses the requirements of APRA's Fit and Proper Prudential Standard. 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 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 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 2012 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 2012 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 2012, 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 59 to 62 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 comes before the Board. 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 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 66), 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 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 lodgments 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, the administration of the Group's Australian subsidiaries and oversight of the relationship with ANZ's Share Registrar.

The former Chief Financial Officer (Peter Marriott) was also a Company Secretary of ANZ during the year, and he ceased in this role at the end of May 2012. Profiles of ANZ's Company Secretaries in office as at September 30, 2012 can be found in the Directors' Report attached to this U.S. Disclosure Document as Annex A.

Performance Evaluations

- **Overview**

The framework used to assess the performance of 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 responsibility 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 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.

- **Non-Executive Directors**

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 the role both at and outside meetings. A report on the outcome of these meetings 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 the statement, has regard to the performance criteria used in evaluating the performance of Non-Executive Directors as referred to above, 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**

For the year ended September 30, 2011 the performance of the Board was assessed using an independent external assessor, who sought input from each Director and certain members of Senior Management when carrying out the assessment.

The assessment was conducted in accordance with broad terms of reference agreed by the Governance Committee, and included a review of Board papers and decision processes for a range of key decisions made over the previous year.

Based on the information and materials reviewed, the external assessor rated the Board's practices as delivering superior capabilities across all of the critical elements of board effectiveness. The results of the assessment were discussed with the Chair of the Governance Committee and were presented at a meeting of the Governance Committee in October 2011 which was attended by all Directors.

It is expected that externally facilitated reviews of the Board will occur approximately every three years. The review process with respect to the intervening years (including the year ended September 30, 2012) 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.

- **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 2012 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.

Membership criteria are based on each Director's skills and experience, as well as his/her ability to add value and commit time to the Committee. 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, 2012

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	Mr P A F Hay	Ms P J Dwyer	Mr D E Meiklejohn
Mr I J Macfarlane	Mr J P Morschel (ex officio)	Mr Lee Hsien Yang	Mr Lee Hsien Yang	Mr J P Morschel (ex officio)
Ms A M Watkins FE		Mr J P Morschel (ex officio)	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 49 of the 2012 Annual Report for more information);
- the activities of the Audit Committees of key subsidiary companies;
- 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, 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 2012 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 2012 financial year included:

- Global Internal and External Audit – the Committee approved the annual plans for Global Internal 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; and
- Whistleblowing – the Committee received and reviewed information on disclosures made under ANZ's Global Whistleblower Protection Policy.

- **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 42 of the 2012 Annual Report);
- ensuring there is a robust and effective process for evaluating the performance of the Board, Board Committees and Non-Executive Directors (see pages 44 to 45 of the 2012 Annual Report);

- 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 42 of the Annual Report);
- 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 2012 financial year included:

- Board succession planning – the Committee monitored the process in place to identify potential candidates to replace the three Non-Executive Directors who are scheduled to retire in late 2013 (including the succession planning process for the Chairman of the Board). Ms Dwyer was appointed as a new Non-Executive Director with effect from April 1, 2012;
- New diversity requirements – the Committee approved a measurable objective in relation to gender diversity at Board level and reviewed progress against that 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 report from the independent external assessor who was engaged to facilitate the 2011 performance review of the Board, as well as the outcomes of the annual performance self-assessments conducted in relation to each of the other principal Board Committees; 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 Trading in ANZ Securities Policy.

- **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 25 to 27 of the 2012 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) and senior executive succession plans, and monitors the effectiveness of ANZ's health, safety 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 2012 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; and
- 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.

For more details on the activities of the Human Resources Committee, please refer to the Remuneration Report on pages 14 to 35 of the 2012 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 2012 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 material financial risks, 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 making recommendations to the Board on material technology investments, investigating and reviewing security issues relevant to ANZ's technology processes and systems, reviewing and approving Management recommendations for long-term technology and related operations planning, and the approval of policies, strategies and control frameworks for the management of technology risk.

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 2012 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 long-term strategy and reviewed the priorities set for 2012/13;
- 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**
G J Clark	9	9					5	5	8	8	3	3	1	1			1	1
P J Dwyer	4	4	2	2					4	4			1	1				
P A F Hay	9	9	6	6	4	4	5	5									1	1
Lee Hsien Yang	9	9					5	5	8	8	3	3			1	1	1	1
I J Macfarlane	9	9	6	5	4	4			8	8			1	1			1	1
D E Meiklejohn	9	9	6	6					8	8	3	3	1	1	1	1	5	5
J P Morschel	9	9	6	6	4	4	5	5	8	8	3	3	1	1	1	1	5	5
M R P Smith	9	9											1	1	1	1	3	3
A M Watkins	9	9	6	6	4	4	5	5					1	1	1	1	2	2

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 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 whose role is to provide the Board and Management with an effective and independent appraisal of the internal controls established by Management. Operating under a Board approved Charter, the reporting line for the outcomes of work conducted by Global Internal Audit is direct 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, 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 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 2012 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 2001, are set out in the Directors' Report on page 10 of the 2012 Annual Report (attached as Annex A). In addition, the auditor has provided an independence declaration under Section 307C of the Corporations Act 2001.

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 Reporting Governance (FRG) Program 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. This process is tested by the FRG Program.

Any 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 11 of the 2012 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 Program;
- ANZ Use of Systems, Equipment and Information Policy;
- ANZ Global Fraud and Corruption Policy;
- ANZ Group Expense Policy;
- ANZ Equal Opportunity, Bullying and Harassment Policy;
- ANZ Health and Safety Policy;
- ANZ Global Employee Securities Trading and Conflict of Interest Policy;
- ANZ Global Anti-Bribery Policy; and
- ANZ Global 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 Global 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 and Directors who are aware of unpublished price-sensitive information.

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. Any breach of this prohibition would result in the forfeiture of the relevant shares, options or rights.

ANZ Directors and Management Board members are also prohibited from providing ANZ securities as security in connection with any margin loan or similar financing arrangement under which they 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, contractors and consultants may report serious issues on a confidential basis, 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 Protection 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 2012 financial year.

Should shareholders require any information, contact details for ANZ and its Share Registrar are set out in ANZ's Annual Report, the 2012 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 center> My shareholding > Presentations and Webcasts. Prior to the Annual General Meeting, shareholders are provided 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 of 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 all 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 each quarter to overview 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 Responsibility**

ANZ aims to be a role model for responsible business growth and business behavior as it pursues its goal to become a super regional bank.

ANZ's corporate responsibility framework responds to the priorities of customers, shareholders, employees, community groups, regulators and governments across ANZ's business. It emphasizes the role ANZ plays in society – helping to create prosperity and build thriving communities while growing ANZ's business responsibly.

The following five priority areas guide ANZ's behavior, corporate responsibility investments, initiatives and decisions globally:

- responsible practices;
- education and employment;
- financial inclusion and capability;
- bridging urban and rural social and economic divides; and
- urban sustainability.

The Corporate Responsibility and Diversity Committee is chaired by the Chief Executive Officer. The Committee provides strategic leadership on the corporate responsibility agenda and monitors progress and results.

Each year, ANZ sets public targets and a business-wide program of work to respond to the most material issues and opportunities for ANZ as a bank and with regard to the wider industry. This year ANZ achieved or made strong progress on 90% of its public targets, which are reported in more detail in ANZ's 2012 Shareholder Review and specialist Corporate Responsibility reporting online.

ANZ keeps interested stakeholders abreast of developments through a monthly e-bulletin, and annual and interim corporate responsibility reporting. ANZ reports on issues that are material to its business and reflect its stakeholders' stated interests. ANZ follows the guidelines of the Global Reporting Initiative for its full online Corporate Responsibility reporting. Detailed information on ANZ's approach and results is available on anz.com> About us > Corporate Responsibility.

Diversity at ANZ

- **Gender balance at ANZ**

ANZ considers a gender-balanced, diverse and inclusive workforce, where employee differences in areas like gender, age, culture, disability and sexual orientation are valued, a strategic asset for its business and critical to achieving its super regional strategy. The ANZ Corporate Responsibility and Diversity Committee, established in 2004, is responsible for setting the strategic direction and identifying focus areas in relation to diversity. It consists of senior executives and is chaired by the Chief Executive Officer.

Gender balance is a key priority in this strategy and ANZ's commitment includes Management Board level accountability for year-on-year improvements in gender balance, particularly across senior executives, as well as other management positions.

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

ANZ's Board currently comprises nine Directors, and it is not the Board's current intention to make any new Board appointments to increase the size of the Board, other than as a part of the succession planning process referred to below.

The Board has two female Directors (22% of the Board), namely Ms Watkins and Ms Dwyer who joined the Board in November 2008 and April 2012 respectively as Non-Executive Directors. 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. In accordance with this policy, the three Non-Executive Directors are scheduled to retire at the 2013 AGM.

The Board's objective is that the new Director appointments who will replace the three retiring Directors will include at least one woman. This objective is being effectively progressed with Ms Dwyer being the first of these three new appointments. It is expected the remaining two appointments will be made in the period leading up to the 2013 AGM in order to provide an appropriate transition.

ANZ has the highest proportion of women on its Management Board of any Australian bank at 27%. There are female leaders of at least three of ANZ's major global businesses including Global Wealth and Private Banking, Global Loans and Transaction Banking and Global Relationship Banking. Women also lead key countries in the capacity of CEO or Country Manager in ANZ's Asia Pacific growth markets of Hong Kong, American Samoa, Malaysia, Philippines and Thailand.

Annual gender targets have been set since 2004. ANZ's goals for the year ended September 30, 2012 and the results achieved are set out in the table following. While ANZ did not achieve targets over all the sub-categories, performance improved at the Senior Executive level. With respect to the total number of women across the organization, the percentage fell slightly from 55% to 54.5%. See 'Future Goals' below for ANZ's 2013 measurable objectives for achieving gender diversity.

Group	September 30 2011 Baseline	September 30 2012 Target	September 30 2012 results
Senior executives	22.8%	24.0%	23.9%
Senior manager	28.5%	31.5%	28.1%
Manager	40.3%	42.0%	39.6%
Total women in management	38.2%	40.0%	37.8%

Progression and development practices

ANZ aims to achieve gender balance in its key talent development and learning programs.

This year ANZ invested significantly in its core Leadership Pathway programs which target entry level managers through to enterprise leaders, and provide comprehensive training in the skills and competencies required to lead at ANZ. 46% of participants in all Leadership Pathway programs were female.

The total of all current Generalist Bankers and Graduate cohorts from 2012 comprise 44% and 45% female participation respectively; and 62% and 46% people from an Asian or Pacific cultural background respectively. The graduate intake for 2013 will comprise 53% women (up from 48% in 2011) and 43% people from an Asian or Pacific cultural background.

ANZ introduced a new Building Enterprise Talent approach in 2012. This process targets executive employees, and of the 2012 participants, 40% are female and 12% are from an Asian or Pacific cultural background. This percentage meets the target representation of females in management positions. Achieving further gender balance and cultural diversity in this program is an ongoing priority.

ANZ launched a new program "Accelerating Banking Experiences for Women". The program has been sponsored by the CEO Australia Division and is designed to give more of ANZ's talented women the opportunity to develop broad based banking careers at ANZ.

Awareness and education programs to eliminate any unconscious bias in ANZ's policies, practice and workplace culture are underway. ANZ is a key partner to Melbourne Business School's Gender Equality Project. Through this partnership significant research has been completed on gender equality along with ANZ investing in the development and launch of a learning program to better understand the economic and business case for gender balancing ANZ and how to best understand, inspire and capitalize on the talents of both female and male employees in ANZ's workforce.

- **Pay Equity**

ANZ is committed to achieving pay equity for like roles across its business. ANZ tracks its progress annually and publicly reports its performance (see the 2012 Shareholder Review, which is available at anz.com).

The gender pay differential between males and females (with comparisons based on like-for-like job size) continues to be minimal, and reductions in the gender differentials in fixed pay were achieved.

Every year ANZ conducts a review of performance-based compensation to ensure there is no systemic gender bias in its reward allocation. In 2012, the proportion of women achieving ANZ's two highest levels of relative performance outcome (RPO), which determines bonus levels, was equal to men. 5% of females and males achieved RPO 1 and 17% of females and males achieved RPO 2.

In addition, 57% of award recipients in ANZ's prestigious annual CEO Recognition Program were women.

- **Flexible Arrangements and Parental Leave**

ANZ offers flexible work arrangements, breaks from work and support in special circumstances to help balance life priorities with work and to manage careers. These include formal and informal arrangements, such as compressed work weeks (where employees work the usual number of hours in fewer days), flexible start and finish times, job sharing, telecommuting, part time work arrangements and lifestyle leave (which offers up to four weeks unpaid leave for any purpose). See the 2012 Shareholder Review for information on the number of employees in flexible work arrangements.

ANZ provides equal paid parental leave to males and females in Australia along with a lump sum childcare allowance to help the transition back to work after parental leave. Superannuation is also paid on all forms of paid parental leave.

- **Workplace Culture**

ANZ is building a vibrant, diverse and inclusive culture as a critical foundation for its super regional strategy. This year, in the annual My Voice employee survey, 79% of all respondents supported the statement that 'ANZ is creating a work environment that is open and accepting of individual differences' and 80% of respondents agreed that 'My manager supports my efforts to balance my work and personal life' – key indicators of the success of ANZ's diversity priorities.

- **Support for Gender Equality In Our Communities**

The ANZ Chairman is actively involved in the Australian Institute of Company Directors Chairman's Mentoring Program to advance more women into Board positions.

The Chief Executive Officer is a member of the Male Champions of Change program (MCC), through which CEOs and Directors use their influence to ensure that the issues of gender equality and women's representation in leadership are elevated onto the national business agenda.

In 2012 ANZ was recognized as an Employer of Choice for Women by the Australian Equal Opportunity in the Workplace Agency for the eighth time. This followed similar achievements in the last year, including the Australian Human Resources Institute (AHRI) Indigenous Employment Award and the AHRI Disability Employment Award.

Also in 2012, ANZ was recognized as the Banking sector leader in the Dow Jones Sustainability Index for effective labor practices and its strong focus on diversity – with particular mention made of ANZ's full public disclosure of workforce diversity and the high retention of females in management positions. ANZ's best in class performance is reflected in the last Dow Jones Sustainability Index report, highlighting the value placed on performance-linked gender diversity targets, low gender pay differential and the organization's public reporting of progress in achieving a gender equal workforce.

Saver Plus, MoneyMinded, MoneyBusiness and Progress Loans, ANZ's financial capability initiatives, include mostly female participants and aim to encourage and support their economic empowerment, education and broader inclusion in society. ANZ was awarded an `Outstanding' award for two of the four categories, in the inaugural MoneySmart Week Awards. The awards recognized two ANZ initiatives that have greatly contributed to financial wellbeing in Australia over the past ten years: the ANZ Survey of Adult Financial Literacy in Australia and some Pacific and Asian countries, which won within the research category, and ANZ's Saver Plus Program which received an award for the `Community' category. ANZ's long term, multi-million dollar investment in these programs continues to benefit tens of thousands of women on low incomes and from disadvantaged communities.

- **Future Goals**

ANZ has set the following global goals for gender balance and diversity for 2013. The 2012 Shareholder Review contains further information on these targets.

Public Gender Balance and Diversity Targets
Improve employee engagement to at least 73%, with a long term target of 83%.
Improve perceptions of "values-based leadership" amongst our employees to at least 70%, with a long term target of 80%.
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.
Achieve gender balance and greater cultural diversity in our key recruitment, talent development and learning programs.
Play a leadership role in advancing women in society and improving cultural diversity in business through high profile business, government and community partnerships.
Provide 230 positions to people from traditionally excluded groups and disadvantaged backgrounds through our traineeships, graduate program and permanent employment.
Develop and commence implementation of a global approach to improving age diversity across our business.
Publicly report outcomes of ANZ's current Reconciliation Action Plan and Disability Action Plan.

Donations and Community Investment

ANZ has made a long term public commitment to invest in the communities in which it operates and contributed around $14.9 million in cash, time and in-kind services during the year ended September 30, 2012. This does not include 'foregone revenue' such as the cost of providing low or fee free accounts to government benefit recipients.

Building financial capability is a key element of ANZ's Corporate Responsibility framework, targeting especially those in disadvantaged communities who are most at risk of financial exclusion. For this reason more than $3.5 million of this contribution was invested in financial literacy and inclusion programs such as Saver Plus, MoneyMinded and MoneyBusiness. MoneyMinded is the most widely used financial literacy program in Australia and in 2011-12 was adapted for use in India, Indonesia, Vietnam, the Solomon Islands, Timor-Leste and Vanuatu, taking to 13 the number of countries where MoneyMinded is delivered.

ANZ offers all staff at least one day of paid volunteer leave per year to make a difference in their local communities. Where possible activities have been aligned with our corporate responsibility focus areas of financial inclusion and capability, education and employment opportunities and bridging urban and rural social and economic divides. In the past year, ANZ staff volunteered almost 87,000 hours. A number of staff contribute to non-profit organizations through workplace giving, which ANZ matches.

Further details can be accessed at anz.com/cr

In addition, for the year to September 30, 2012, ANZ donated $80,000 to the Liberal Party of Australia and $80,000 to the Australian Labor Party.

Employees

At September 30, 2012, ANZ employed 48,239 people worldwide (2011: 50,297)[1] on a full-time equivalent basis ('FTEs'), of which 45,243 were permanent employees and 2,996 were temporary. There were 21,682 FTEs in Australia division at September 30, 2012 compared with 24,381 FTEs at September 30, 2011 (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	**2012**	**2011[1]**	**2010**
Australia	13,982	14,635	14,178
International and Institutional Banking	16,049	16,527	14,911
New Zealand	7,841	8,195	8,340
Global Wealth and Private Banking	4,042	4,564	4,378
Other	6,325	6,376	5,292
Totals	48,239	50,297	47,099

1. *Comparative amounts for 2011 have changed reflecting an amendment to FTE to align to the current year methodology. 2010 numbers have not been restated.*

	Years ended September 30		
Geography	**2012**	**2011[1]**	**2010**
Australia	21,682	24,381	23,772
Asia Pacific, Europe & America	17,500	16,492	13,909
New Zealand	9,057	9,424	9,418
Totals	48,239	50,297	47,099

1. *Comparative amounts for 2011 have changed reflecting an amendment to FTE to align to the current year methodology. 2010 numbers have not been restated.*

Industrial Instruments

Approximately 20%[2] (2011: 20%) of employees in Australia are members of the Finance Sector Union of Australia. 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 2010, ANZ negotiated a new EBA with the Finance Sector Union ('FSU'), known as the ANZ Collective Employment Agreement 2010-2012 (Australia). This agreement contains the minimum employment terms and conditions for Australian-based ANZ employees (junior management and non-management employees). It was approved by Fair Work Australia and started operation on December 21, 2010. The agreement applied for a two year period, covering the 2010 and 2011 remuneration reviews. ANZ is currently in negotiations with the FSU regarding a replacement EBA for the same group of employees, which is proposed to cover the 2012 and 2013 remuneration reviews. If this proposed new EBA is accepted by the FSU and employees, it would provide a 3.5% (2011: 4%) salary increase to most non-management staff for each year of the agreement.

Superannuation

The Group has established a number of pension, superannuation and post retirement medical benefit schemes throughout the world. Note 44 to the 2012 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 2012 Annual Report (attached as Annex A) for further details.

[2] Actual membership is likely to be higher as some employees choose to pay the Finance Sector Union of Australia directly rather than by payroll deduction.

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 2012 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.

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 2012 Annual Report (attached as Annex A to this U.S. Disclosure Document).

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 we have not disclosed the estimated financial impact as this may prejudice the interests of the Group. Refer to Note 43 of ANZ's 2012 Annual Report for a discussion of material legal proceedings as at September 30, 2012.

Significant events since the end of the financial year

No significant events for ANZ have occurred from September 30, 2012 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 shareholders 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 2012 final dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. For the purposes of the DRP and BOP terms and conditions in respect of the proposed 2012 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 Burmese 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 Gaddafi 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 responsible for human rights abuses in Syria; and
    (h) certain individuals associated with Commodore Josia Vorege 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 Financial Transaction Reports Act 1988 and subject to certain exemptions, 'cash dealers' (including Australian authorized deposit taking institutions such as ANZ) must report 'cash transactions' of A$10,000 (or the foreign equivalent) and above to the Australian Transaction Reports and Analysis Center. Cash transactions are those which involve the physical transfer of currency from one person to another.

Limitations Affecting Security Holders

The following Australian laws impose limitations on the right of non-residents or non-citizens of Australia 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 2001

  Any person acquiring voting shares in a company is subject to the control of the acquisition of shares provisions contained in Chapter 6 of the Corporations Act. 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 transaction, 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 three percentage points 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.

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.

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 average 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.

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

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Annex B: 2011 Financial Statements, Notes to the Financial Statements and Remuneration Report (extracts from the 2011 Annual Report)