2011

Annual U.S. Disclosure Document

for the fiscal year ended September 30, 2011

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

Annual U.S. Disclosure Document
Fiscal year ended September 30, 2011

CONTENTS ***PAGE***

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All references in this document to “this U.S. Disclosure Document” should be read as referring to this 2011 Annual U.S. Disclosure Document of ANZ for the fiscal year ended September 30, 2011 (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 the web sites mentioned 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, 2011, ANZ ranked fourth among Australian banking groups in terms of total assets and had a leading 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, 2011 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, 2011, 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 2011 Full Year Condensed Consolidated Financial Statements, as prepared and filed by the Company with the ASX in accordance with its rules, are attached to this U.S. Disclosure Document as 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 Documents 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 the global financial crisis, including increased 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 areas in which we operate;
- our ability to adjust to and compete in the Asian geographic markets into which we, our customers and our counterparties 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, our customers and our counterparties operate;
- our ability to complete, integrate, and process acquisitions and dispositions;
- the stability of Australian and international financial systems and disruptions to financial markets and any losses we may experience as a result;
- adverse impact on our customers and counterparties, including the impact on our natural resource sector customers of a slow down in natural exports to Asia, the impact on our agricultural and tourism sector customers of continued strengthening of the Australian dollar, and the impact on our financial sector customers of the continuing financial and credit crisis 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 “Principal risks and uncertainties associated with ANZ” below.

Selected financial data

The consolidated balance sheets as of September 30, 2011 and 2010, and consolidated income statements for the fiscal years ended September 30, 2011 and 2010 have been derived from the Group’s audited financial report for the fiscal year ended September 30, 2011 (the “2011 Financial Report”). The consolidated balance sheet as of September 30, 2009 and consolidated income statement for the fiscal year ended September 30, 2009 have been derived from the comparative information in the Group’s audited financial report for the year ended September 30, 2010 (the “2010 Financial Report”). The Group’s 2011 Financial Report is contained within ANZ’s 2011 Annual Report (excerpts of which are attached to this U.S. Disclosure Document as Annex A). The Group’s 2010 Financial Report is contained within ANZ’s 2010 Annual Report (excerpts of which are attached as Annex B).

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

Amounts in this U.S. Disclosure Document are presented in Australian dollars unless otherwise stated. Amounts reported in United States dollars (“USD”) have been translated at the September 30, 2011 Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”), which was US$0.9744 = AUD$1.00.

Summary of consolidated statement of income

	Years ended September 30					
	2011[6] USD $M	2011 AUD $M	2010 AUD $M	2009 AUD $M	2008 AUD $M	2007 AUD $M
Interest income	29,591	30,368	26,608	26,286	32,604	26,210
Interest expense	(18,402)	(18,885)	(15,739)	(16,398)	(24,754)	(18,908)
Net interest income	11,189	11,483	10,869	9,888	7,850	7,302
Net funds management and insurance income	1,369	1,405	1,099	230	182	190
Other operating income	3,940	4,044	3,724	3,492	4,127	3,848
Operating income	16,499	16,932	15,692	13,610	12,159	11,340
Operating expenses	(7,818)	(8,023)	(7,304)	(6,225)	(5,696)	(4,953)
Profit before credit impairment and income tax	8,681	8,909	8,388	7,385	6,463	6,387
Provision for credit impairment[1]	(1,205)	(1,237)	(1,787)	(3,005)	(1,948)	(522)
Profit before income tax	**7,476**	**7,672**	**6,601**	**4,380**	**4,515**	**5,865**
Income tax expense[2]	(2,250)	(2,309)	(2,096)	(1,435)	(1,188)	(1,678)
Profit for the year	5,226	5,363	4,505	2,945	3,327	4,187
Profit attributable to non-controlling interests	(8)	(8)	(4)	(2)	(8)	(7)
Profit attributable to shareholders of the Company	**5,218**	**5,355**	**4,501**	**2,943**	**3,319**	**4,180**
Non-interest income as a % of operating income[3]	32.2%	32.2%	30.7%	27.3%	35.4%	35.6%
Dividends on ordinary shares[4]	3,402	3,491	2,667	2,452	2,506	2,363
Earnings per fully paid ordinary share (cents)						
Basic	203	208	179	131	170	224
Diluted	194	199	175	130	162	218
Ordinary share dividend payout ratio (%)[5]	68.5%	68.5%	71.6%	82.3%	82.6%	60.9%
Dividend per ordinary share (cents)	136.4	140.0	126.0	102.0	136.0	136.0

1. *The provision for credit impairment charge represents the individual and collective provision charge.*
2. *September 2011 and September 2010 include income tax expense attributable to income relating to policyholder income and contributions tax gross up in respect of OnePath (formerly ING Australia Limited and ING New Zealand Limited).*
3. *Non-interest income comprises net income from wealth management and other operating income.*
4. *Dividends on ordinary shares are net of the bonus option plan adjustment.*
5. *The dividend payout ratio was calculated by adjusting profit attributable to shareholders of the Company by the amount of preference share dividends paid. The dividend payout ratio calculation is based on the following dividend payments:*

	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
Interim	1,662	1,318	993	1,192	1,144
Final	1,999*	1,895	1,403	1,514	1,381
Total	3,661	3,213	2,396	2,706	2,525

**Proposed only.*

6. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2011 Noon Buying Rate applied in this document.*

Summary of consolidated balance sheet

	As at September 30			
	2011[7] USD $M	2011 AUD $M	2010 AUD $M	2009 AUD $M
Shareholders' equity	36,936	37,906	34,091	32,364
Subordinated debt	11,686	11,993	12,280	13,429
Bonds and notes	55,103	56,551	59,714	57,260
Deposits and other borrowings[6]	359,290	368,729	310,383	294,370
Gross loans, advances and acceptances[1,2]	391,884	402,180	368,420	350,295
Less: Individual provision for credit impairment	(1,654)	(1,697)	(1,875)	(1,526)
Less: Collective provision for credit impairment	(3,095)	(3,176)	(3,153)	(3,000)
Net loans, advances and acceptances[6]	387,136	397,307	363,392	345,769
Total assets	579,269	594,488	531,703	476,987
Net assets	36,982	37,954	34,155	32,429
Risk weighted assets[3]	272,797	279,964	264,242	252,069
Summary of consolidated ratios				
Net profit after income tax as a percentage of:				
Average total assets	0.9%	0.9%	0.9%	0.6%
Average shareholders' equity[4]	15.3%	15.3%	13.9%	10.3%
Average ordinary shareholders' equity as a percentage of average total assets	6.2%	6.2%	6.1%	5.6%
Ratio of earnings to fixed charges[5]	40.3%	40.3%	41.6%	26.5%
Capital adequacy ratios:				
Tier 1	10.9%	10.9%	10.1%	10.6%
Tier 2	1.2%	1.2%	1.8%	3.1%
Total	12.1%	12.1%	11.9%	13.7%
Number of shares on issue (millions)	2,629.0	2,629.0	2,559.7	2,505.0

1. *Net of unearned income and including capitalized brokerage/mortgage origination fees.*
2. *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*
3. *Risk weighted assets are calculated using Basel II methodology.*
4. *Excludes non-controlling interests.*
5. *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.*
6. *In 2011, a reclassification of certain assets from Liquid Assets to Net Loans and Advances occurred following a review of the definition of the Liquid Assets category and the reclassification of certain customer deposit liabilities from Deposits and Other Borrowings to Due From Other Financial Institutions. This reclassification was applied to 2011 and 2010 years but not 2009.*
7. *The USD amounts are disclosed for information purposes only. There is no assurance that the AUD amounts could be translated at the September 30, 2011 Noon Buying Rate applied in this document.*

Summary of credit quality data

	As at September 30			
	2011 USD $M	**2011 AUD $M**	**2010 AUD $M**	**2009 AUD $M**
Gross impaired assets:				
Subject to provision for credit impairment	4,264	4,376	5,892	4,178
Without provision for credit impairment	267	274	183	214
Restructured items	682	700	141	673
Non-performing commitments and contingencies	225	231	345	530
Total gross impaired assets	**5,438**	**5,581**	**6,561**	**5,595**
Provision for credit impairment:				
Individual provision	1,654	1,697	1,875	1,526
Collective provision	3,095	3,176	3,153	3,000
Total provision for credit impairment	**4,748**	**4,873**	**5,028**	**4,526**
Gross loans, advances and acceptances:[1]				
Gross loans and advances[1,2]	390,939	401,210	356,925	336,533
Acceptances[3]	945	970	11,495	13,762
Total gross loans, advances and acceptances	**391,884**	**402,180**	**368,420**	**350,295**
Gross impaired assets as a percentage of:				
Gross loans and advances	1.4%	1.4%	1.8%	1.7%
Gross loans, advances and acceptances	1.4%	1.4%	1.8%	1.6%
Individual provision for credit impairment as a percentage of gross impaired assets	30.4%	30.4%	28.6%	27.3%
Total provision for credit impairment as a percentage of:				
Gross loans and advances[1,2]	1.2%	1.2%	1.4%	1.3%
Gross loans, advances and acceptances[1]	1.2%	1.2%	1.4%	1.3%
Risk weighted assets[4]	1.7%	1.7%	1.9%	1.8%

1. *Net of unearned income and including capitalized brokerage/mortgage origination fees.*
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. *In 2011 the Group ceased re-discounting Commercial bill acceptances. This has impacted balance sheet classifications as there is no intention to trade the Commercial bills as negotiable instruments, therefore they are classified as Commercial bill loans initially recognized at fair value and subsequently measured at amortized cost.*
4. *Risk weighted assets are calculated using Basel II methodology.*

Assets, liabilities, income and profit before tax

Results by Division

For the fiscal years ended September 30, 2010 and 2009, ANZ operated on a regional structure, with Australia, Asia Pacific, Europe & America (APEA), and New Zealand being the major regions. Starting with the fiscal year ended September 30, 2011, ANZ moved to a divisional structure, with Australia, APEA, New Zealand, and Institutional being the major divisions.

The principal difference between the divisional and regional structures is that the results for the Institutional division are now reported separately, instead of being included in the respective regions. However, ANZ manages Institutional APEA on a matrix structure, and thus the results for Institutional APEA are included in both the APEA division and Institutional division.

2010 numbers have been restated to conform with the divisional structure. However, 2009 numbers have not been restated and are presented under a regional view along with 2010 for comparative purposes.

	Years ended September 30			
	2011		2010	
Division[1]	$M	%	$M	%
External assets				
Australia	272,331	46%	260,994	49%
Asia Pacific, Europe & America	88,108	15%	58,721	11%
Institutional	237,676	40%	185,021	35%
New Zealand	70,273	12%	69,711	13%
Other	1,317	0%	4,780	1%
Less: Institutional Asia Pacific, Europe & America	(75,217)	-13%	(47,524)	-9%
	594,488	**100%**	**531,703**	**100%**
External liabilities				
Australia	175,115	31%	161,325	32%
Asia Pacific, Europe & America	93,028	17%	66,883	13%
Institutional	200,816	36%	177,308	36%
New Zealand	56,446	10%	55,230	11%
Other[2]	108,932	20%	90,517	18%
Less: Institutional Asia Pacific, Europe & America	(77,803)	-14%	(53,715)	-11%
	556,534	**100%**	**497,548**	**100%**
Income[3]				
Australia	19,787	55%	17,041	54%
Asia Pacific, Europe & America	3,155	9%	2,561	8%
Institutional	9,351	26%	7,913	25%
New Zealand	5,043	14%	5,322	17%
Other	276	1%	28	0%
Less: Institutional Asia Pacific, Europe & America	(1,795)	-5%	(1,434)	-5%
	35,817	**100%**	**31,431**	**100%**
Profit before tax				
Australia	3,962	52%	3,767	57%
Asia Pacific, Europe & America	896	12%	772	12%
Institutional	2,647	35%	2,458	37%
New Zealand	978	13%	643	10%
Other	(293)	-4%	(566)	-9%
Less: Institutional Asia Pacific, Europe & America	(518)	-7%	(473)	-7%
	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 funds management and insurance income and other operating income).*

	Years ended September 30			
	2010		2009	
Geographic Region	**$M**	**%**	**$M**	**%**
External assets				
Australia	381,157	72%	325,132	68%
Asia Pacific, Europe & America	57,241	11%	50,410	11%
New Zealand	93,305	18%	101,445	21%
	531,703	**100%**	**476,987**	**100%**
External liabilities				
Australia	357,577	72%	312,378	70%
Asia Pacific, Europe & America	64,824	13%	49,591	11%
New Zealand	75,147	15%	82,589	19%
	497,548	**100%**	**444,558**	**100%**
Income				
Australia	23,170	74%	20,875	70%
Asia Pacific, Europe & America	2,561	8%	2,873	10%
New Zealand	5,700	18%	6,260	21%
	31,431	**100%**	**30,008**	**100%**
Profit before tax				
Australia	5,048	76%	3,041	70%
Asia Pacific, Europe & America	586	9%	836	19%
New Zealand	967	15%	503	11%
	6,601	**100%**	**4,380**	**100%**

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, 2011, ANZ had a market capitalization of approximately A$51.3 billion. As at September 30, 2011, ANZ had total assets of A$594.5 billion, and shareholders' equity of A$37.9 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.

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 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 on a divisional structure with Australia, Asia Pacific, Europe & America (APEA), Institutional and New Zealand being the major operating divisions. The Group manages Institutional APEA on a matrix structure. Accordingly, the results for Institutional APEA are included in both the APEA division and Institutional division.

The principal activities of the Group's divisions are outlined below. As the Group continuously reviews its business structure, this description is subject to change from time to time.

Australia

Australia division comprises Retail, Commercial and Wealth segments, and Operations and Support which includes the central support functions for the division.

- **Retail**
  - **Retail Distribution** operates the Australian branch network, Australian call centre, specialist businesses (including specialist mortgage sales staff, mortgage broking and franchisees, direct channels (Mortgage Direct and One Direct)) and distribution services including the ANZ Affluent proposition.
  - **Retail Products** is responsible for delivering a range of products including mortgages, cards, unsecured lending, transaction banking, savings and deposits:
    - Mortgages provides housing finance to consumers in Australia for both owner occupied and investment purposes.
    - Cards and Unsecured Lending provides consumer credit cards, ePayment products, personal loans and ATM facilities in Australia.
    - Deposits provides transaction banking and savings 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 recent 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$50 million.
  - **Small Business Banking** provides a full range of banking services for metropolitan-based small businesses in Australia with lending up to A$550,000.
- **Wealth**
  - **ANZ Private & Other Wealth** specialises in assisting high net worth individuals and families to manage, grow and preserve their family assets. The businesses within ANZ Private & Other Wealth include Private Bank, ANZ Trustees, E*Trade, Investment Lending and Other Wealth.
  - **OnePath Consolidated** was formerly the INGA JV entity between ANZ and the ING Groep N.V. and is now a wholly owned subsidiary of ANZ. OnePath Consolidated operates as part of ANZ's Wealth business. It provides a comprehensive range of wealth and insurance products available through financial advisers or direct to customers. OnePath Consolidated also includes ANZ Financial Planning and ANZ General Insurance.

Asia Pacific, Europe & America (APEA)

Asia Pacific, Europe & America division comprises Retail, Asia Partnerships, Institutional, and Operations & Support which includes the Central Support functions for the division.

- **Retail** 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 Thuong Tin Commercial Joint-Stock (Sacombank) and Saigon Securities Incorporation.
- **Operations & Support** includes the central support functions for the division.
- **Institutional Asia Pacific, Europe & America** matrix reports to the APEA and Institutional divisions and is referred to in the paragraph below entitled "Institutional".

During the September 2010 full year, ANZ acquired selected Royal Bank of Scotland Group Plc businesses in Asia. The acquisition of the businesses in Philippines, Vietnam and Hong Kong were completed during the March 2010 half, and the acquisition of the businesses in Taiwan, Singapore and Indonesia during the September 2010 half.

New Zealand

New Zealand comprises Retail, Commercial, Institutional and Wealth segments, and Operations and Support which includes the central support functions (including Treasury funding).

- **Retail**
  - Provides a full range of banking services to personal customers under the ANZ and National Bank brands in New Zealand.
- **Commercial**
  - **Commercial & Agri** incorporates the ANZ and National Bank brands and 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.
  - **Business Banking** provides a full range of banking services to small enterprises, typically with turnover of less than NZ$5 million.
- **Wealth**
  - **Private Banking** includes private banking operations under the ANZ and National Bank brands.
  - **OnePath New Zealand (formerly ING NZ)** manufactures and distributes investment and insurance products and provides related advice. It was formerly a joint venture between ANZ and ING whereby ANZ owned 49% of OnePath NZ and received proportional equity accounted earnings. ANZ acquired the remaining 51% interest to take full ownership during the 2010 financial year.

Institutional

Institutional provides global financial services to government, corporate and institutional clients with a focus on solutions for clients with complex financial needs, based on a deep understanding of their businesses and industries, with particular expertise in natural resources, agriculture and infrastructure. Institutional delivers transaction banking, specialized and relationship lending and market 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. Global Markets provide origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Global Markets also manages the Group's interest rate risk position and liquidity portfolio.
- **Global Loans** provides term loans, working capital facilities and specialist loan structuring. It provides specialist credit analysis, structuring, execution and ongoing monitoring of strategically significant customer transactions, including project and structured finance, debt structuring and acquisition finance, loan product structuring and management, structured asset and export finance.
- **Relationship and infrastructure** includes client relationship management teams for global institutional and financial institution and corporate customers in Australia and Asia, corporate advisory and central support functions.

The Group's strategic priorities

The primary strategic priority for the Group is to become a super regional bank focusing on Australia, New Zealand, and the Asia Pacific region. This includes a rebalancing of profits across the geographies and driving revenues sourced from Asia Pacific, Europe & America to 25% - 30% of Group profit after tax by 2017.

There are three parts to this strategy:

1. Geography – ensuring regional connectivity between our strong domestic businesses in Australia and New Zealand, and our growing presence in the Asia Pacific region.
2. Capabilities – building management and international talent strength, enabling regional technology and operations centers of excellence, supporting innovative product capability, and ensuring sound governance and risk management systems and processes.
3. Customer – supporting our customers, providing unique insight and facilitating trade, migration and investment flows within the Asia Pacific region.

The super regional strategy was launched in December 2007 and comprises three key phases:

- Restore (2007-2009):
  - improve performance in Institutional banking;
  - strengthen governance and risk processes;
  - increase depth of international banking experience; and
  - ensure continued focus on balance sheet and capital management.
- Outperform (2009-2010):
  - move from having a presence in Asia to a real business;
  - maintain strong domestic franchises;
  - increase management bench strength, create a foundation for regional hubs; and
  - improve balance sheet composition and funding diversity.
- Outperform and Transform (2011-2017):
  - realize the full potential of super regional aspiration; and
  - capture value from flows to Asia, within Asia, and from Asia.

Since the strategy was launched, we have achieved the following:

- In-fill acquisitions to strengthen businesses in Australia and New Zealand;
- Invested for growth in Institutional and building a significant business in Asia;
- During the 2010 fiscal year, ANZ acquired selected Royal Bank of Scotland Group PLC businesses in Asia, including the Philippines, Vietnam, Hong Kong, Taiwan, Singapore and Indonesia.
- Strengthened the balance sheet and established a world-class team;
- Built a sustainable business with the capabilities to achieve its long term goals;
- Reorganized to focus on customer segments; and
- Supported its people with training and development to help them outperform.

In March 2011, ANZ provided additional detail regarding the super regional strategy and the bank's ambitions out to 2017, including:

- Asia Pacific, Europe & America sourced revenue to drive 25-30% of Group profit by 2017;
- Focusing on connectivity and growth – to Asia, within Asia and from Asia – to capture opportunities associated with trade, investment, and people-flows across the Asia Pacific region;
- Driving domestic performance, including leveraging our growing regional links to create additional business opportunities in Australia and New Zealand;
- Establishing hubs as centers of excellence to drive productivity and move ANZ from a fixed to more flexible cost base;
- Investing in technology through an agreed roadmap, which prioritizes the development of customer channels and cross-border systems; and
- Continuing to focus on strengthening ANZ's balance sheet and on building our regional risk management culture and capabilities.

Recent developments

No significant events for ANZ have occurred between September 30, 2011 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. The Reserve Bank of Australia 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 standards that are covered in a range of APRA Prudential Standards ("APS").

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 or becomes unable to meet its obligations or suspends payment.

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 Group's capital management and adequacy, liquidity and APRA's regulatory environment, refer to pages 52 to 53 of "Section 3: Operating and financial review and prospects" of this U.S. Disclosure Document.

Basel II and other capital regulatory considerations

The common framework for determining the appropriate quantum of bank regulatory capital is set by the Basel Committee and a framework was 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 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 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 Advanced Measurement Approach for the operational risk weighted asset equivalent. This means the Group now uses 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 ("ANZNBL") received accreditation from the Reserve Bank of New Zealand ("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 for 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 behaviour 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 behaviour 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 frameworks

APRA / Basel Committee

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 Requirements"). The Basel III liquidity package aims to strengthen the resilience of banks to liquidity risk, and is centred 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.

APRA is currently in the process of preparing consultation documents and revisions to their existing liquidity prudential standard (APS210) in line with the Basel III Liquidity Requirements. Both measures are expected to be subject to the Basel 'observation periods', which in the case of the LCR is until 2015 and for the NSFR is until 2018. During the observation period, ADIs will model and report to APRA their position against both ratios, however, formal compliance with the ratios is not expected to be required until 2015 and 2018, respectively.

Further, on March 18, 2010, APRA released a discussion paper in respect of the supervision of conglomerate groups, which would include ANZ as it contains material operations in more than one APRA regulated industry. The aim of APRA in this respect is to ensure that prudential supervision adequately captures the risks to which APRA regulated entities within a conglomerate group are exposed and which, because of the operations or structures of a group, are not adequately captured by existing prudential frameworks. In conjunction with its proposal for conglomerate groups, on May 13, 2010, APRA released proposals to update and align the prudential standards for general insurers and life insurers, which applies to a number of the Group's entities. APRA has indicated that it will release draft prudential standards in respect of these proposals in mid-2012.

For a summary of the regulatory changes which would result from the Basel Committee's Basel III proposals, 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; and
- Any capital overlays for systematically important banks.

Other regulators

In addition to APRA's prudential and regulatory supervision, ANZ is 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 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 the AUSTRAC.

The 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 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 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 ("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, ANZ'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.

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 ANZ, at the Group level only), or any of its U.S. subsidiary depository institutions, does not satisfy the definition of ‘well managed’ or ‘well capitalized’, or if any of its U.S. subsidiary depository institutions ceases to achieve at least a ‘satisfactory’ rating under the U.S. Community Reinvestment Act of 1977. In addition, under the GLB, the FRB is the ‘umbrella’ supervisor with jurisdiction over FHCs.

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 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, OTC derivatives and other activities.

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 over-the-counter derivatives, including stricter capital and margin requirements, the central clearing of standardized over-the-counter derivatives, and heightened supervision of all over-the-counter derivatives dealers, and major market participants. In addition, if ANZ is designated as ‘systemically 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 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 requires foreign financial institutions (such as ANZ) to provide the U.S. Internal Revenue Service with information on certain foreign accounts held by U.S. persons. FATCA is expected to require significant investment by affected institutions in a compliance and reporting framework that will meet FATCA standards.

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, 2011, 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 then 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 resulted in an overall uplift in mortgage to the major banks. This uplift subsequently declined in 2010.

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.

An ongoing debate around the level of banking sector competition in Australia led the Federal Government, in late 2010, to release a suite of banking reforms aimed at further enhancing levels of competition. As a result, the Government has banned exit fees on mortgages, allowed the issuance of covered bonds as an additional form of funding and announced a new process to make it easier for customers to switch banks. The Australian Senate also established an inquiry into banking competition in Australia in late 2010. On May 6, 2011, the Senate Economics Committee publicly released its findings on competition within the Australian banking sector, following the inquiry which began in October 2010. The Senate's final report makes a number of recommendations to the Australian Federal Government. As at the date of this U.S. Disclosure Document, the Government has not responded to the Senate's report. It remains uncertain as to whether any of the other recommendations will be adopted by the Government and, therefore, impossible to determine the possible implications for banking competition in Australia at this time.

Institutional offers a wide range of financial market services to our large corporate and institutional customer base including foreign exchange, derivative and fixed interest activities, project and structured finance, corporate finance (mergers and acquisitions, and other advisory), primary markets origination, and syndication and leasing finance. Competitors gain recognition through the quality of their client base, perceived skill sets, reputation, and brands. In domestic markets, Institutional'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'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 a moderation in the level of margin decline with 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 has intensified once again in 2011 and contributed to a contraction in Institutional margins.

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 6 players capturing over 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 ('funds supermarkets').

Significant changes in market share in funds management and life insurance over the past five years were driven by large acquisitions. Recently AMP, a large superannuation and life insurance specialist, has managed to finalize 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, if implemented, 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 National operates is very concentrated and highly competitive. ANZ National's principal competitors are the three other major banks: ASB Bank Limited, Bank of New Zealand and Westpac Banking Corporation/Westpac New Zealand Limited. Each of these is a subsidiary of an Australian bank. Together with ANZ National (including the New Zealand branch of ANZBGL), these banks (including the New Zealand branches of their Australian bank parents) hold approximately 88% of the New Zealand banking system's assets as at June 30, 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 3.4% 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). Most 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 consolidation due to increased regulation/compliance costs, elevated funding costs and adverse credit quality.

On November 1, 2008 the New Zealand Government announced a wholesale funding guarantee facility. The guarantee was based around approval on a transaction by transaction basis. Details of approved transactions can be found on www.treasury.govt.nz/economy/guarantee/wholesale. A non refundable fee was charged for each transaction. On April 30, 2010 the New Zealand Government closed the wholesale funding guarantee facility.

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.

ANZ has had a long standing presence in Asia and the Pacific, and today we have operations in 14 Asian markets and 12 countries 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 build out a number of franchise markets in Asia that we see as high growth and where we see competitive space to grow.

Risk factors relating to business/principal risks and uncertainties

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 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.

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, natural disasters and by movements and events that occur in global financial markets.

The global financial crisis ("GFC") 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 recovery prospects of the global economy. The impact of GFC and its results (such as heightened sovereign risk) continues to affect global economic activity and capital markets.

The economic effects of the GFC have been widespread and far-reaching with unfavorable impacts on retail sales, personal and business credit growth, housing credit, and business and consumer confidence. While some of these economic factors have since improved, ongoing and lasting impacts from the GFC and subsequent volatility in financial markets and the more recent sovereign debt crisis in Europe (and potential contagion from it) suggest ongoing vulnerability and adjustment in these and other areas of consumer and business behaviour.

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, albeit less so than in many European countries and in the US.

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 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 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, 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 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 earthquake, 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".

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

The recent appreciation in 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 agricultural exports, international tourism, manufacturers, and import-competing producers. Similarly a depreciation in the Australian or New Zealand dollars relative to other currencies would increase debt service obligations in Australia or New Zealand dollar terms of unhedged exposures. Appreciation of the Australian dollar against the New Zealand dollar, United States dollar and other currencies has had a negative 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 currencies. The Group has put in place hedges to partially mitigate the impact of currency appreciation, but notwithstanding this, any appreciation could have an adverse impact upon the Group's earnings.

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 segments that are considered to provide higher growth prospects or are in greatest demand, (for example, customer deposits). 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 payment 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 behavioural 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, may lead to erosion in the Group's market share or margins, and adversely affect the Group's business, operations, and financial condition.

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

The Reserve Bank of Australia ("RBA") and the Reserve Bank of New Zealand ("RBNZ") set official interest rates so as to affect the demand for money and credit in Australia and New Zealand, respectively. Their policies 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 RBA, the RBNZ and any other relevant central monetary authority can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in the RBA's and RBNZ's policies are difficult to predict accurately.

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 has emerged as a risk to the recovery prospects of global economies. This risk is particularly relevant to a number of European countries though it is not limited to these places (and includes the United States). Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than that currently being experienced or which was experienced during the GFC. Such an event could destabilize global financial markets adversely affecting all participants, including the Group.

The withdrawal of the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding and the New Zealand Government Wholesale Funding Guarantee Scheme may adversely impact the Group's access to funding and liquidity

In response to the GFC, a number of government-sponsored financial stabilization packages (including guarantees of certain bank obligations) were introduced around the world, including in Australia and New Zealand. International capital markets and liquidity conditions improved following the GFC and banks were able to raise non-government guaranteed funds. Many such government-sponsored financial stabilization packages were withdrawn or phased out, including in Australia and New Zealand in relation to wholesale funding. More recently, heightened sovereign risk and subsequent volatility in financial markets has re-emerged. There is no certainty that financial conditions will improve or that government-sponsored financial stabilization packages would be re-introduced if conditions deteriorated.

The absence of government-sponsored financial stabilization schemes may result in stress on the global financial system or regional financial systems, which could adversely impact the Group and its customers and counterparties. Specifically, it could adversely affect the Group's ability to access sources of funding and lead to a decrease in the Group's liquidity position and increase in its funding costs, negatively affecting Group's business, operations and financial condition.

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. The composition of the Group's funding is described in the section headed "Funding composition" on page 60 of this report. 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 upon 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 GFC, developments in the US mortgage industry and in the US and European markets more generally, including recent European sovereign debt concerns and the downgrade by Standard & Poor's of the US government's long-term debt rating on 5 August 2011 have adversely affected the liquidity in global capital markets including an increase in funding costs. Future deterioration in these 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.

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

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

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, US regulators and various Asia Pacific jurisdictions 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 increased provisions for loan losses and 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.

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".

Further details about the capital management regime affecting the Group are contained in Section 3 – "Operating and Financial Review and Prospects – Capital Management".

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 tourism and manufacturing industries may have been adversely impacted by the recent appreciation of the Australian 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 analyse 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.

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 counterparty, 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 realising 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.

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. Overall, the property market has been variable. There has been some moderation in Australian house prices, with the RP Data-Rismark house price index declining by 3.9% over the 12 month period ending August 2011. And while this has not yet had a material impact on the Group's business operations and financial condition, there can be no assurance that a further deterioration will not adversely affect the Group's results.

A further decrease in property valuations in Australia, or a decrease in 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 a decrease in other markets where it does business could adversely affect the Group's business, operations and financial conditions.

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 U.S. 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 due to credit, liquidity or other problems.

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 collateralized debt obligations ("CDOs"), portfolios of external collateralized loan obligations ("CLOs") or specific bonds/floating rate notes ("FRNs").

Being derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the GFC, 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 GFC, 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.

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. Operational risk includes legal risk and the risk of reputational loss, environmental damage, and health and safety risks, but excludes strategic risk.

Loss from operational risk 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.

All operational risks carry at least a financial consequence. Examples of operational risk that the Group is exposed to include the losses arising from internal fraud, external fraud, acts that are inconsistent with employment, health or safety laws or agreements, failure to meet professional customer and legal obligations, disruption of business or system failures, failure to execute a transaction correctly including but not limited to internal restructures, inadequate process management and from failure caused by third parties.

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.

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.

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

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 unauthorised 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 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 unauthorised 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.

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

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. Accordingly, 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.

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. At the Group, 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.

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

Scientific observations and climate modelling point to changes in the global climate system that may see extreme weather events increase in both frequency and severity. Among the possible effects of climate change are the risks of severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. Such events, and others like them, pose the risk of inundation and damage to Group property, and the houses and commercial assets of the Group's customers. In some cases, this impact 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 those customers.

While the future impact of climate change is difficult to predict accurately, it should nevertheless be considered among the risks that may adversely impact the Group's business, operations and financial condition in the future.

In addition to climatic events, geological events and events related to them, such as volcanic or seismic activity, tsunamis, or other extrinsic events, such as plant and animal diseases or a flu pandemic, can also severely disrupt normal business activity and have a negative effect on the Group's business, operations and financial condition.

In New Zealand, a number of major earthquakes have impacted the Christchurch area since September 2010, causing widespread property and infrastructure damage, and deaths. Whilst much of the damage was covered by public (Earthquake Commission) and private insurance, there will potentially be negative impacts on property values and on future levels of insurance and reinsurance coverage across New Zealand. Subsequent earthquakes in Christchurch or in other populated areas may further adversely impact property values and the ability to obtain insurance on properties used by ANZ to secure loans. 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 ANZ's business, operations and financial condition.

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 and in the other countries (including but not limited to the United Kingdom, the United States, 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.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulatory bodies including the Australian Securities and Investments Commission ("ASIC"), 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's 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. 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 GFC, 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 proposals in regards 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 US passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the US.

Uncertainty remains as to the final form that the proposed regulatory changes will take in Australia, the US and other countries in which the Group operate 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) 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.

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 in which it operates. 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 financial results.

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 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.

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";
- derivatives; and
- financial assets backing insurance and investment liabilities.

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.

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.

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. At reporting date, 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 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.

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. Details regarding the Group's material contingent liabilities as at September, 30 2011 are contained in Note 44 to the 2011 Annual Report (attached as Annex A to this U.S. Disclosure Document). There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

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

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

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

There can be no assurance that any acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings, the overall performance of the combined entity, or an improved price for the Group's securities. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, clients, 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 customers, counterparties and vendors of newly acquired businesses will remain as such post-acquisition, and the loss of customers, counterparties and vendors 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 clients, customers, depositors and employees. The loss of key employees in connection with an acquisition or disposal 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. The financial results for entities where the functional currency is not Australian dollars are translated using a yearly average exchange rate for the income statement and average balance sheet, and the end of period exchange rate for balance sheet. Refer to Note 50 of the 2011 Annual Report and Note 51 of the 2010 Annual Report for the major foreign currencies used in translating ANZ's results to Australian dollars.

In this U.S. Disclosure Document, unless otherwise stated or the context otherwise requires, references to 'US$', 'USD' and 'U.S. dollars' are to U.S. dollars and references to '$', 'AUD' and 'A$' are to Australian dollars. For the convenience of the reader, this U.S. Disclosure Document contains translations of certain Australian dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into U.S. dollars have been made at the rate of US$0.9744 = 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, 2011. As at November 4, 2011 the Noon Buying Rate was US$1.0358 = 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				
2006	0.7781	0.7056	0.7473	0.7461
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

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, 2011, 28% (September 2010: 29%) 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 2006 to September 2011, the average Australian dollar moved against these currencies as follows:

Australian dollar movement against foreign currencies

Years ended September 30	2011	2010	2009	2008	2007	2006
Chinese Yuan (CNY)	9%	22%	-22%	3%	4%	-5%
Euro (EUR)	11%	23%	-1%	-1%	0%	1%
British Pound (GBP)	11%	22%	3%	12%	-1%	0%
Malaysian Ringgit (MYR)	6%	14%	-13%	5%	2%	-5%
New Zealand dollar (NZD)	4%	3%	3%	5%	-1%	5%
U.S. dollar (USD)	14%	23%	-19%	12%	8%	-2%

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 1(e) of the 2011 Annual Report (contained in Annex A to this U.S. Disclosure Document) for details of these hedging policies.

Certain definitions

ANZ's 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, 2011 is referred to as "2011", and other fiscal years are referred to in a corresponding manner. Our 2011 and 2010 audited financial results are contained in our 2011 Annual Report (extracts of which are attached as Annex A to this U.S. Disclosure Document).

The Group operates on a divisional structure with Australia, Asia Pacific, Europe & America (APEA), Institutional and New Zealand being the major operating divisions. The Group manages Institutional APEA on a matrix structure. Accordingly, the results for Institutional APEA are included in both the APEA division and Institutional division.

The Group revised its accounting policies on October 1, 2005 to enable the preparation of financial statements that comply with IFRS. The IFRS accounting policies have been consistently applied by all consolidated entities for the years ended September 30, 2011, 2010, 2009, 2008 and 2007.

Operating Results

The following discussion of statutory profit is based on the 2011 and 2010 Financial Reports prepared under IFRS (Refer to the section headed "Selected financial data" on page 2 above for a discussion of IFRS).

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

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

Summary of ANZ's results over the past three years

	Years ended September 30		
	2011 $M	**2010 $M**	**2009 $M**
Net interest income	11,483	10,869	9,888
Net funds management and insurance income	1,405	1,099	230
Other operating income	4,044	3,724	3,492
Operating income	16,932	15,692	13,610
Operating expenses	(8,023)	(7,304)	(6,225)
Profit before credit impairment and income tax	8,909	8,388	7,385
Provision for credit impairment	(1,237)	(1,787)	(3,005)
Profit before income tax	7,672	6,601	4,380
Income tax expense	(2,309)	(2,096)	(1,435)
Non-controlling interests	(8)	(4)	(2)
Profit attributable to shareholders of the Company	**5,355**	**4,501**	**2,943**

Profit and loss

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 $614 million (6%) mainly due to:
  - A 6% increase in average interest earning assets to $467 billion; and
  - An 11% increase in average deposits to $339.2 billion; offset by
  - A reduction in net interest margin of 1 basis point to 2.46%.
- 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 $320 million (9%) 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.
  - Other operating income in 2010 was impacted by an adjustment of $217 million for an acquisition valuation loss due to valuation adjustments when OnePath Australia and OnePath New Zealand were fully acquired.
- 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 $486 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, Institutional and APEA 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.

Comparison of 2010 with 2009

ANZ recorded a profit after tax of $4,501 million for the year ended September 30, 2010, an increase of $1,558 million (53%) from $2,943 million for the year ended September 30, 2009.

Profit and loss, cont'd

Comparison of 2010 with 2009, cont'd

Key factors influencing the increase in profit after tax were:

- Net interest income increased $981 million (10%) from $9,888 million for the year ended September 30, 2009 to $10,869 million for the year ended September 30, 2010. The increase in net interest income primarily resulted from an increase in average interest earning assets of 3%, increase in average customer deposits of 13%, and an increase in net interest margin of 16 basis points to 2.47%.
- Net funds management insurance income increased $869 million from $230 million for the year ended September 30, 2009 to $1,099 million for the year ended September 30, 2010 primarily as a result of the increase in ownership in OnePath Australia (formerly INGA) and OnePath New Zealand (formerly INGNZ) from a 49% shareholding to full ownership in November 2009.
- Other operating income increased $232 million (7%) from $3,492 million for the year ended September 30, 2009 to $3,724 million for the year ended September 30, 2010. The main drivers of this increase were:
  - An increase over 2009 of $160 million arising from increased volatility from the use of derivatives in economic hedging, including revenue and net investment hedges, with a loss of $328 million for the year ended September 30, 2009 declining to a loss of $168 million for the year ended September 30, 2010.
  - An increase of $205 million relating to the ANZ share of the OnePath New Zealand investor settlement. During 2009, $173 million was recognized as a reduction to other operating income representing ANZ's share of the OnePath New Zealand investor settlement. During 2010, a gain of $32 million was received associated with an increase in the value of the funds which were frozen in relation to this issue.
  - An increase in credit risk on derivatives of $170 million. In 2010 a gain of $35 million was recognized compared to a loss of $135 million in 2009.
  - Acquisition valuation loss (-$217 million) in 2010 due to valuation adjustments following the recalculation of the fair value of the Group's pre-existing 49% interest on acquisition date of OnePath Australia and OnePath New Zealand (-$185 million) and adjustments to write off previously equity accounted debit available-for-sale reserves (-$32 million).
  - An improvement of $160 million in non-continuing businesses associated with the legacy Private equity business.
  - Excluding the above items, other operating income decreased $246 million primarily due to Global Markets, with reduced market volatility leading to lower customer hedging activity and reduced trading opportunities.
  - The above explanations include the impact of foreign exchange rates during the period. The retranslation of 2009 results at the average rates for the year ended September 30, 2010 would have resulted in an increase of other operating income of 12%.
- Operating expenses increased $1,079 million (17%) from $6,225 million for the year ended September 30, 2009 to $7,304 million for the year ended September 30, 2010. Of this cost growth, $319 million was due to integration costs associated with the acquisitions of the remaining 51% of OnePath Australia and OnePath New Zealand, the loan and deposit books of Landmark Financial Services and selected RBS businesses, and a further increase of $554 million related to ongoing expenses from these acquisitions. This was partially offset by expenses of $142 million incurred in 2009 in relation to the One ANZ restructure. The remaining cost growth was primarily in Asia Pacific, Europe & America and Institutional as a result of ongoing investment in key strategic markets, and infrastructure and system enhancements to support future growth. The above explanations include the impact of foreign exchange rates during the period. The retranslation of 2009 results at the average rates for the year ended September 30, 2010 would have resulted in an increase in operating expenses of 21%.
- Provision for credit impairment charge decreased $1,218 million from $3,005 million for the year ended September 30, 2009 to $1,787 million for the year ended September 30, 2010. The decrease resulted from lower individual and collective provision charges. This reflected a slowing in single name large provisions, a stabilizing loan portfolio and growth in low risk assets.
- ANZ's effective tax rate for the year ended September 30, 2010 was 31.8%, a decrease of 1.0% from 32.8% for the year ended September 30, 2009. The decrease was due primarily to the New Zealand conduit tax provision and unrealized losses associated with the Offshore Banking unit ("OBU") both in 2009 offset by the non-deductible fair value impairment of our interest in OnePath Australia and OnePath New Zealand, non-deductible RBS integration costs; an unfavorable impact resulting from changes in New Zealand tax legislation; and a higher overseas tax rate differential, all in 2010. Offsetting this reduction was an increase of 2.3% resulting from income tax expense attributable to income relating to policyholder income and contributions tax as a result of the consolidation of OnePath Australia (formerly INGA).

Analysis of major income and expense items

Net interest income

The following table analyzes net interest income, interest spread, and net interest average margin for Australia, New Zealand, and Asia Pacific, Europe & America.

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Net interest income	11,483	10,869	9,888
Average interest earning assets	467,447	439,277	427,464
Net interest margin (%)	2.46	2.47	2.31

	Years ended September 30		
Interest spreads and net interest margin	2011 %	2010 %	2009 %
Australia			
Net interest spread[1]	2.20	2.23	2.01
Interest attributable to net non-interest bearing items	0.40	0.38	0.37
Net interest margin - Australia[2]	2.60	2.61	2.38
Asia Pacific, Europe & America			
Net interest spread[1]	1.51	1.56	1.74
Interest attributable to net non-interest bearing items	(0.02)	(0.02)	(0.04)
Net interest margin - Asia Pacific, Europe & America[2]	1.49	1.54	1.70
New Zealand			
Net interest spread[1]	2.08	2.02	1.77
Interest attributable to net non-interest bearing items	0.30	0.25	0.41
Net interest margin - New Zealand[2]	2.38	2.27	2.18
Group			
Net interest spread[1]	2.19	2.21	2.00
Interest attributable to net non-interest bearing items	0.27	0.26	0.31
Net interest margin - Group[2]	**2.46**	**2.47**	**2.31**

1. *Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities.*
2. *Net interest income as a percentage of average interest earning assets.*

Reference rates

Average rates	Years ended September 30 2011	2010	2009
Average Australian 5-year fixed housing loan rate charged by ANZ	7.7%	8.0%	7.2%
Average Australian variable housing loan rate charged by ANZ	7.8%	7.0%	6.4%
Average Australian 90-day fixed term deposit rate[1]	4.2%	3.5%	3.2%
U.S. average prime rate[2]	3.3%	3.3%	3.5%

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

Comparison of 2011 with 2010

Volume

Net interest income increased $614 million from $10,869 million for the year ended September 30, 2010 to $11,483 million for the year ended September 30, 2011.

Average interest earning assets were up $28.2 billion (6%) or $36.5 million (8%) when translating 2010 results at 2011 average exchange rates. Key factors influencing this result included:

- Average net loans and advances (including acceptances) increased $28.8 billion (8%), or $33.7 billion (10%) when translating 2010 at 2011 average exchange rates, with an increase of $23.1 billion (9%) in Australia, primarily in Mortgages ($15.5 billion) (10%), mainly due to continuing customer demand for retail housing, throughout 2010 and 2011. Global Markets also had an increase of $4.5 billion which was a result of re-classification of Commercial bills from Trading Securities to loans & advances. Commercial Banking grew by $2.6 billion (6%) driven by an increase in Commercial bill financing. New Zealand decreased $3.0 billion (4%), when compared to 2010, but only $0.4 billion (0.5%) when translating 2010 results at 2011 average exchange rates. Decreases were mainly in Retail, Commercial and Agri sectors, with customers de-leveraging their balance sheets in response to economic conditions. Asia Pacific, Europe & America increased $8.6 billion (37%), and increased $11 billion (52%) when translating 2010 results at 2011 average exchange rates, reflecting business acquisitions and other expansions in Asia.
- Other interest earning assets reduced by $0.6 billion or 1% when compared to 2010, however increased by $2.8 billion (4%) when translating 2010 results at 2011 average exchange rates, primarily due to an increase in liquid assets.

Average deposits and other borrowings increased $32.6 billion (11%) or $40 billion (13%) when translating 2010 results based on 2011 average exchange rates. Key factors influencing this result included:

- Customer deposits grew by $30.1 billion (12%) or $36.9 billion (16%) when translating 2010 results at 2011 average exchange rates, with growth in Australia ($19.4 billion or 13%) primarily due to an uplift in customer deposits across the Retail, Commercial and Institutional businesses. Customer deposits in New Zealand increased $0.6 billion (1%), however, excluding exchange rates, grew by $2.2 billion (5%). Customer deposits in Asia Pacific, Europe & America grew by $10 billion (23%) or $15.4 billion (40%) when translating 2010 results at 2011 average exchange rates, resulting from business expansion and RBS acquisition in Asia and deposit raising strategies in UK/Europe.
- Wholesale funding increased by $2.5 billion (4%) resulting from an increase in certificates of deposit in Treasury Australia ($7.8 billion) due to a change in funding mix following a decision to stop re-discounting customer acceptances, offset by a decrease in commercial paper ($3.0 billion) and certificate of deposits in APEA ($1.4 billion).

Margin

Net interest margin decreased by 1 basis point to 2.46%. Significant influences on net interest margin were:

- Improved asset margin (+16 basis points) from the flow through of pricing decisions in retail and commercial businesses in Australia and New Zealand, increase in fee income in Institutional and benefit from a change in the lending mix.
- Funding and asset mix changes (+3 basis points) driven primarily by benefit from lower reliance on wholesale funding as growth in customer deposits meets ongoing funding requirements.
- Higher cost of deposits (-8 basis points) mainly due to competitive pressures (-5 basis points), continued customer migration to lower margin deposit products (-2 basis points) and lower returns from the replicating portfolio (-1 basis point).
- Higher funding costs (-3 basis points) from the increase in wholesale funding costs.
- Other items (-1 basis point) were lower from the impacts of various minor items.
- Global Markets had a -8 basis points impact on the total Group margin due to the impact of lower earnings from managing balance sheet risk (-4 basis points), lower earnings from other lending and investment activities (-2 basis points), higher funding costs associated with unrealized gains on derivatives (-1 basis point) and the dilution impact of the Global Markets balance sheet on the Group (-1 basis point).

Comparison of 2010 with 2009

Net interest income increased $981 million (10%) from $9,888 million for the year ended September 30, 2009 to $10,869 million for the year ended September 30, 2010.

Reference rates, cont'd

Comparison of 2010 with 2009, cont'd

Volume

Average interest earning assets were up $11.8 billion (3%) over 2009. Key factors influencing this result included:

- Average advances increased $0.7 billion, or $5.8 billion (2%) when retranslating 2009 at 2010 average exchange rates, with an increase of $4.1 billion in Australia, primarily in Mortgages ($13.4 billion) (10%), resulted from growth in customer demand for housing loans resulting in increased market share. This was partially offset by reductions in Specialized and Relationship Lending ($7.6 billion) and Markets ($4.2 billion), reflecting a trend of slower business growth in 2010 versus 2009. New Zealand decreased $3.4 billion (4%) or $1.5 billion (2%) when translating 2009 results based on 2010 average exchange rates primarily in Institutional as businesses and households continued to de-leverage and business growth continued to slow. Asia Pacific, Europe & America was flat compared to 2009, however it increased $3.4 billion (19%) when translating 2009 results based on 2010 average exchange rates, reflecting our business acquisitions and other expansion in Asia.
- Other interest earning assets increased by $11.1 billion or 15% due primarily to an increase in trading and available-for-sale assets in response to regulatory liquidity requirements and increased trading activity.

Average deposits and other borrowings increased $15.1 billion (5%) or $24.1 billion (9%) when retranslating 2009 results based on 2010 average exchange rates. Key factors influencing this result included:

- Customer deposits grew by $21.4 billion (10%) or $27.9 billion (13%) when translating 2009 results based on 2010 average exchange rates, with strong growth in Australia ($9.0 billion or 6%) due primarily to an uplift in term deposits resulting from competitive pricing and volume. Customer deposits in New Zealand decreased $1.4 billion (3%), however, deposits excluding exchange rates were flat. Customer deposits in Asia Pacific, Europe & America grew by $13.8 billion (46%) or $18.9 billion (77%) when translating 2009 results based on 2010 average exchange rates, resulting from deposit raising strategies and volume.
- Wholesale funding decreased by $6.3 billion (9%) resulted from a decrease in certificates of deposit ($5.2 billion) and commercial paper ($1.0 billion).

Loan capital and bonds and notes increased by $3.8 billion (5%) primarily due to new issuances during 2010.

Margin

Net interest margin increased by 16 basis points to 2.47%. Key factors influencing this result included:

- Improved asset margin (+37 basis points) from the flow through of repricing activities, particularly in New Zealand and Institutional and improved fee returns in Institutional primarily due to higher commitment fees and line fees.
- Funding and asset mix changes (+14 basis points) driven primarily by increased capital from the full year impact of the share placement plans in 2009 (+6 basis points), reduced reliance on wholesale funding due to higher customer deposits as a source of funding (+5 basis points), other net funding impacts (+ 1 basis point) and favorable asset mix impact from decline in low margin Institutional assets (+2 basis points).
- Higher cost of deposits (-16 basis points) and higher funding costs (-11 basis points). Deposits costs were higher primarily due to competitive pressures (-8 basis points), continued customer migration to lower margin deposit products (-4 basis points) and lower returns from the replicating portfolio (-4 basis points).
- Higher funding costs (-11 basis points) were mainly due to an increase in wholesale funding costs.
- Other items (+4 basis points) includes a favorable impact (+2 basis points) from the acquisition of higher margin assets (RBS businesses and Landmark), favorable movement in brokerage costs (+1 basis point) following a write down of Esanda capitalized brokerage costs in 2009 and other net impacts (+1 basis point).
- Global Markets had a -12 basis points impact on the total Group margin. Net interest movements (-3 basis points) due to the impact of funding costs associated with unrealized trading gains on derivatives (-8 basis points), mismatch outcome (+3 basis points) and other net impacts (+2 basis points). The dilution impact of the Global Markets balance sheet on the Group (-9 basis points) resulted from growth in trading and investment assets

Net funds management and insurance income

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Funds management income	868	730	119
Investment income/(Loss)	(511)	1,165	-
Insurance premium income	1,184	847	28
Commission income (expense)	(490)	(358)	83
Claims	(548)	(414)	-
Changes in policyholder liabilities[1]	854	(836)	-
Elimination of Treasury share gain/(loss)[2]	48	(35)	-
Total net funds management and insurance income	**1,405**	**1,099**	**230**

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 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 30 November 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 lower 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.

Comparison of 2010 with 2009

Net funds management and insurance income increased $869 million to $1,099 million for the year ended September 30, 2010. Major movements include the contribution from OnePath Australia (formerly INGA) of $752 million and OnePath New Zealand (formerly INGNZ) of $98 million following the acquisition of OnePath Australia and OnePath New Zealand to take full ownership.

Other operating income

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Net fee and commission income	2,391	2,324	2,397
Net foreign exchange earnings	817	747	962
Profit on trading instruments	316	354	168
Other	520	299	(35)
Total other operating income	**4,044**	**3,724**	**3,492**

Comparison of 2011 with 2010

Other operating income increased $320 million (9%) from $3,724 million for the year ended September 30, 2010 to $4,044 million for the year ended September 30, 2011.

Major movements included:

- 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 $71 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.
- Profit on trading instruments decreased $38 million mainly due to a $28 million reduction in Global Markets reflecting difficult trading conditions.
- Other income increased by $221 million (74%) mainly due to:
  - A fair value impairment for OnePath Australia and OnePath NZ of $217 million booked in the 2010 year;
  - A lower fair value economic hedging loss of $35 million recognized in the 2011 year; and
  - A write down of ANZ's investment in Sacombank of $35 million in the 2011 year principally due to a decline in the Vietnamese currency.

Comparison of 2010 with 2009

Other operating income increased $232 million (7%) from $3,492 million for the year ended September 30, 2009 to $3,724 million for the year ended September 30, 2010.

Major movements included:

- Lending fee income decreased $50 million (7%) from $684 million for the year end ended September 30, 2009 to $634 million for the year ended September 30, 2010. Movements included:
  - Australia decreased $36 million due mainly to a reduction in exception fees and Global Markets' fees partly offset by increased fees in other parts of Institutional.
  - Asia Pacific, Europe & America increased $1 million due mainly to business expansion in China, Philippines and Indonesia offset by a reduction due to the movement in foreign exchange rates.
  - New Zealand decreased $15 million due mainly to a reduction in exception fees.
- Non-lending fee income decreased $23 million (1%) from $1,713 million for the year ended September 30, 2009 to $1,690 million for the year ended September 30, 2010. Movements include:
  - Australia decreased $51 million with lower exception fees partly offset by higher fees in Institutional and other Retail fees.
  - Asia Pacific, Europe & America increased $71 million due mainly to increased volumes in Singapore and Hong Kong and increased non-lending fee income of $48 million due to the acquisition of RBS assets, partly offset by a reduction due to the movement in foreign exchange rates.
  - New Zealand decreased $43 million mainly due to a reduction in exception fees and re-pricing New Zealand's lending book for credit risk.
- Foreign exchange earnings decreased $215 million (22%) from $962 million for the year ended September 30, 2009 to $747 million for the year ended September 30, 2010 with lower Global Markets income, partly offset by increased volumes and re-pricing of Global Markets' lending book. Profit on trading instruments increased $186 million from $168 million for the year ended September 30, 2009 to $354 million for the year ended September 30, 2010 principally due to an increase in credit risk on derivatives of $170 million. In 2010, a gain of $35 million was recognized on the Group's structured credit intermediation trades compared to a loss of $135 million in 2009.

Other operating income, cont'd

Comparison of 2010 with 2009, cont'd

- Other income increased by $334 million in 2010 from a loss of $35 million for the year ended September 30, 2009 to $299 million for the year ended September 30, 2010. Other income was impacted by the following factors:
  - Acquisition valuation loss (-$217 million) in 2010 due to valuation adjustments following the recalculation of the fair value of the Group's pre-existing 49% interest on acquisition date ($185 million) and adjustments to write off previously equity accounted debit available-for-sale reserves ($32 million).
  - An increase in the adjustment for economic hedging of $160 million with fair value losses of $199 million in 2010 compared to fair value losses of $358 million in 2009, principally due to:
    - Funding swaps hedged by derivatives (a reduction of $204 million) are primarily foreign exchange rate swaps which are used to convert the proceeds of foreign currency debt issuances into floating rate Australian dollar and New Zealand dollar debt.
    - Volatility arising from the use of fair value options on own debt hedged by derivatives (a $275 million increase). This resulted from a widening of credit spreads since September 2009.
    - The gain arising from the ineffective portion of cash flow and fair value hedges (an increase of $85 million). This largely relates to the valuation of floating legs of swaps.
    - Other income in non-continuing businesses of $38 million, an increase of $153 million from a $115 million loss in 2009 primarily due to gains/(losses) on assets in the alternative asset and private equity businesses.
- Other income increased by $22 million in 2010 due to an increase in value of the ING Diversified Yield Fund and the ING Regular Income Fund held by ANZ following the OnePath New Zealand investor settlement compared to the initial amount provided during 2009 of $173 million, resulting in an increase of $195 million. Refer to Note 44 of the 2010 ANZ Annual Report.
- Excluding the items mentioned above, other income increased by $44 million:
  - Australia decreased $33 million largely from reduced equity accounted earnings from the ANZ-ING joint venture partially offset by increased insurance premiums in Mortgages.
  - Asia Pacific, Europe & America increased $104 million largely as a result of higher profit from the Asia Partnerships business. 2010 included a $25 million reversal of the write down of the investment in Saigon Securities Incorporation ('SSI') originally booked in 2009, non-recurrence of a $14 million mark-to-market loss on Panin warrants booked in 2009 and higher equity accounted earnings (up $39 million) in Panin and AMMB Holdings Berhad ('AMMB'). These were partly offset by lower earnings in Shanghai Rural Commercial Bank ('SRCB') and Bank of Tianjin ('BoT'). Higher other income of $69 million included an increase in Europe of $11 million, a $16 million increase in Singapore due mainly to the sale of available-for-sale securities.
  - New Zealand decreased $27 million due mainly to the sale of 16 bank branches in 2009.

Operating expenses

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Personnel expenses	4,736	4,250	3,598
Premises expenses	685	639	559
Computer expenses	1,041	866	768
Restructuring costs	148	34	130
Other expenses	1,413	1,515	1,170
Total operating expenses	**8,023**	**7,304**	**6,225**

Comparison of 2011 with 2010

Operating expenses increased $719 million (10%) from $7,304 million for the year ended September 30, 2010 to $8,023 million for the year ended September 30, 2011.

Significant factors impacting operating expenses are as follows:

- Personnel expenses increased $486 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 (9%) 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 $175 million (20%) mainly driven by an increase in depreciation and software amortization, and an increase in computer contractors' costs from our significant investment in technology across the Group.
- Restructuring expenses increased $114 million due to costs associated with the integration of a single core banking system in New Zealand.
- Other expenses decreased $102 million (7%) with a strong focus on constraining discretionary costs, including lower professional fees and advertising costs.

Significant factors affecting operating expenses by division were as follows:

- Australia costs increased by $250 million (8%), mainly due to inflationary impacts, annual salary increases, higher staff numbers (partly due to OnePath acquisition in 2010) and project related costs.
- Asia Pacific, Europe & America (excluding APEA Institutional) costs increased by $200 million (33%) mainly due to the build-up of regional revenue generating staff and support capabilities (including the RBS acquisition in 2010).
- Global Institutional costs growth was $253 million (14%), reflecting the continued investment in the super regional strategy, including the phased roll out of our new cash management platform across each region.
- New Zealand costs decreased by $42 million (4%), mainly due to the restructuring expenses mentioned above partially offset by productivity gains from simplifying the business, which more than offset inflationary impacts.

Comparison of 2010 with 2009

Operating expenses increased $1,079 million (17%) from $6,225 million for the year ended September 30, 2009 to $7,304 million for the year ended September 30, 2010 with cost growth primarily in Asia Pacific, Europe & America and Institutional as a result of ongoing investment in key strategic markets and infrastructure and system enhancements to support future growth. Significant factors impacting operating expenses are as follows:

- Personnel expenses increased $652 million (18%) including an increase of $75 million relating to costs associated with the OnePath, Landmark and RBS asset acquisitions. In addition, personnel expenses increased as a result of annual salary increases and a 10% increase in staff numbers, primarily in Asia Pacific, Europe & America. Staff numbers in Asia Pacific, Europe & America increased by 4,987 employees (including 2,786 from the RBS acquisitions) due to continued growth in Asia.
- Premises expenses increased $80 million (14%) reflecting higher staff numbers and an investment in upgrading our premises. This includes a $26 million increase in utilities and other outgoings, including a $9 million increase in repairs and maintenance, a $6 million increase in security costs and a $5 million increase in power costs resulted from an increased space requirement for increased staff numbers. Depreciation was $19 million higher primarily due to the ANZ Center at Docklands, which was completed in 2009.
- Computer expenses increased $98 million (13%) primarily due to a $60 million increase in depreciation and amortization from our significant investment in technology.
- Restructuring costs decreased by $96 million from $130 million in 2009 to $34 million in 2010. In 2009, $118 million of restructuring costs were incurred during the One ANZ organizational restructure.
- Other expenses increased $345 million (29%) including an increase of $222 million relating to costs associated with the OnePath, Landmark and RBS asset acquisitions. In addition, professional fees increased $153 million with increases in Technology, Institutional and Group Center primarily due to ANZ's expansion and process improvement initiatives.

Operating expenses, cont'd

Pension payments

Pension payments are the principal post-retirement benefit. Other post-retirement benefits are not material. Health care is provided to Australian citizens by the government. Accordingly, 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 45 in the 2011 Annual Report (attached to this U.S. Disclosure Document as Annex A) for further detail.

Provision for credit impairment charge

Division	Years ended September 30 2011 $M	2010 $M
Australia	711	583
Asia Pacific, Europe & America	110	154
Institutional	258	741
New Zealand	166	409
Other [1]	66	(23)
Less: Institutional Asia Pacific, Europe & America	(74)	(77)
Total provision for credit impairment charge	**1,237**	**1,787**

1. *Other comprises non continuing businesses and a centrally held Collective Provision.*

Geographic Region	Years ended September 30 2010 $M	2009 $M
Australia	1,271	2,008
Asia Pacific, Europe & America	154	275
New Zealand	362	722
Total provision for credit impairment charge	**1,787**	**3,005**

	Years ended September 30			
	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
Australia	669	42	579	4
Asia Pacific, Europe & America	128	(18)	153	1
Institutional	224	34	799	(58)
New Zealand	255	(89)	361	48
Other	27	39	(23)	-
Less: Institutional Asia Pacific, Europe & America	(73)	(1)	(78)	1
Total	**1,230**	**7**	**1,791**	**(4)**

	Years ended September 30			
	2010 $M		2009 $M	
Geographic Region	Individual provision for credit impairment	Collective provision for credit impairment	Individual provision for credit impairment	Collective provision for credit impairment
Australia	1,276	(5)	2,148	(140)
Asia Pacific, Europe & America	153	1	122	153
New Zealand	362	-	500	222
Total	**1,791**	**(4)**	**2,770**	**235**

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 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 reflected 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 a 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 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 a 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 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 we experienced a reduction in the number of our large single name impaired assets.

- The individual provision for credit impairment charge decreased $561 million (31%), due mainly to reductions in Institutional:
  - The decrease in Institutional of $575 million reflects improved portfolio quality due to recoveries and a reduction in new impaired assets;
  - The decrease in Asia Pacific, Europe & America of $25 million was due to higher recoveries achieved mainly in the Retail business (in particular Taiwan).
  - The decrease in New Zealand of $106 million reflects slowly improving economies in New Zealand; and
  - Australia saw a $90 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, Institutional and Group Centre offset by decreases in New Zealand and Asia Pacific, Europe & America:
  - The $38 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 Asia Pacific, Europe & America decrease of $19 million reflects underlying credit improvement and de-risking of the former RBS owned portfolios, offset partially by growth in Asia;
  - The Institutional division charge of $34 million is mainly driven by growth in Global Loans; and
  - The New Zealand reduction of $137 million was driven by releases to the economic cycle adjustment as a result of the earthquake impacted exposures migrating to impaired, coupled with some improvement in credit card quality. Part of the flood provision release was used to fund an additional central economic cycle adjustment of $40 million due to ongoing global economic uncertainty.

Comparison of 2010 with 2009

Total provision for credit impairment charge relating to lending assets, commitments and debt securities classified as available-for-sale assets decreased $1,218 million (41%) from $3,005 million as at September 30, 2009 to $1,787 million as at September 30, 2010, as the global economy began to recover from higher levels of bankruptcies, business liquidations and commercial losses and a reduction in the number of large single name impaired assets.

The individual provision for credit impairment charge decreased $979 million to $1,791 million (35%), primarily due to reductions in Australia and New Zealand. The decrease in Australia of $872 million mainly reflected the reduction in the number of large single name provisions raised within the Australian Institutional portfolio. The decrease in New Zealand of $138 million was mainly due to a reduction of previously recorded impairment charges and recoveries. These reductions were partially offset by an increase of $31 million in Asia Pacific, Europe & America.

The collective provision for credit impairment charge decreased $239 million during the year to a release of $4 million, with decreases in New Zealand and Asia Pacific, Europe & America offset by an increase in Australia. The charge for Australia increased $135 million reflecting releases for migrations to impaired status in 2009. The New Zealand charge decreased $222 million following the high charge in 2009 and recognizing some stabilization in credit conditions. The charge for Asia Pacific, Europe & America decreased by $152 million as releases from large customer upgrades offset growth in the corporate business compared to the high charge for risk in 2009 which recognized the stress in global credit markets.

Credit risk on derivatives

	Years ended September 30		
Credit risk on derivatives	**2011 $M**	**2010 $M**	**2009 $M**
Credit intermediation trade related[1]	(4)	(69)	53
Credit risk on impaired derivatives	(17)	34	82
Credit risk on derivatives (gain) / loss	(21)	(35)	135

1. *ANZ hedges, in part, the foreign currency exposure relating to structured credit intermediation trades. The 2010 full year result includes a $14 million loss on foreign currency hedges.*

The credit risk on derivatives gain of $21 million during the year ended September 30, 2011 (2010: a gain of $35 million) was primarily due to the positive impact of market movements in credit spreads and AUD/USD rates. This is included in other operating income in the income statement.

Structured credit intermediation trades

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 relating to business/principal risks and uncertainties' 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 periods managing these positions. The notional amount on the outstanding sold trades at September 30, 2011 was US$8.3 billion (September 30, 2010: US$8.4 billion).

	As at September 30		
	2011 $M	**2010 $M**	**2009 $M**
Financial impacts on credit intermediation			
Mark-to-market credit exposure to financial guarantors	803	641	1,010
Cumulative costs relating to financial guarantors			
Credit valuation adjustment for outstanding transactions	197	195	352
Realised close out and hedge costs	314	320	232
Cumulative life to date costs	**511**	**515**	**584**

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		
	2011 $M	2010 $M	2009 $M
Income tax expense charged to the income statement	2,309	2,096	1,435
Effective tax rate	30.1%	31.8%	32.8%
Australian corporate tax rate	30.0%	30.0%	30.0%

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 in the effective tax rate 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.

Comparison of 2010 with 2009

The Group's income tax expense increased by $661 million (46%) from $1,435 million for the year ended September 30, 2009 to $2,096 million for the year ended September 30, 2010.

The effective tax rate decreased 1.0% from 32.8% to 31.8% for the year ended September 30, 2010.

The decrease in the effective tax rate was due primarily to the New Zealand conduit tax provision and unrealized losses associated with the Offshore Banking unit ('OBU'), both in 2009, offset by the non-deductible fair value impairment of our interest in OnePath Australia and OnePath New Zealand, which was non-deductible; RBS integration costs; an unfavorable impact resulting from changes in New Zealand tax legislation; and a higher overseas tax rate differential, all in 2010. 2010 also included a release of excess New Zealand conduit tax provision and a favorable impact from the resolution of an outstanding tax matter in the U.S. This was partly offset by the consolidation of income tax expense attributable to income relating to policyholder income and contributions tax.

Results by Division

For the fiscal years ended September 30, 2010 and 2009, ANZ operated on a regional structure, with Australia, Asia Pacific, Europe & America (APEA), and New Zealand being the major regions. Starting with the fiscal year ended September 30, 2011, ANZ moved to a divisional structure, with Australia, APEA, New Zealand, and Institutional being the major divisions.

The principal difference between the divisional and regional structures is that the results for the Institutional division are now reported separately, instead of being included in the respective regions. However, ANZ manages Institutional APEA on a matrix structure, and thus the results for Institutional APEA are included in both the APEA division and Institutional division.

2010 numbers have been restated to conform with the divisional structure. However, 2009 numbers have not been restated and are presented under a regional view along with 2010 for comparative purposes.

	Years ended September 30	
Division	2011 $M	2010 $M
Profit before income tax		
Australia	3,962	3,767
Asia Pacific, Europe & America	896	772
Institutional	2,647	2,458
New Zealand	978	643
Other	(293)	(566)
Less: Institutional Asia Pacific, Europe & America	(518)	(473)
	7,672	6,601
Income tax expense		
Australia	(1,185)	(1,093)
Asia Pacific, Europe & America	(166)	(90)
Institutional	(750)	(680)
New Zealand	(286)	(180)
Other	(41)	(147)
Less: Institutional Asia Pacific, Europe & America	119	94
	(2,309)	(2,096)
Non-controlling interests		
Asia Pacific, Europe & America	(9)	(6)
Institutional	(2)	-
Other	1	2
Less: Institutional Asia Pacific, Europe & America	2	-
	(8)	(4)
Profit after income tax and non-controlling interests		
Australia	2,777	2,674
Asia Pacific, Europe & America	721	676
Institutional	1,895	1,778
New Zealand	692	463
Other	(333)	(711)
Less: Institutional Asia Pacific, Europe & America	(397)	(379)
	5,355	4,501

Geographic Region	Years ended September 30 2010 $M	2009 $M
Profit before income tax		
Australia	5,048	3,041
Asia Pacific, Europe & America	586	836
New Zealand	967	503
	6,601	4,380
Income tax expense		
Australia	(1,755)	(955)
Asia Pacific, Europe & America	(62)	(136)
New Zealand	(279)	(344)
	(2,096)	(1,435)
Non-controlling interests		
Australia	-	(2)
Asia Pacific, Europe & America	(4)	-
New Zealand	-	-
	(4)	(2)
Profit after income tax and non-controlling interests		
Australia	3,293	2,084
Asia Pacific, Europe & America	520	700
New Zealand	688	159
	4,501	2,943

Australia Division

Australia Division	Years ended September 30 2011 $M	2010 $M
Net interest income	5,821	5,384
Other operating income	2,358	2,222
Operating income	8,179	7,606
Operating expenses	(3,506)	(3,256)
Profit before credit impairment and income tax	4,673	4,350
Provision for credit impairment	(711)	(583)
Profit before income tax	3,962	3,767
Income tax expense	(1,185)	(1,093)
Profit after income tax	**2,777**	**2,674**

Australia Geographic Region	Years ended September 30 2010[1] $M	2009 $M
Net interest income	7,971	7,085
Other operating income	3,153	2,137
Operating income	11,124	9,222
Operating expenses	(4,805)	(4,173)
Profit before credit impairment and income tax	6,319	5,049
Provision for credit impairment	(1,271)	(2,008)
Profit before income tax	5,048	3,041
Income tax expense	(1,755)	(955)
Non-controlling interests	-	(2)
Profit after income tax	**3,293**	**2,084**

1. *2010 results have marginally changed compared to the 2010 Annual U.S. Disclosure Document following a review of ANZ's geographical reporting structures.*

Selected Australian economic indicators are shown below:

	Years ended September 30 2011	2010
Nominal rates of growth in Gross Domestic Product[1,3,4]	7.5%	5.5%
Inflation rates[2]	3.3%	2.7%
Real rates of growth in Gross Domestic Product[1,3,4]	1.7%	2.7%

1. *Source: Australian National Accounts – National Income and Expenditure, ABS.*
2. *Not reclassified for the effects of changes to price levels. Source: Reserve Bank of Australia.*
3. *Nominal rates of Gross Domestic Product reclassified for the effect of changes to price levels.*
4. *Source: ANZ Economics forecast data for 2011.*

Comparison of 2011 with 2010

Profit after income tax increased $103 million (4%). Significant influences on profit after tax were:

- Net interest income increased 8% mainly due to:
  - Average net loans, advances and acceptances 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.
- Other operating income increased 6%, mainly due to:
  - A full year income from the OnePath acquisition versus 10 months in 2010.
  - The adverse impact of removal of exception fees and deferred establishment fees from Retail was largely offset by volume driven increases.
- Operating expenses increased 8%, mainly due to inflationary impacts, higher staff levels (partly from the OnePath acquisition) and project related spend.
- Provision for credit impairment increased 22%. South East Queensland in particular struggled due to higher than national average unemployment combined with adverse tourism impacts from the strong Australian dollar 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 $38 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.

Australia Division, cont'd

Comparison of 2011 with 2010, cont'd

- Income tax expense increased by $92 million (8%) mainly due to a higher effective tax rate of 29.9% in 2011; 2010 (29.0%) relating to one-off tax benefits received in 2010 in the Wealth business.

Comparison of 2010 with 2009

Profit after income tax increased $1,209 million or 58% to $3,293 million for the year ended September 30, 2010 in an environment characterized by improved credit conditions, the rising cost of funding, intense competition for deposits and benign business credit growth. Net interest income increased 13% (from $7,085 million in 2009 to $7,971 million in 2010) due to a 23 basis point improvement in net interest margin combined with a 2% increase in average net loans and advances and 4% increase in average deposits.

Significant influences on profit after tax were:

- Net interest income increased 13% primarily due to a 7 basis point improvement in net interest margin combined with an 8% increase in average net loans and advances and 7% increase in average customer deposits. The acquisition of Landmark increased net interest income by $56 million. Margin improvement reflected the impact of asset repricing to recoup higher funding costs and continued competition in deposit products. Growth in average net loans and advances primarily resulted from above system growth in Mortgages and the acquisition of the Landmark lending assets, while Deposits growth predominately came through term deposits.
- Institutional (excluding Global Markets) grew net interest income 7% with improved lending margins offsetting lower lending volumes, while higher deposit volumes and margins were achieved.
- Group Center net interest income increased significantly resulting from higher capital as a result of equity raisings in the second half of 2009.
- Other external operating income increased 48%, primarily as a result of increased earnings from the OnePath (formerly INGA) acquisition, a reduction over the 2009 year in economic hedging fair value losses of $93 million, a reduction from the 2009 year of losses resulting from non-continuing businesses of $157 million and a reduction from the 2009 year on credit risk on derivatives of $167 million. Other factors include a strong year on year performance in Wealth, partly offset by the reduction in exception related fees in Retail. Institutional (excluding Global Markets) increased 26% primarily due to higher fee income in Specialized Lending and Loan Products.
- Global Markets income was lower after the strong earnings in 2009 due to market volatility and credit spreads returning to more normal levels.
- Operating expenses increased 15% primarily due to costs associated with integrating the acquisitions of OnePath (formerly INGA) and Landmark of $106 million coupled with the inclusion of $336 million of operating costs for these acquisitions, partly offset by costs incurred in 2009 relation to the One ANZ restructure and transformation costs of $123 million. Excluding these large items, operating expenses increased by 7% primarily due to volume related costs to support the Mortgage and Deposit growth, projects and property related costs. Project spend for the year was focused on revenue growth and productivity enhancements. Expenses in Institutional increased 10% with investment directed at key initiatives to grow the business.
- The credit impairment provision charge was significantly lower in 2010 mainly reflecting the reduction in the number of large single name provisions raised within the Institutional portfolio while within Retail, improvements to both delinquency trends and bankruptcies were steady.

Asia Pacific, Europe & America Division

Asia Pacific, Europe & America Division	Years ended September 30 2011 $M	2010 $M
Net interest income	1,130	971
Other operating income	1,364	1,097
Operating income	2,494	2,068
Operating expenses	(1,488)	(1,142)
Profit before credit impairment and income tax	1,006	926
Provision for credit impairment	(110)	(154)
Profit before income tax	896	772
Income tax expense	(166)	(90)
Non-controlling interests	(9)	(6)
Profit after income tax	**721**	**676**

Asia Pacific, Europe & America Geographic Region	Years ended September 30 2010[1] $M	2009 $M
Net interest income	917	846
Other operating income	1,086	1,114
Operating income	2,003	1,960
Operating expenses	(1,263)	(849)
Profit before credit impairment and income tax	740	1,111
Provision for credit impairment	(154)	(275)
Profit before income tax	586	836
Income tax expense	(62)	(136)
Non-controlling interests	(4)	-
Profit after income tax	**520**	**700**

1. *2010 results have marginally changed compared to the 2010 Annual U.S. Disclosure Document following a review of ANZ's geographical reporting structures.*

Comparison of 2011 with 2010

Asia Pacific, Europe & America is a business that is based largely on a functional currency of U.S. dollars. Therefore, the result for Asia Pacific, Europe & America was impacted by the devaluation of the USD against the AUD in 2011. Translation of the results to AUD was at an average exchange rate for the year ended September 30, 2011 of US$1.0251 to A$1.00 compared to an average exchange rate for the year ended September 30, 2010 of US$0.8990 to A$1.00.

Profit after income tax increased $45 million (7%). Significant influences on profit after tax were:

- Net interest income was higher mainly due to:
  - Average loans, advances and acceptances increasing by 56% due to solid balance sheet growth. All business lines increased loans and deposits reflecting strong franchise momentum.
  - This was offset by adverse movement in the USD relative to the AUD; and an 8 basis point decrease in net interest margin.
- Other operating income increased by $267 million (24%), 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 by $346 million (30%), mainly due to the build up of staff and support capabilities.
- Provision charges for credit impairment were 29% lower compared with the prior year. Individual provision charges were 4% 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 $76 million mainly due to increased profit before income tax (up 16%) and the U.S. tax release in 2010.

Comparison of 2010 with 2009

Asia Pacific, Europe & America is a geographic region that is based largely on a functional currency of US dollars. Therefore, the result for Asia Pacific, Europe & America has been impacted by the devaluation of the USD against the AUD during the year ended September 30, 2010. Translation of the results to AUD was at an average exchange rate for the year ended September 30, 2010 of US$0.8990 to A$1.00 compared to an average exchange rate for the year ended September 30, 2009 of US$0.7319 to A$1.00.

Asia Pacific, Europe & America Division, cont'd

Comparison of 2010 with 2009, cont'd

Profit after income tax decreased $180 million (26%) mainly due to costs associated with the integration of the RBS businesses including approximately $130 million due to the devaluation of the US dollar against the Australian dollar. The Institutional business delivered a solid set of results after the exceptional additional earnings in 2009 arising from increased market volatility due to the global financial crisis. We completed the acquisitions of the RBS businesses in the Philippines, Vietnam and Hong Kong during the March 2010 half and in Taiwan, Singapore and Indonesia during the September 2010 half.

Key factors affecting the result were:

- Balance sheet growth contributed to net interest income increasing 8%, including the impact during 2010 of the acquisition of RBS assets.
- Net loans and advances increased 31% primarily as a result of the acquisitions of the RBS businesses and growth in Transaction Banking. The growth momentum in customer deposits continued, resulting in an increase of 56%. Our deposits to loans ratio improved from 161% to 191%. Margins were 16 basis points lower primarily due to narrowing credit spreads and a higher proportion of lower yielding assets arising from increased liquidity from growth in customer deposits.
- Other operating income decreased $28 million (3%), driven primarily by a decrease in Institutional due to the exceptional level of earnings in 2009 which was not repeated as market volatility and credit spreads returned to more normal levels, partly offset by higher earnings from Asia Partnerships, the positive impact of the reversal in 2010 of the impairment charge taken in 2009 relating to the carrying value of our investment in Saigon Securities Incorporation ('SSI') in Vietnam and higher other operating income following the acquisition of RBS assets.
- Operating expenses were 49% higher due to the costs associated with the integration of the RBS businesses and ongoing investments in the key strategic markets of Indonesia, Vietnam and China, and building regional operating and support capabilities coupled with inclusion of operating costs for these acquisitions. Employees increased by 4,987 including 2,786 from the RBS acquisition. We continued to invest in systems and build core front line capability in the region and increase our operations and technology support staff in Bangalore.
- Provisions for credit impairment were 44% lower, in line with an improving outlook and slowing rate of growth in impaired assets. Lower collective provision charges were mainly due to the write-backs associated with a few large Institutional customers and de-risking of the loan portfolio in Europe and America compared to the higher charge in 2009.
- The reduced tax rate for 2010 was positively impacted by the resolution of an outstanding tax matter in the U.S. and the higher proportion of earnings being derived from Asia Partnerships.

Institutional Division

Institutional is included as a separate segment as it operates as a global line of business across the geographic regions of Australia, New Zealand and Asia Pacific, Europe & America. The results for Institutional are also reported in the applicable region.

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Net interest income	3,092	3,226	3,117
Other operating income	1,814	1,721	1,848
Operating income	4,906	4,947	4,965
Operating expenses	(2,001)	(1,748)	(1,555)
Profit before credit impairment and income tax	2,905	3,199	3,410
Provision for credit impairment	(258)	(741)	(1,410)
Profit before income tax	2,647	2,458	2,000
Income tax expense	(750)	(680)	(567)
Non-controlling interests	(2)	-	(3)
Profit after income tax	**1,895**	**1,778**	**1,430**

	Years ended September 30		
	2011 $M	2010 $M	2009 $M
Australia	1,236	1,113	668
Asia Pacific, Europe & America	397	379	462
New Zealand	262	286	300
Profit after income tax	**1,895**	**1,778**	**1,430**

Comparison of 2011 with 2010

Institutional's profit after income tax grew 7% to $1,895 million. Significant influences on profit after income tax were:

- Net interest income decreased by $134 million (4%) mainly due to:
  - Net interest margin (excluding Global Markets) decreased by 8 basis points due to the division's geographic mix with growth in the relatively lower margin Asia region;
  - The $11.7 billion (16%) increase in average loans, advances and acceptances was due to solid loan growth across Australia and Asia; and
  - The $13.2 billion (13%) increase in average deposits and other borrowings was due to strong growth in Asia partially offset by competitive pressures in Australia impacting deposit volumes.
- Other operating income increased by $93 million (5%) mainly due to lower trading and balance sheet revenue.
- Operating expenses increased $253 million (14%) as the division continued with investment in APEA capabilities and the phased roll out of our new cash management platform, to support the super regional strategy.
- Provision for credit impairment decreased 65%, reflecting the improvement in the quality of the book as well as the credit cycle.
- Income tax expense increased by $70 million (10%) mainly due to increased profit before income tax (up 8%).

Comparison of 2010 with 2009

Institutional's profit after income tax grew 24% to $1,778 billion, with a lower credit impairment charge and a solid revenue result, increasing in a year in which market volatility stabilized and customer hedging activity returned to more normalized levels. Excluding Trading Revenues, customer franchise revenues were up 6%, reflecting the focus on customer growth (over 1,100 new relationships added in the year) and the growing strength of client relationships. The strength of our super regional strategy is evident through inter-region client flows being up 10% year on year and flows into Asia from elsewhere in the network up 20%.

Significant factors affecting the 2010 result include the following:

- Provision for credit impairment decreased 47% reflecting an improvement in the economic environment and disciplined risk management. Individual provisions of $798 million were predominantly in Australia, largely related to property exposures, agribusiness and a limited number of corporate names. The collective provision release of $58 million was primarily due to migration of certain names to impaired loans and a general improvement in credit quality. Net impaired loans grew to $2.5 billion.
- The reduced tax rate was impacted by the resolution of an outstanding tax matter in the U.S.

Significant factors affecting the 2010 result geographically included the following:

- Australian revenue increased 6%, resulted from repricing of the loan book, solid trade and deposit growth offset in part by a reduction in Global Markets' revenue as the exceptional conditions of 2009 reverted to more normalized levels.
- Asia Pacific, Europe & America revenue increased 7% reflecting the strategic investment in the region.
- New Zealand revenue decreased 23% resulting from a reduction in New Zealand Global Markets' opportunities.

New Zealand

New Zealand Division	Years ended September 30 2011 $M	2010 $M
Net interest income	1,693	1,635
Other operating income	466	474
Operating income	2,159	2,109
Operating expenses	(1,015)	(1,057)
Profit before credit impairment and income tax	1,144	1,052
Provision for credit impairment	(166)	(409)
Profit before income tax	978	643
Income tax expense	(286)	(180)
Profit after income tax	**692**	**463**

New Zealand Geographic Region	Years ended September 30 2010 $M	2009 $M
Net interest income	1,980	1,957
Other operating income	584	471
Operating income	2,564	2,428
Operating expenses	(1,235)	(1,203)
Profit before credit impairment and income tax	1,329	1,225
Provision for credit impairment	(362)	(722)
Profit before income tax	967	503
Income tax expense	(279)	(344)
Non-controlling interests	-	-
Profit after income tax	**688**	**159**

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 NZ dollar against the Australia dollar over the period. Translation of the results to Australia dollar 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 $229 million (49%). Significant influences on profit after income tax were:

- Net interest income increased by $58 million (4%). Net interest margin increased by 17 basis points. This growth reflected the benefit from re-pricing 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. Excluding exchange rate impacts, lending volumes increased 1% reflecting customer deleveraging, especially in the rural sector, and customer deposits increased 7%, in each case largely market-driven.
- Other operating income decreased 2%, mainly due to:
  - Lower retail fees driven by a full year's impact from the fee restructure implementation in 2010; partially offset by
  - Increased income in Wealth from growth in the OnePath insurance and Kiwisaver business.
- Operating expenses decreased 4%, reflecting productivity gains from simplifying the business, which more than offset inflationary impacts;
- The individual provision for credit impairment charge decreased by $106 million (29%) with loss rates declining as the economy recovers.
- The collective provision for credit impairment charge declined $137 million, largely reflecting credit cycle adjustments booked in the 2010 year, with partial release in 2011.
- Income tax expense increased by $106 million mainly driven by a 52% increase in profit before income tax.

New Zealand, cont'd

- **Comparison of 2010 with 2009**

New Zealand is a geographic region that is based largely on a functional currency of NZ dollars. Therefore, the result for New Zealand has been impacted by the devaluation of the NZ dollar against the Australia dollar during the year ended September 30, 2010. Translation of the results to Australia dollar was at an average exchange rate for the year ended September 30, 2010 of NZ$1.2603 to A$1.00 compared to an average exchange rate for the year ended September 30, 2009 of NZ$1.2248 to A$1.00.

Profit after income tax increased by $529 million from $159 million in 2009 to $688 million in 2010, with the result including a $252 million after tax decrease in credit impairment charge. The Institutional contribution, whilst falling short of the exceptional 2009 result, was the second best result since the Group purchased National Bank of New Zealand (NBNZ) in 2004.

- Net interest income increased 1% after adjusting for a $5 million decrease in net interest income from derivative and liquidity positions that was offset by an increase in trading income. This result was driven by net interest margin improvement in the New Zealand Division (10 basis points), reflecting the lagged benefit from repricing the fixed rate lending book. The cost of funding remained at elevated levels and, together with intensified competition for deposits, continued to place pressure on margins. Other impacts on net interest income included higher break costs on mortgages, and a lower contribution from the management of interest rate risks. Lending and customer deposit volumes were substantially flat over the year.
- Other operating income increased $113 million or 24%, primarily due to an increase over the 2009 year in economic hedging fair value gains of $73 million, an increase of $205 million relating to OnePath New Zealand investor settlement resulting from the initial amount provided during 2009 of -$173 million coupled with a gain in the current year on earnings of the funds of $32 million and a decrease due to a valuation adjustment on acquisition of OnePath New Zealand of $66 million. Excluding these items, there was a decrease of $99 million, which largely reflected the lower contribution from Markets, with the prior year result benefiting from exceptionally favorable trading conditions. Fee growth remained weak, with Retail fees down by $53 million largely due to the restructure of consumer fees implemented in December 2009. These impacts were moderated by a stronger contribution from the OnePath New Zealand acquisition resulting in an increase in other operating income of $88 million.
- Operating expenses increased 3%. Included in this increase are acquisition costs relating to the OnePath New Zealand acquisition of $23 million. Excluding this, operating expenses were largely consistent with 2009 largely reflecting the ongoing benefits from business transformation strategies implemented during 2009, and strong control of discretionary expenditure in the current environment.
- Provision for credit impairment charge reduced 50% as risk levels stabilized. The individual provision charge decreased $138 million, with loss rates falling in Commercial and Retail as the credit cycle eased. The charge in Rural increased $25 million, with the agricultural recovery slightly lagging other sectors. The charge in Institutional decreased $36 million, largely reflecting recoveries on a single name exposure that was provisioned during 2009. The collective provision charge decreased $222 million, with risk levels moderating across the businesses. Credit cycle adjustments booked in 2009 (with smaller top-ups in 2010) contributed $97 million to the lower year on year charge. The total loss rate (total provision charge as a percentage of average net advances) for the 2010 year was 0.48%, down from 0.91% for 2009.

Balance sheet

	As at September 30		
	2011 $M	2010 $M	2009 $M
Assets			
Liquid assets and due from other financial institutions[3]	33,723	24,426	30,302
Trading and available-for-sale assets[1]	58,338	54,257	47,566
Derivative financial assets	54,118	37,821	37,404
Net loans and advances including acceptances[1]	397,307	363,392	345,769
Investments relating to insurance business	29,859	32,171	-
All other assets[2]	21,143	19,636	15,946
Total assets	594,488	531,703	476,987
Liabilities			
Due to other financial institutions[3]	23,012	21,610	19,924
Deposits and other borrowings[1,3]	368,729	310,383	294,370
Derivative financial liabilities	50,088	37,217	36,516
Liability for acceptances[1]	970	11,495	13,762
Bonds and notes	56,551	59,714	57,260
Insurance policy liabilities	32,536	34,429	-
All other liabilities	24,648	22,700	22,726
Total liabilities	556,534	497,548	444,558
Net assets	37,954	34,155	32,429

1. *In 2011 the Group ceased re-discounting Commercial bill acceptances. This has impacted balance sheet classifications as there is no intention to trade the commercial bills as negotiable instruments, therefore they are classified as Commercial bill loans initially recognized at fair value and subsequently measured at amortized cost:*

   September 2011 – Trading securities: $nil; Net loans and advances $17,326 million; Customers' liability for acceptances $nil; Liability for acceptances $nil.

   September 2010 – Trading securities: $6,035 million; Net loans and advances $nil; Customers' liability for acceptances $11,150 million; Liability for acceptances $11,150 million.
2. *Excludes notional goodwill in equity accounted entities.*
3. *In 2011 a reclassification of certain assets from Liquid Assets to Net Loans and Advances occurred following a review of the definition of the Liquid Assets category and the reclassification of certain customer deposit liabilities from Deposits and Other Borrowings to Due From Other Financial Institutions. This reclassification was applied to 2011 and 2010 years but not 2009.*

Explanations for material movements in balance sheet accounts include:

Assets

Liquid assets & due from other financial institutions

Comparison of 2011 with 2010

Liquid assets and due from other financial institutions increased by $9.3 billion (38%) primarily due to:

- An increase of $5.9 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 $3.4 billion (61%) in due from other financial institutions mainly driven by volatility in foreign exchange rates and derivatives leading to an increase in the value of securities awaiting settlement.

Comparison of 2010 with 2009

Liquid assets and due from other financial institutions decreased by $5.9 billion to $24.4 billion at September 30, 2010. Growth was evident in Australia (up $2.5 billion) due mainly to an increase in surplus funds driven by customer growth. This was offset by reduction in New Zealand of $2.4 billion and Asia Pacific, Europe & America (-$3.5 billion). Due from other financial institutions increased $0.5 billion to $5.5 billion at September 30, 2010 primarily due to an increase in Singapore and Transaction Banking volumes in Australia. This was partially offset by a reduction in Banking Transaction volumes in New Zealand.

Trading and 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.

Comparison of 2010 with 2009

Trading and available-for-sale assets increased $6.7 billion (14%) due primarily to regulatory requirements to hold increased government securities following business growth in Singapore of $2.9 billion and increased trading securities in Institutional in Australia and New Zealand of $4.5 billion.

Derivative financial instruments

Comparison of 2011 with 2010

Derivative financial instruments increased by $16.3 billion (43%), 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.

Comparison of 2010 with 2009

Derivative financial instruments increased $0.4 billion to $37.8 billion at September 30, 2010, resulting from continued volatility in the foreign exchange, interest rate and credit derivative markets. Derivative balances have increased since March 31, 2010 following the strong appreciation of the AUD against other currencies during the second half of the 2010 fiscal year.

Net loans and advances including acceptances

Comparison of 2011 with 2010

Net loans and advances, including acceptances, 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, including acceptances, in Australia growing by $15.8 billion (6%), with housing loans in Mortgages increasing by $10.9 billion (7%).
- Net loans and advances, including acceptances, in Asia Pacific, Europe & America 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, including acceptances, in New Zealand decreasing by $0.4 billion (1%) mainly due to reduced customer demand for loans and advances as a result of the current economic climate.

Comparison of 2010 with 2009

Net loans and advances, including acceptances, increased by 5% to $363.4 billion at September 30, 2010. Excluding the impact of exchange rates, the increase was $17.8 billion or 5%.

- Net loans and advances, including acceptances, in Australia grew by $15.6 billion, with housing loans in Mortgages increasing by $18 billion (12%).
- Net loans and advances, including acceptances, in New Zealand declined by $6.5 billion primarily due to reduced customer demand, however was relatively flat excluding exchange rates.
- Net loans and advances, including acceptances, in Asia Pacific, Europe & America increased by $6 billion (32%) or $7.7 billion excluding exchange rates, mainly as a result of the acquisitions of the RBS businesses and growth in Transaction Banking and Specialized and Relationship Lending.

Investments relating to insurance business

Investments relating to OnePath Australia and OnePath New Zealand were valued at $29.9 billion at year ended September 30, 2011 (2010: $32.2 billion; 2009: $nil).

All other assets

Comparison of 2011 with 2010

All other assets increased by $1.5 billion (8%) mainly due to an increase in outstanding settlements for traded securities and an increase in regulatory deposits.

Comparison of 2010 with 2009

All other assets increased by $3.7 billion (23%) in 2010 mainly due to the acquisitions of OnePath Australia and OnePath New Zealand, Landmark and the former RBS businesses in the Philippines, Vietnam and Hong Kong, Taiwan, Singapore and Indonesia completed during 2010.

Liabilities

Due to other financial institutions

Comparison of 2011 with 2010

Due to other financial institutions increased $1.4 billion to $23.0 billion at year ended September 30, 2011 primarily due to increased funding requirements from customers in Australia, New Zealand and Asia.

Comparison of 2010 with 2009

Due to other financial institutions increased $1.7 billion to $21.6 billion at year ended September 30, 2011 primarily due to increased funding requirements from customers in Australia, New Zealand and Asia.

Deposits and Other Borrowings

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 ($16.0 billion or 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 Asia Pacific, Europe & America 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.

Comparison of 2010 with 2009

- Deposits and other borrowings increased $16.0 billion to $310.4 billion at September 30, 2010 resulted from an increase in customer deposits ($24.9 billion), partially offset by a decrease in wholesale funding ($7.8 billion).
- Australia increased $8.4 billion resulting from large growth in Institutional and Retail deposits, as customers responded to attractive rates offered in line with six rate increases to the official cash rate. Growth was mainly in Global Markets ($8.2 billion) and Deposits ($6.7 billion) partly offset by decreases in Group Treasury ($2.8 billion) due to a reduction in commercial paper, Transaction Banking ($1.7 billion) and winding back of debentures in Esanda ($1.5 billion).
- New Zealand decreased $5.4 billion (-9%) resulting from a reduction in certificates of deposits issued by Treasury
- Asia Pacific, Europe & America increased by $14.0 billion (34%) primarily from Singapore ($5.7 billion) through customer deposit levels, Japan ($2.0 billion), Taiwan ($2.0 billion), Hong Kong ($1.6 billion) and UK ($1.1 billion).

Derivative financial liabilities

Comparison of 2011 with 2010

Derivative financial liabilities increased $12.9 billion (35%) due to a depreciation in the Australia dollar against other currencies late in the second half of 2011 and volatility in the foreign exchange and interest rate markets.

Comparison of 2010 with 2009

Derivative financial liabilities increased $0.7 billion to $37.2 billion at year ended September 30, 2010. The increase was driven principally by continuous volatility in foreign exchange, interest rate and credit derivative markets.

Liability for acceptances

Comparison of 2011 with 2010

Liability for acceptances decreased $10.5 billion (92%) as a result of the balance sheet reclassification of customers' liability for acceptances in September 2010.

Comparison of 2010 with 2009

Liability for acceptances decreased $2.3 billion from $13.8 billion in 2009 to $11.5 billion at year ended September 30, 2010. The decrease was driven principally by reduced demand for acceptances from ANZ's customers.

Bonds and notes

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.

Comparison of 2010 with 2009

Bonds and notes increased $2.5 billion to $59.7 billion at September 30, 2010 driven mainly by new issuances partly offset by currency exchange rate movements caused by a stronger Australian dollar in 2010.

Insurance policy liabilities

Comparison of 2011 with 2010

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

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.

Insurance policy liabilities, cont'd

Comparison of 2010 with 2009

Insurance policy liabilities were valued at $34.4 billion at year ended September 30, 2010 up from $nil due to OnePath acquisition during the year.

All other liabilities

Comparison of 2011 with 2010

All other liabilities increased by $1.9 billion (9%) to $24.6 billion at year ended September 30, 2011.

Comparison of 2010 with 2009

All other liabilities were consistent with 2009.

Capital management

	As at September 30		
Qualifying capital	**2011 $M**	**2010 $M**	**2009 $M**
Tier 1			
Shareholders' equity and non-controlling interests	37,954	34,155	32,429
Prudential adjustments to shareholders' equity	(3,479)	(2,840)	(2,341)
Fundamental Tier 1 capital	34,475	31,315	30,088
Deductions	(10,611)	(10,057)	(7,492)
Common equity tier 1 capital	23,864	21,258	22,596
Non-innovative Tier 1 capital instruments	5,111	3,787	1,901
Innovative Tier 1 capital instruments	1,641	1,646	2,122
Tier 1 capital	30,616	26,691	26,619
Tier 2			
Upper Tier 2 capital	1,228	1,223	1,390
Subordinated notes	5,017	6,619	9,082
Deductions	(3,071)	(3,026)	(2,661)
Tier 2 capital	3,174	4,816	7,811
Total qualifying capital	33,790	31,507	34,430
Capital adequacy ratios			
Common Equity Tier 1[1]	8.5%	8.0%	9.0%
Tier 1	10.9%	10.1%	10.6%
Tier 2	1.2%	1.8%	3.1%
Total	12.1%	11.9%	13.7%
Risk weighted assets[2]	279,964	264,242	252,069

1. *Common Equity Tier 1 is Tier 1 excluding hybrid Tier 1 capital instruments.*
2. *2011, 2010 and 2009 risk weighted assets are calculated using Basel II methodology.*

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 84 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 (-2basis 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)

Comparison of 2010 with 2009

The Tier 1 ratio at September 30, 2010 of 10.1% represented a decrease from September 30, 2009 of 46 basis points.

The key contributors to the decrease were:

- Statutory profit after preference share dividends of $4.5 billion (+178 basis points).
- Ordinary share dividend commitments net of expected reinvestment through the DRP and BOP of $2.0 billion (-80 basis points).
- Increase in Risk Weighted Assets (RWA) was $12.2 billion, excluding the impact of exchange rate movements and acquisitions was $11.5 billion, primarily due to:
  - Portfolio mix (-23 basis points);
  - Risk migration incorporating decline in RWA and increase in Expected Loss versus Eligible Provision shortfall (+4 basis points);
  - Portfolio data review (+5 basis points); and
  - Higher non-credit risk RWA (-34 basis points), predominantly due to interest rate risk in the banking book.
- 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 -23 basis points) including movement in capitalized software expense (-11 basis points), impact of exchange rate movements (-12 basis points) principally on hybrid Tier 1 instruments.
- Acquisition of OnePath Australia and OnePath New Zealand (-79 basis points).
- Acquisition of selected Asian assets from RBS (-24 basis points).
- Acquisition of the loan book of Landmark Financial Services (-9 basis points).
- Refinancing of OnePath Australia wealth management and life insurance entity funding by ANZ (-9 basis points).
- Additional net hybrid capital issuances of $1.6 billion (+63 basis points) used to strengthen the balance sheet.

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. As at September 30 2011, 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
UK Stapled Securities	721			GBP450 million	Debt	Coupon 6.54%
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	**5,111**					
Euro Trust Securities	871			EURO500 million	Equity	Euribor (3 month) + 0.66%
US Trust Securities	770			USD750 million	Debt	Coupon: 5.36%
Innovative instruments	**1,641**	**5.4%**	**15%**			
Residual Tier 1 capital	**6,752**	**22.1%**	**25%**			

Regulatory change

Following on from the December 2010 Basel Committee paper on prudential capital reforms, on September 6, 2011 APRA released a discussion paper detailing the implementation of their proposed Basel III capital reforms in Australia.

The discussion paper proposes to adopt the Basel III reforms with increased capital deductions from Common Equity Tier 1 capital, higher capital targets with prescribed minimum capital buffers; and tighter requirements around hybrid Tier 1 and Tier 2 securities. In addition to higher risk weightings for counterparty credit risk proposed by the December 2010 Basel Committee paper, the adjustments to ANZ's capital ratios proposed by the discussion paper are set out below and APRA is proposing that these become effective from January 2013. The APRA proposals generally adopt a more conservative approach than the December 2010 Basel Committee paper and ANZ believes full alignment to Basel III would be more appropriate.

The Basel Committee is still to release final proposals for contingent capital and measures to address systematic and inter-connected risks – these are expected in 2012.

Deferred acquisition costs and deferred income

The Group recognizes deferred acquisition costs relating to the acquisition of interest earning assets as 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 relating to OnePath Australia and New Zealand are excluded from this analysis.

The balances of deferred acquisition costs and deferred income were:

	Deferred acquisition costs[1]		Deferred income	
Division	**2011 $M**	**2010 $M**	**2011 $M**	**2010 $M**
Australia	597	556	86	109
Asia Pacific, Europe & America	-	1	86	51
Institutional	-	-	284	252
New Zealand	32	42	28	25
Group Centre	59	56	-	-
Less: Institutional Asia Pacific, Europe & America	-	-	(70)	(35)
Total	688	655	414	402

	Deferred acquisition costs[1]		Deferred income	
Geographic Region	**2010 $M**	**2009 $M**	**2010 $M**	**2009 $M**
Australia	612	530	313	310
Asia Pacific, Europe & America	42	3	38	38
New Zealand	1	64	51	43
Total	655	597	402	391

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:

	2011		2010	
	Amortization Charge	**Capitalized Costs[1]**	**Amortization Charge**	**Capitalized Costs[1]**
Division	**$M**	**$M**	**$M**	**$M**
Australia	314	355	278	340
Asia Pacific, Europe & America	1	-	2	-
New Zealand	31	21	40	18
Group Centre	19	25	15	29
Total	365	401	335	387

	2010		2009	
	Amortization Charge	**Capitalized Costs[1]**	**Amortization Charge**	**Capitalized Costs[1]**
Geographic Region	**$M**	**$M**	**$M**	**$M**
Australia	293	369	326	308
Asia Pacific, Europe & America	40	18	2	2
New Zealand	2	-	46	19
Total	335	387	374	329

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

Software capitalization

At September 30, 2011, the Group's intangibles included $1,572 million in relation to costs incurred in acquiring and developing software. Details are set out in the table below:

	As at September 30		
	2011 $M	**2010 $M**	**2009 $M**
Balance at start of period	1,217	849	625
Software capitalized during the period	645	592	411
Amortization during the period	(249)	(207)	(155)
Software impaired/written-off	(44)	(17)	(27)
Foreign exchange movements	3	-	(5)
Total software capitalization	1,572	1,217	849
Less: software capitalized excluded from Capital calculation	(82)	(90)	-
Capitalized software as per deductions from Tier 1 capital	1,490	1,127	849

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		
	2011 $M	2010 $M	2009 $M
Capital expenditure			
Contracts for outstanding capital expenditure			
No later than 1 year	58	58	94
Later than 1 year but not later than 5 years	3	3	-
Later than 5 years	-	1	-
Total capital expenditure commitments	61	62	94
Lease rentals			
Future rentals in respect of leases - land and buildings			
No later than 1 year	325	327	252
Later than 1 year but not later than 5 years	785	729	559
Later than 5 years	392	389	324
Total land and building lease rental commitments	1,502	1,445	1,135
Future rentals in respect of leases - furniture and equipment			
No later than 1 year	52	45	38
Later than 1 year but not later than 5 years	78	76	68
Total furniture and equipment lease rental commitments	130	121	106
Total lease rental commitments	1,632	1,566	1,241
Total commitments	1,693	1,628	1,335

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		
	2011 $M	2010 $M	2009 $M
Undrawn facilities	137,889	124,029	106,644

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		
	2011 $M	2010 $M	2009 $M
Financial guarantees	6,923	6,313	4,760
Standby letters of credit	2,672	1,991	1,528
Documentary letter of credit	2,964	2,498	3,195
Performance related commitments	17,770	16,103	14,924
Other	881	580	811
Total contingent liabilities	31,210	27,485	25,218

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 timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group. The Group maintains a portfolio of liquid assets to manage potential short term stresses in funding sources. The minimum level of portfolio assets to hold is based on a range of ANZ specific and general market liquidity stress scenarios such that potential cash flow obligations can be met over the short to medium term.

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

- **Scenario Modeling of funding sources**

  The Global financial crisis highlighted the importance of differentiating between: stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events. ANZ's liquidity scenario modeling stresses site and total bank cash flow projections against multiple 'survival horizons' over which period the Group is required to remain cash flow positive. Scenarios modelled are either prudential requirements, i.e. a 'going-concern' scenario, or 'name crisis' scenario; or Board mandated scenarios including 'Name-specific' stresses and 'Funding Market' events. 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 this portfolio are securities eligible for repurchase under agreements with the applicable central bank (i.e. 'repo eligible').

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

  Supplementing the prime liquid asset portfolio, the Group holds;

  - Additional central bank deposits with the US Federal Reserve and Bank of Japan of $10.3 billion;
  - Additional cash and other securities to satisfy local country regulatory liquidity requirements; and
  - Secondary sources of liquidity including Australian Government securities, Australian State Government securities and gold of $9.6 billion.

These other assets are not included in the prime liquidity portfolio outlined below:

Prime liquidity portfolio (Market Values)[1]	As at September 30 2011 $B	2010 $B	2009 $B
Australia	20.8	21.0	18.7
New Zealand	9.1	7.5	8.8
United States	1.4	1.3	1.3
United Kingdom	2.7	2.2	2.9
Asia	6.7	4.2	2.0
Internal RMBS (Australia)	26.8	26.7	24.5
Internal RMBS (New Zealand)	3.9	3.8	2.0
Total	**71.4**	**66.7**	**60.2**

Long term counterparty Credit Rating as at September 30, 2011[2]	Market Value $B[1]
AAA	52.7
AA+	10.0
AA	7.3
AA-	0.9
A+	0.3
A	0.2
Total	**71.4**

1. *Market value is post the repo discount applied by the applicable central bank.*
2. *Where available, based on Standard & Poor's long-term credit ratings.*

Funding composition

ANZ manages its funding profile using a range of funding metrics and balance sheet disciplines. This approach is designed to ensure that an appropriate proportion of the Group's assets are funded by stable funding sources including core customer deposits, longer-dated wholesale funding (with a remaining term exceeding one year) and equity. This includes targeting a diversified funding base, avoiding undue concentrations by investor type, maturity, market source and currency.

The Group's funding profile improved during the year to September 30, 2011 as customer deposits and other funding liabilities increased by 16% to $308.2 billion and now represents 61% of all funding, an increase of 3% from September 2010.

Term wholesale debt (with a remaining term greater than one year) of $17 billion was issued during the year to September 30, 2011. An additional $2.4 billion of term debt was pre-funded during full-year 2010, taking total term debt issued for the 2011 financial year to $19.4 billion. As at September 30, 2011, term wholesale funding represented 12% of total funding, a decrease of 4% from September 2010 (partly due to 2011 financial year pre-funding completed during the 2010 financial year).

- ANZ maintained access to all major global wholesale funding markets during 2011.
- Over 70% of term funding requirements were completed during the first half, before market conditions began to deteriorate. Benchmark term debt issues were completed in AUD, USD, JPY, CHF, CAD and NZD.
- All short-term wholesale funding needs were comfortably met, despite an increase in volatility in offshore markets and a general shortening of tenor preference from US money market investors.
- The weighted average tenor of new term debt issuance was 4.7 years (unchanged year-on-year).
- The weighted average cost of new term debt issuance during 2011 declined marginally (4 bps) relative to 2010. Average portfolio costs remain substantially above pre-crisis levels and continue to increase as maturing term wholesale funding is replaced at higher spreads.

Over the past year strong customer deposit growth and stable term debt issuance has allowed ANZ to maintain a low reliance on short-term wholesale funding markets. The proportion of total funding sourced from short-term wholesale funding markets was unchanged at 12% between September 30, 2010 and September 30, 2011.

The following table shows the Group's funding composition at September 30, 2011:

	As at September 30	
	2011 $M	2010 $M
Customer deposits and other liabilities[1]		
Australia	128,490	112,248
Asia Pacific, Europe & America	64,824	46,604
Institutional	117,434	97,681
New Zealand	39,471	36,797
Other	(3,241)	(2,497)
Less: Institutional Asia Pacific, Europe & America	(50,224)	(33,958)
Total customer deposits[2]	296,754	256,875
Other[2]	11,450	9,113
Total customer deposits and other liabilities (funding)	308,204	265,988
Wholesale funding		
Unsubordinated debt	56,551	59,714
Loan capital	11,993	12,280
Certificates of deposit	55,554	39,530
Liability for acceptances	970	11,495
Commercial paper issued	14,333	11,641
Due to other financial institutions	23,012	21,610
Other wholesale borrowings[3]	(1,128)	2,140
Total wholesale funding	161,285	158,410
Shareholders' equity (excl preference shares)	37,083	33,284
Total funding	506,572	457,682
Wholesale funding		
Short term wholesale funding	63,333	54,078
Long term wholesale funding[4]		
- Less than 1 year residual maturity	27,883	26,779
- Greater than 1 year residual maturity	63,293	72,065
Hybrid capital including preference shares	6,776	5,488
Total wholesale funding and preference share capital excluding shareholders' equity	161,285	158,410
Total funding maturity		
Short term wholesale funding	12%	12%
Long term wholesale funding[4]		
- Less than 1 year residual maturity	6%	6%
- Greater than 1 year residual maturity	12%	16%
Total customer liabilities (funding)	61%	58%
Shareholders' equity and hybrid debt	9%	8%
Total funding and shareholders' equity	100%	100%

1. *Includes term deposits, other deposits excluding securitization 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.*
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.*

Term debt maturity profile

	Years ended September 30				
Year of maturity	**2012 $M**	**2013 $M**	**2014 $M**	**2015 $M**	**>2015 $M**
Senior term debt	13,861	18,778	7,572	10,841	12,776
Government guaranteed term debt	8,708	420	7,962	77	-
Subordinated and perpetual debt	2,166	2,171	1,004	-	1,691
Total	**24,735**	**21,369**	**16,538**	**10,918**	**14,467**

Supplementary financial information

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 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		
	2011 $M	2010 $M	2009 $M
Impaired loans	4,650	6,075	4,392
Restructured items	700	141	673
Non-performing commitments and contingencies	231	345	530
Gross impaired assets	**5,581**	**6,561**	**5,595**

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 $802 million (17%). The Group has an individual provision coverage ratio of 30%, reflecting a prevalence of well secured exposures within impaired assets.

Comparison of 2010 with 2009

Gross impaired assets at $6,561 million represent a $966 million or 17% increase over September 30, 2009, driven primarily by increases in the loan balance across all regions and acquisitions ($423 million), notwithstanding an overall reduction in the level of new and increased impaired assets during the year. The reduction in restructured items reflected upgrades to productive and downgrades to impaired loans during the second half of 2010. The increase in Australia was concentrated in the first half and resulted from higher customer defaults particularly within the middle market and commercial segments. The increase in New Zealand resulted from higher levels of default primarily in the Rural and Commercial segments and was also concentrated in the first half.

Net impaired loans at $4,226 million represent a $1,346 million increase over September 30, 2009. The Group has an individual provision coverage ratio of 29%, reflecting the well secured exposures within impaired assets.

	As at September 30		
	2011 $M	2010 $M	2009 $M
Total gross impaired loans	4,650	6,075	4,392
Subject to specific provision for credit impairment	4,376	5,892	4,178
Without specific allowance for loan losses	274	183	214

Gross impaired loans by geographic region	As at September 30 2011 $M	2010 $M	2009 $M
Australia	2,592	3,837	3,232
Asia Pacific, Europe & America	666	687	187
New Zealand	1,392	1,551	973
Total gross impaired loans	4,650	6,075	4,392

New impaired loans by geographic region	As at September 30 2011 $M	2010 $M	2009 $M
Australia	2,804	4,107	4,485
Asia Pacific, Europe & America	308	514	256
New Zealand	1,177	1,723	1,392
Total new impaired loans	4,279	5,445	6,133

Impaired loans – five year summary

	Years ended September 30				
	2011 $M	2010 $M	2009 $M	2008 $M	2007 $M
Gross impaired loans subject to specific provision					
Australia	2,486	3,717	3,110	1,272	478
Asia Pacific, Europe & America	499	630	145	149	26
New Zealand	1,391	1,545	923	255	92
Total	4,376	5,892	4,178	1,676	596
Individual provisions for credit impairment	(1,687)	(1,849)	(1,512)	(646)	(261)
Net exposure	2,689	4,043	2,666	1,030	335
Gross impaired loans not subject to specific provision					
Australia	107	120	123	34	36
Asia Pacific, Europe & America	166	57	41	21	27
New Zealand	1	6	50	19	7
Total	274	183	214	74	70
Net impaired loans[1]	2,963	4,226	2,880	1,104	405
Gross impaired loans					
Australia	2,593	3,837	3,232	1,306	514
Asia Pacific, Europe & America	665	687	187	170	53
New Zealand	1,392	1,551	973	274	99
Total	**4,650**	**6,075**	**4,392**	**1,750**	**666**
Individual provisions for credit impairment	(1,687)	(1,849)	(1,512)	(646)	(261)
Net impaired loans[1]	2,963	4,226	2,880	1,104	405
Ratio of individual provision for credit impairment to gross impaired loans	36.3%	30.4%	34.4%	36.9%	39.2%

1. *Excluding off-balance sheet commitments that have been classified as non-performing commitments and contingencies of $231 million (2010: $345 million; 2009: $530 million, 2008: $77 million, 2007: $36 million) net of a provision of $10 million (2010: $26 million; 2009: $14 million, 2008: $29 million, 2007: $9 million).*

Restructured items

	As at September 30		
	2011 $M	2010 $M	2009 $M
Australia	684	134	298
Asia Pacific, Europe & America	-	-	374
New Zealand	16	7	1
Total restructured items[1]	700	141	673

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

Non-performing commitments and contingencies

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

	As at September 30		
	2011 $M	2010 $M	2009 $M
Australia	274	388	503
Asia Pacific, Europe & America	5	9	-
New Zealand	21	24	27
Gross impaired commitments and contingencies	231	345	530

Other potential problem loans

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

Accruing loans – past due 90 days or more

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

	As at September 30		
	2011 $M	2010 $M	2009 $M
Australia	1,523	1,234	1,068
Asia Pacific, Europe & America	69	83	164
New Zealand	242	238	365
Total past due loans	1,834	1,555	1,597

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

	As at September 30		
Individual provision balance	**2011 $M**	**2010 $M**	**2009 $M**
Australia	909	977	1,060
Asia Pacific, Europe & America	387	429	75
New Zealand	401	469	391
Total individual provision	1,697	1,875	1,526

	Years ended September 30		
	2011 $M	**2010 $M**	**2009 $M**
Collective provision			
Balance at start of period	3,153	3,000	2,821
Charge/(credit) to income statement	7	(4)	235
Provisions acquired	-	240	-
Adjustment for exchange rate fluctuations	16	(83)	(56)
Total collective provision[1]	3,176	3,153	3,000
Individual provision			
Balance at start of period	1,875	1,526	675
Charge to income statement for loans and advances	1,193	1,770	2,750
Provisions acquired	-	394	-
Adjustment for exchange rate fluctuations	8	(100)	(22)
Discount unwind	(185)	(165)	(73)
Bad debts written-off	(1,421)	(1,693)	(1,889)
Recoveries of amounts previously written-off	227	143	85
Total individual provision	1,697	1,875	1,526
Total provision for credit impairment	4,873	5,028	4,526

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

	Years ended September 30		
Provision movement analysis	**2011 $M**	**2010 $M**	**2009 $M**
New and increased provisions			
Australia	1,362	1,620	2,383
Asia Pacific, Europe & America	212	171	118
New Zealand	459	559	540
	2,033	2,350	3,041
Provision releases	(613)	(437)	(206)
	1,420	1,913	2,835
Recoveries of amounts previously written-off	(227)	(143)	(85)
Individual provision charge for loans and advances	1,193	1,770	2,750
Impairment on available-for-sale assets	37	21	20
Collective provision charge/(credit) to income statement	7	(4)	235
Charge to income statement	1,237	1,787	3,005

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, 2011 72% of gross loans and advances were booked in Australia (September 2010: 72%), and 19% were booked in New Zealand (2010: 21%). 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, 2011, 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 2011 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, 2011 the Directors were:

Director's Name	Position held	Year appointed	Age
J P Morschel	Chairman, Independent Non-Executive Director	2004	68
G J Clark	Independent Non-Executive Director	2004	68
D E Meiklejohn, AM	Independent Non-Executive Director	2004	69
I J Macfarlane, AC	Independent Non-Executive Director	2007	65
M R P Smith, OBE	Chief Executive Officer, Executive Director	2007	55
A M Watkins	Independent Non-Executive Director	2008	48
P A F Hay	Independent Non-Executive Director	2008	61
Lee Hsien Yang	Independent Non-Executive Director	2009	54

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, 2011 the Board comprised seven independent non-executive Directors and one executive Director, the Chief Executive Officer.

Directors' Profiles

MR. J P MORSCHEL
DipQS, FAICD

Chairman, Independent Non-Executive Director
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 1998) 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 Limited (1998-2005), Westpac Banking Corporation (1993-2001), Lend Lease Corporation Limited (1983 – 1995), Tenix Pty Ltd (1998-2008) and Rio Tinto PLC (1998-2005).

Age: 68 **Residence:** Sydney, Australia.

MR. M R P SMITH, OBE
BSc (Hons)

Chief Executive Officer
Chief Executive Officer, Executive Director since October 1, 2007.

Skills, experience and expertise
Mr. Smith is an international banker with 30 years experience in banking operations in Asia, Australia and internationally. Until June 2007, he was President and Chief Executive Officer, The Hong Kong 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
Director: ANZ National Bank Limited (from 2007), the Financial Markets Foundation for Children (from 2008), and the Institute of International Finance (from 2010).
Member: Chongqing Mayor's International Economic Advisory Council (from 2006), Australian Bankers' Association Incorporated (from 2007), 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 Hong Kong 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: 55 **Residence:** Melbourne, Australia.

DR. G J CLARK
BSc (Hons), PhD, FAPS, FTSE

Independent Non-Executive Director, Chair of the Technology Committee
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 U.S.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 (Director from 2006).

Former Directorships include
Former Chairman: GPM Classified Directories (2007-2008).
Former Director: Eircom Holdings Ltd (formerly Babcock & Brown Capital Limited) (2006-2009).

Age: 67 **Residence:** New York, U.S. and Sydney, Australia.

MR. P A F HAY
LLB (Melb), FAICD

Independent Non-Executive Director, Chair of the Governance Committee
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) NBN Co Limited (from 2009) and Mayer Holdings Limited (from 2010).
Part Time Member: Takeovers Panel (from 2009).

Former Directorships include
Former Chief Executive Officer: Freehills (2000–2005).
Former Director: Pacifica Group Limited (1989–2008) and Lazard Pty Ltd (2007–2009).

Age: 61 **Residence:** Melbourne, Australia.

MR. LEE HSIEN YANG
MSc, BA

Independent Non-Executive Director
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 degrees in engineering and brings to the Board his international business and management experience across a wide range of sectors including food and beverages, properties, publishing and printing, financial services, education and civil aviation.

Current Directorships
Chairman: Fraser & Neave, Limited (from 2007) and Civil Aviation Authority of Singapore (from July 2009).
Director: Singapore Exchange Limited (from 2004), The Islamic Bank of Asia Limited (from 2007) 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: 54 **Residence:** Singapore.

MR. I J MACFARLANE, AC
BEc (Hons), MEc, Hon DSc (Syd), Hon DSc (UNSW), Hon DCom (Melb), Hon DLitt (Macq), Hon LLD (Monash)

Independent Non-Executive Director, Chair of the Risk Committee
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), Australian Council of Financial Regulators (1998 – 2006).
Former Governor: Reserve Bank of Australia (Member 1992 – 2006, Chairman 1996 – 2006).

Age: 65 **Residence:** Sydney, Australia.

MR. D E MEIKLEJOHN, AM
BCom, DipEd, FCPA, FAICD, FAIM

Independent Non-Executive Director, Chair of the Audit Committee
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 (from 2011).
Director: Coca Cola Amatil Limited (from 2005) and Mirrabooka Investments Limited (from 2006).

Former Directorships include
Former Director and Chief Financial Officer: Amcor Limited (1985-2000).
Former Chairman: Paperlinx Limited (2000-2011).
President: Melbourne Cricket Club (Committee member 1987-2011).

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

MS. A M WATKINS
BCom, FCA, F Fin, MAICD

Independent Non-Executive Director, Chair of the Human Resources Committee
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 finance and accounting. Her experience includes retailing, agriculture, food manufacturing and financial services, and covers small to medium companies as well as large organizations. Ms Watkins held senior executive roles with ANZ from 1999 to 2002.

Current Directorships
Chief Executive Officer: GrainCorp Limited (from 2010).
Member: The Nature Conservancy Australian Advisory Board (from 2007) and Takeovers Panel (from 2010).

Former Directorships include
Former Chief Executive Officer: Bennelong Group (2008-2010).
Former Director: Just Group Limited (2004-2008), Woolworths Limited (2007-2010) and AICD National Board and Victorian Council (2009-2011).
Former Partner: McKinsey & Company (1996–1999).

Age: 48 **Residence:** Melbourne, Australia.

Senior Management and Executives

At October 1, 2011 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 – 55	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 Hong Kong 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 – 51	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
D Cartwright Age – 52	Chief Operating Officer Over 27 years experience in Operations and Technology in the Financial Services Industry. Roles prior to ANZ include: Chief Executive Officer of Intelligent Processing Solutions Limited (iPSL), Senior Technology roles within Barclays PLC.	2007	2007
P Chronican Age - 55	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
S Elliott Age – 47	Chief Executive Officer, Institutional 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.	2009	2009
D Hisco Age – 48	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 – 56	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
P R Marriott Age – 54	Chief Financial Officer Over 30 years experience in International Banking, Finance and Auditing. Previous roles within ANZ include: Group General Manager Credit Risk Management, General Manager Group Accounting.	1997	1993
C Page Age – 60	Chief Risk Officer Over 35 years experience in the Banking and Financial Services Industry. Previous roles within ANZ include: Head of Risk, Asia Pacific. Roles prior to ANZ include: Chief Credit Officer, Asia Pacific with HSBC.	2008	2007
J Phillips Age – 49	Group Managing Director Strategy, M&A, Marketing and Innovation 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 – 51	Chief Executive Officer, Asia Pacific, Europe & America 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 - 54	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

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

Corporate 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 ASX and the 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 complies with the Recommendations set by the ASX Corporate Governance Council.

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's website at www.anz.com > About us > Our company > Corporate Governance.

Changes to the ASX Governance Principles were announced in June 2010, and will come into effect for ANZ's financial year beginning on October 1, 2011. ANZ has taken steps to early adopt these changes.

- **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 www.asx.com.au and, in respect of the NZX, at www.nzx.com.

ANZ has complied with all applicable governance principles both in Australia and 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 SEC with effect from October 2007. Despite no longer being required to comply with U.S. corporate governance rules, ANZ has decided to continue with certain governance practices required under U.S. regulations as being best practice, including practices 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**

Full details of ANZ's governance framework are set out at www.anz.com > About us > Our Company > Corporate Governance.

This section of ANZ's website also contains copies of all the 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.

Recognition

In 2011, ANZ was assessed as a leading bank globally on the Dow Jones Sustainability Index ('DJSI') for the tenth year in succession. ANZ received a rating of 92/100 for Corporate Governance as part of this assessment, which strongly compares to a global sector leading rating of 93/10 and a global sector average of 69/10.

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 clearly 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;

– 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 in the 2011 Annual Report attached hereto as Annex A.

- **Board Meetings**

The Board normally meets at least eight times each year, including an offsite 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 since the last Board meeting on matters considered at those meetings;

– for review, the minutes of previous Committee meetings.

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, the Group General Counsel and a Company Secretary are also present at all Board meetings. Members of Senior Management attend Board meetings when an issue under their areas 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 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, 2011, the following senior executives, in addition to the Chief Executive Officer, were members of the Management Board: Graham Hodges – Deputy Chief Executive Officer; Peter Marriott – Chief Financial Officer; Phil Chronican - Chief Executive Officer, Australia; David Hisco – Chief Executive Officer, New Zealand; Shayne Elliott - Chief Executive Officer, Institutional; Alex Thursby – Chief Executive Officer, Asia Pacific, Europe & America; David Cartwright – Chief Operating Officer; Susie Babani– Group Managing Director, Human Resources; Chris Page – Chief Risk Officer; Joyce Phillips - Group Managing Director, Strategy, M&A, Marketing and Innovation; and Anne Weatherston – Chief Information Officer. Following David Cartwright's departure in October 2011, Alistair Currie was appointed as Group Chief Operating Officer and joined the Management Board.

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 a balance of skills, tenure, experience, diversity, and perspective among its Directors.

The Governance Committee (see below) 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. The 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 Board balance and diversity.

The overarching guiding principle is that the Board's composition should reflect balance in such matters as:

- specialist skill representation relating to both functions (such as accounting/finance, law and technology) and industry background (such as banking/financial services, retail, 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 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 potential 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 Government 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, 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. A briefing is also provided by senior management about matters concerning their areas of responsibility.

- **Meeting Share Qualification**

Non-Executive Directors are required to accumulate within 5 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).

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 executive 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 is responsible for assessing the fitness and propriety of the Chief Executive Officer and key senior executives. The Audit Committee is responsible for assessing 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 2011 financial year.

Independence and Materiality

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

The Board Charter sets out independence criteria in order to establish whether a non-executive Director has a relationship with ANZ which could (or could be perceived to) impede their decision-making.

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 ANZ Chairman who will consult the other Directors as the Chairman deems appropriate.

In the 2010 financial year, the Board conducted its annual review of criteria for independence against the ASX Governance Principles and APRA Prudential Standards, as well as U.S. director independence requirements.

ANZ's criteria are more comprehensive than those set in many jurisdictions including in particular criteria stipulated specifically for Audit Committee members. The criteria and review process are both 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 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 2010, the Board reviewed each non-executive Director's independence and concluded that the independence criteria were met by each non-executive Director.

Directors' biographies (set out on pages 69 to 73 of this U.S. Disclosure Document) highlight their major associations outside of 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 Policy and Policy for Handling Conflicts of Interest, a Director may not exercise any influence over the Board if a potential conflict of interest exists.

In such circumstances, the Director may not receive relevant Board papers and, unless the other Directors have resolved to the contrary, may not be present for Board deliberations on the subject, and may not vote on any related Board resolutions. 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 3 years if they wish to continue in their role as a non-executive Director.

In addition, ANZ's Board Renewal and Performance Evaluation Policy 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 (described above), 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 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.

Role of Company Secretary

The Board is responsible for the appointment of ANZ's Company Secretaries. The Board has appointed three 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 Chief Financial Officer is also appointed as a Company Secretary. Profiles of ANZ's Company Secretaries can be found in the Directors' Report within the 2011 Annual Report (attached to this U.S. Disclosure Document as Annex A).

Performance Evaluations

The framework used to assess the performance of Directors is based on the expectation 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, 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 stakeholders and the communities and environments in which ANZ operates.

The performance criteria also take into account each Director's contribution to:

- charting the direction, strategy and financial objectives of ANZ;
- monitoring compliance with regulatory requirements and ethical standards;
- 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 Policy.

- **Non-Executive Directors**

Non-Executive Director performance evaluations 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, 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.

Re-election statement – Non-executive Directors when nominating for re-election are given the opportunity to submit a written or oral statement to the Board setting out the reasons why they seek re-election. In the non-executive Director's absence, the Board evaluates this statement and 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. In connection with the latter aspect, consideration is given to the time required to attend and prepare for regular scheduled Board and Committee meetings (including the annual off-site meeting to review the Group's strategy) as well as the time required to attend and prepare for ad hoc meetings should the need arise. With respect to Ms Watkins (who is seeking re-election at the 2011 Annual General Meeting) and her executive role as the CEO of GrainCorp Limited, the Board gave careful consideration at the necessary time to her role as an ANZ Director. This aspect is reviewed again as part of the annual performance review process each year (as referred to above) and the Board remains of the view that Ms Watkins has, and is and will be able to continue committing, the necessary time to properly carry out her role as an ANZ Director.

- **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 see 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 overall 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 facilitator, who sought input from each Director and certain members of the 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 facilitator 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 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 in the intervening years is conducted internally, 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 scope of the Committee's responsibilities and duties as enshrined in its Charter;
- the Committee's performance against its Charter and annual calendar of business;
- the Committee's performance against any goals or objectives it set itself for the year under review;
- major issues considered by the Committee during the year; and
- the identification of future topics for training/education of the Committee.

The outcomes of the performance self-assessments, along with plans and objectives for the new financial year, are submitted to the Governance Committee (and, in the case of the Governance Committee, to the Board) 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 executives including how financial, customer, operational and qualitative measures are assessed, are set out in the Remuneration Report in the 2011 Annual 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 2011 financial year.

- **Board Committees**

As set out in this section above, under Corporate Governance of this U.S. Disclosure Document, 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. ANZ's 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, 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. Composition is reviewed annually by the Board.

The Chairman is an ex-officio member of each principal Board Committee. The Chief Executive Officer is invited to attend Board Committee meetings as appropriate. His presence is not automatic, however, and he does not attend any meeting where his remuneration is considered or discussed, nor does he attend the non-executive Director private sessions of Committees. 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 and necessary to carrying out 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**

The principal Board Committees plan their annual agendas following a process approved by the Board. The offices of the executives who are appointed to assist the Chair of each Board Committee liaise in order to review the calendars of business prepared by each Committee and identify any potential gaps and unnecessary overlaps between the Committees. In advance of each Board Committee meeting, the Committee Chair shall ensure that there is at least one planning session with relevant internal and external stakeholders to ensure that all emerging issues are captured in the agenda for the forthcoming meeting as appropriate.

Minutes from Committee meetings are included in the papers to the following Board meeting. In addition, Committee Chair 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, 2011

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)
Mr P A F Hay	Mr J P Morschel (ex officio)	Dr G J Clark	Mr G J Clark	Mr Lee Hsien Yang
Ms A M Watkins (FE)	Mr I J Macfarlane	Mr P A F Hay	Mr Lee Hsien Yang	Mr D E Meiklejohn
Mr J P Morschel (ex officio)	Ms A M Watkins	Mr Lee Hsien Yang	Mr D E Meiklejohn	Mr J P Morschel (ex officio)
		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 the reviewing of:

- 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 and soley to the Chair of the Audit Committee (refer to Global Internal Audit on page 59 of the 2011 Annual Report for more information);
- the Audit Committees of significant subsidiary companies;
- prudential supervision procedures required by regulatory bodies to the extent relating to financial reporting; and
- the integrity of ANZ's financial statements, compliance with related legal and regulatory requirements and the independent audit thereof;
- 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, propriety and qualifications;
- compensation of the external auditor; and
- where appropriate, replacement of the external auditor; and
- reviewing the performance and remuneration of the Group General Manager, Global Internal Audit.

Under the Committee Charter, all members of the Audit Committee must be appropriately financially literate. Both Mr Meiklejohn (Chair) and Ms Watkins were determined to be a 'financial expert' during the 2011 financial year under the definition set out in the Audit Committee Charter. While the Board has determined that Mr Meiklejohn 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 or Ms Watkins having responsibilities additional to those of other members of the Audit Committee.

A review of the Audit Committee Charter was undertaken during the year and a small number of changes were made, including to confirm that the Committee's duties include reviewing any major proposed outsourcing of the Global Internal Audit function and also that there is some overlap in membership between the Risk Committee and 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 the Group, 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 2011 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 internal audit plan were made during the year to accommodate changes arising from high focus areas and changing risk profiles, integration and project work or special management requests;
- Accounting and Regulatory developments – reports on accounting 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; including refreshing the Financial Governance Program and;
- Whistleblowing – the Committee received reports 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 52 the 2011 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 54 to 55 of the 2011 Annual Report);
- monitoring the effectiveness of the Diversity Policy to the extent it relates to Board diversity, and reviewing and approving measurable objectives for achieving gender diversity on the Board;
- 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; and
- reviewing the development of and approving corporate governance policies and principles applicable to ANZ;
- ensuring an appropriate Board and Board Committee structure is in place.

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 2011 financial year included:

- New diversity requirements – the Committee reviewed ANZ's governance framework to ensure compliance with the amendments to the ASX Governance Principles relating to diversity;
- 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. An independent external facilitator was engaged to facilitate the 2011 performance review of the Board;
- Board and Committee performance evaluations – the Committee reviewed the major themes arising from the annual Board performance review process. The Committee also received annual performance self-assessment reports from 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 Policy, Fit & Proper Policy and the procedure relating to the approval of non-executive Director outside appointment.

- **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.

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 15 to 45 of the 2011 Annual Report);
- Remuneration matters, including incentive arrangements, for other Board Appointees;
- the design of remuneration structures and significant incentive plans; and
- the Group's Remuneration Policy and remuneration strategy.

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.

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 and in the 2011 financial year included:

- Management roles and performance – the Committee reviewed the performance of the CEO, the CEO's direct reports and other key roles and the succession plans in place for Management Board and business critical roles;
- Regulatory changes – the Committee continued to closely monitor regulatory developments and implications for ANZ, both in Australia and globally, and refined remuneration policy and practice as required.
- Fitness and Propriety – the Committee completed fit and proper assessments for all existing and new Board Appointees;
- Remuneration – the Committee approved the grant of up to $1,000 shares to each eligible employee under the Employee Share Acquisition Plan, conducted an annual review of remuneration for non-executive Directors and also reviewed the compensation structure for senior executives.

For more details on the activities of the Human Resources Committee, please refer to the Remuneration Report on pages 15 to 45 of the 2011 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 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 Risk Committee is delegated responsibility for overseeing, monitoring and reviewing the Group's risk management principles and policies, strategies, processes and controls including credit, market, liquidity, balance sheet, operational, compliance and other reputational risk control frameworks, as well as the culture of the organization in connection with such matters.

The Committee is also authorized to approve credit transactions and other related matters beyond the approval discretion of 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 2011 financial year included:

- Economic Environment – the Committee received updates on the global economic environment, including the impact of European debt issues, a weakened US economy and a high Australian dollar;
- Regulatory Change – the Committee monitored proposed new regulations, both local and global, including Basel III and proposed Australian tax changes;
- External environment – the Committee received updates on the impact of natural disasters in Australia, New Zealand and Japan; and
- Business updates – the Committee received updates from businesses across the Group.

A risk management and internal control system to manage material business risks in place, and Management reported to the Risk Committee during the year as to the effectiveness of the management of ANZ's material business 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 related ANZ policies, please see the Corporate Governance section of www.anz.com.

- **Technology Committee**

The Technology Committee assists the Board in the effective discharge of its responsibilities in relation to the technology and related operations. The Committee is responsible for making recommendations to the Board on new projects in technology above $100 million in value, investigating and reviewing security issues relevant to ANZ's technology, reviewing security issues relevant to ANZ's technology, 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 and Chief Operating Officer are 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 2011 financial year included:

- Review of new and existing major projects – the Committee reviewed proposed new major projects and monitored progress of existing major projects;
- Strategy – the Committee received reports on major strategic initiatives, including the technology strategy, a revised organizational structure and changes to further strengthen the leadership team;
- Security – updates were received on key information security issues, and various tactical and strategic activities planned to remediate or control them; and
- Service and Systems Stability and Performance – the Committee received regular reports on operational performance, and actions undertaken to maintain or improve service stability.

- **Directors' Meetings**

The number of Board meetings and meetings of Committees during the year that each 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		Shares Committee*		Committee of the Board*	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G J Clark	10	9	-	-	-	-	5	5	6	6	4	4	-	-	-	-
P A F Hay	10	10	6	6	4	4	5	5	-	-	-	-	1	1	-	-
Lee Hsien Yang	10	10	-	-	-	-	5	5	6	6	4	4	-	-	-	-
I J Macfarlane	10	10	6	6	4	3	-	-	6	6	-	-	-	-	-	-
D E Meiklejohn	10	10	6	6	-	-	-	-	6	6	4	4	1	1	3	3
J Morschel	10	10	6	6	4	4	5	5	6	6	4	4	5	5	8	8
M R P Smith	10	10	-	-	-	-	-	-	-	-	-	-	5	5	8	8
A M Watkins	10	10	6	6	4	4	5	5	-	-	-	-	2	2	1	1

Column A - Indicates the number of meetings the Director was eligible to attend.
Column B - Indicates the number of meetings attended. The Chairman is an ex-officio member of the Risk, Audit, Human Resources, Governance and Technology Commitees.
* 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 of Directors and Management with an effective and independent appraisal of the internal controls established by Management. Operating under a Board approved Charter, the Group General Manager Global Internal Audit reports directly and solely to the Chair of the Audit Committee, with a direct communication line to the Chief Executive Officer and the external auditors.

The Global audit plan is derived 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 are reported to fully conform to the Audit Committee, Risk Committee and Management. These results influence the performance assessment of business heads.

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

- **External Auditor**

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 Policy on Relationship with the External Auditor ('the Policy'). Under the Policy, 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 Policy 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 or the external auditor.

The Policy 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 Policy, 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 www.anz.com.

Details of the non-audit services provided by the external auditor, KPMG, during the 2011 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 12 of the 2011 Annual Report (attached as Annex A). In addition, the auditor has approved an independence declaration under Section 307C of the Corporations Act 2001.

In addition, 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 ANZ audit after 5 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 or at senior management level or higher, must be pre-approved by the Chair of the Audit Committee.

As disclosed in previous Disclosure Documents, in 2004 the U.S. Securities and Exchange Commission ('SEC') commenced an inquiry into non-audit services provided by ANZ's auditor, KPMG. This matter has been resolved and there was no adverse effect on ANZ.

- **Financial Controls**

The Audit Committee of the Board 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 operation 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. The process is independently evaluated by Global Internal Audit and tested under 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 set out in the Directors' Report within the 2011 Annual Report.

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 Employment Opportunity, Bullying and Harassment Policy;
- ANZ Health and Safety Policy;
- ANZ Global Employee Securities Trading and Conflicts of Interest Policy;
- ANZ Global Anti-Bribery Policy; and
- ANZ Global Whistleblower Protection Policy.

ANZ has implemented Values and Ethics training sessions to be run by ANZ leaders with their direct reports at manager level or above. Following this rollout, leaders are now strongly 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 value-based, conscious and ethical business decisions and 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 and understand 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**

ANZ's Global Employee Securities Trading and Conflicts of Interest Policy prohibits trading in ANZ securities or the securities of other companies by all employees and Directors who are aware of unpublished price-sensitive information.

The Policy specifically prohibits restricted employees, their associates and Directors 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 in which restricted employees and Directors may be permitted to trade during a prohibited period, with prior written clearance.

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

It is a condition of the grant of employee deferred shares, share options and rights that no schemes are entered into by any employee that specifically protect the value of such shares, options and rights before the shares have vested or the options or rights have entered their exercisable period. Any breach of this prohibition would constitute a breach of the grant conditions and would result in the forfeiture of the relevant shares, options or rights.

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 Policy provides a mechanism by which ANZ employees, contractors and consultants may report or escalate serious matters 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 our approaches described below are enshrined in ANZ's Shareholder Charter. A copy of the Shareholder Charter can be found on the Corporate Governance section of www.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 generally through ANZ's reporting of results, ANZ's Annual Report, the Shareholder and Corporate Responsibility Review, briefings, half yearly newsletters and via its dedicated shareholder site on www.anz.com. ANZ strives for transparency in all its business practices, and recognizes the impact of quality and transparent disclosure on the trust and confidence of shareholders, the wider market and the community. To this end, ANZ, outside of its scheduled result announcements, issued additional Trading Updates to the market during the financial year.

Should shareholders require any information, contact details for ANZ and its Share Registrar are set out in the Shareholder Review, ANZ's half yearly shareholder newsletters and the Investor Center section of www.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.

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. 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 www.anz.com.

- **Continuous Disclosure**

ANZ's practice is to release all price-sensitive information in a timely manner and as required under the ASX Listing Rules and then to all relevant 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 5 priority areas guide ANZ's corporate responsibility investments, initiatives and decisions globally:

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

The Corporate Responsibility Committee is chaired by ANZ's 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 its industry. This year ANZ achieved or made strong progress on over 90% of its public targets.

ANZ keeps interested stakeholders abreast of developments through a monthly e-bulletin and annual corporate responsibility reporting. Detailed information on ANZ's approach and result is available on www.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 lifestyle choice are valued, a strategic asset for its business and critical to achieving its super regional strategy. The ANZ Diversity Council, 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 Baord level accountability for year-on-year improvements in gender balance, particularly across senior Management ranks.

Gender balance at Board, Senior Executive and Management Levels

ANZ's Board currently comprises eight 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 one female Director, namely Ms Watkins, who joined the Board in November 2008 as a non-executive Director. Ms Watkins is Chair of the Human Resources Committee and a member of the Audit Committee and Governance 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 next scheduled Board retirements will occur at the 2013 AGM when three Directors are due to retire.

The Board's objective is that the new Director appointments who will replace the three retiring Directors will include at least one woman, and it is expected that these new appointments will be made in the period leading up to the 2013 AGM in order to provide an appropriate transition. This objective is being effectively progressed.

ANZ has the highest proportion of women on its Management Board of any Australian bank (25%). Three female CEO's lead key countries in ANZ's Asia Pacific growth markets of Vietnam, the Philippines and Hong Kong. Women also lead major global businesses including Capital Markets, Global loans and Shared Services operations.

Annual gender targets have been set since 2004. ANZ's goals for the year ended September 30, 2011 and the results achieved are set out in the table below. While we did not achieve our targets over all the sub-categories, we improved our performance at senior Management level, the key pipeline for future executives. With respect to the total number of women across the organization, the percentage fell slightly from 56.9% to 55%. See 'Future Goals' below for ANZ's 2012 measurable objectives for achieving gender diversity.

Group	Baseline (30 Sept 2010)	30 September 2011 Target	30 September 2011 results
Senior executives	23.9%	25.8%	22.8%
Senior manager	27.6%	29.3%	28.5%
Manager	40.6%	42.2%	40.3%
Total women in management	38.4%	40.0%	38.2%

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 skills and competencies required to lead at ANZ. 45% of participants in all Leadership Pathway programs were female.

Across ANZ's broader Leadership Talent Radar program, 38% of participants were female. This percentage is similar to the current representation in Management ranks, however achieving gender balance in this program is a future priority.

Awareness and education programs to eliminate any unconscious bias in ANZ's policies, practice and workplace culture are underway. This year approximately 800 of ANZ's managers, including Management Board and top 200 executives, globally participated in 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.

Actions arising from these sessions include a commitment to early career and succession planning to get more women into line roles where they have access to the critical experiences required to be effective senior leaders. ANZ is also encouraging and supporting its senior male leaders to act as sponsors and advocates for talented women to widen the available pool of female talent who will consider working for ANZ.

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 2011 Shareholder and Corporate Responsibility 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.

A review of performance based compensation awarded in 2010 revealed no systemic gender bias in ANZ's reward allocation, with the proportion of women achieving ANZ's two highest levels of relative performance outcome (RPO), which determines bonus levels, slightly higher than men. Six percent of females achieved RPO 1 compared to 5% of males and 21% of females achieved RPO 2 compared to 20% of males.

In addition, 57% of award recipients in ANZ's 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: 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 2011 Shareholder and Corporate Responsibility Review for information on the number of employees in flexible work arrangements.

A new childcare allowance introduced in 2011 provides Australian parents returning to work with a $4,000 grant to help them transition back to work after parental leave and superannuation is paid on all forms of paid parental leave. Over 478 employees received this grant in its first year, and 94% of grant recipients remain ANZ employees today.

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' survey 79% of all respondents supported the statements that 'ANZ is creating a work environment that is open and accepting of individual differences' and '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 Chairman and Chief Executive Officer support an external business led program to mentor and advance more women into Board positions.

The Chief Executive Officer Mr Smith is a member of the Male Champions for Change program (MCC), through which CEOs and Directors use their influence to ensure the issues of gender equality and women's representation in leadership are elevated onto the national business agenda. Mr Smith is establishing a Melbourne Chapter of MCC, which will advocate for more accessible, flexible and affordable childcare for parents while also championing ANZ's financial capability programs, which are described below.

In 2011 ANZ was recognized as an Employer of Choice for Women by the Australian Equal Opportunity in the Workplace Agency. This followed similar achievements in the last year, including the Workplace Work and Life award in New Zealand for flexible work practices and an IT Export award, recognizing the high percentage of women employed in ANZ's Technology business in India.

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. To date, ANZ's long-term, multi-million dollar investment in these programs has benefited 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 2012. The 2011 Shareholder and Corporate Responsibility Review contain further information on these targets.

Public Gender Balance and Diversity Targets
Reach at least 40% representation of women in management, including maintaining or increasing the proportion of women at all levels.
Achieve gender balance and greater cultural diversity in our key recruitment, talent development and learning programs.
Provide 230 positions through our traineeships, graduate program and permanent employment to people from disadvantaged backgrounds, including Indigenous Australians, Maori, people with disability and refugees; and support their advancement through mentoring and cultural awareness programs amongst all employees.
Advance the role of women in society through engagement on key public policy issues, including advocacy for more accessible, affordable and flexible childcare in Australia.
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 Diversity 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 $16.9 million in cash, time and in-kind services during the year ended September 30, 2011. 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 MoneyMinded (and its cultural adaptations in Australia, New Zealand and the Pacific), Saver Plus and Progress loans (Australia). Saver Plus was successful in gaining ongoing funding from the Australian Government to continue operating in 60 sites around Australia with the support of partners Brotherhood of St Laurence, Berry Street, the Benevolent Society, the Smith Family and other community agencies. Over 7,500 participants were involved in Saver Plus over the past 2 years, and research shows that 87% of people continue to save the same amount or more up to 3 years after completing the program.

ANZ offers all staff at least one day of paid volunteer leave per year to make a difference in their local communities. This year we expanded our volunteering program in Asia and the Pacific through a partnership with Australian Volunteers International where our employees are volunteering their time and expertise to help build the capacity of community organisations. In the past year staff volunteered more than 91,000 hours across our region.

ANZ also committed more than $3.7 million, including matching of staff donations, to support the recovery and rebuilding of communities in regions affected by natural disasters including Australia, New Zealand and Japan.

Further details can be accessed at anz.com/cr

In addition, for the year to September 30, 2011 ANZ donated $80,000 to the Liberal Party of Australia and $80,000 to the Australian Labour Party.

Employees

At September 30, 2011, ANZ employed 48,938 people worldwide (2010: 47,099) on a full-time equivalent basis (‘FTEs’), of which 45,991 were permanent employees and 2,947 were temporary. There were 24,225 FTEs in Australia at September 30, 2011 compared with 23,772 FTEs at September 30, 2010 (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[1]		
	2011	**2010**	**2009**
Australia	24,225	23,772	19,976
Asia Pacific, Europe & America	15,289	13,909	8,791
New Zealand	9,424	9,418	8,920
Totals	48,938	47,099	37,687

1. Geographic FTE includes employees from Corporate Center, Institutional and Operations, Technology and Shared Services divisions

Industrial Instruments

Approximately 20%[2] (2010: 19%) 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 and in addition the majority of senior management and executive staff are covered by individual common law contracts of employment.

ANZ has negotiated a new collective employment agreement, known as the ANZ Collective Employment Agreement 2010-2012 (Australia), with the Finance Sector Union (‘FSU’) containing the minimum employment terms and conditions for Australian-based ANZ employees in Groups 4, 5 and 6 (junior management and non-management employees). It was approved by Fair Work Australia on December 14, 2010, and came into effect on December 21, 2010. The agreement applies for a two year period, covering the 2010 and 2011 remuneration reviews. ANZ will pay 4% (2010: 4%) salary increase to most non-management staff.

Superannuation

The Group has established a number of pension, superannuation and post retirement medical benefit schemes throughout the world. Note 45 to the 2011 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 46 of the 2011 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 then 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 November 11, 2011, 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 Shareholder Information Section contained in our 2011 Annual Report (attached as Annex A to this U.S. Disclosure Document).

The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 (the ‘Foreign Takeovers Act’). The Foreign Takeovers Act applies (subject to certain monetary thresholds) to, amongst 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 holding a 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 holding any legal or equitable interest in 40% or more of the issued 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 Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

The Financial Sector (Shareholdings) Act 1998 prohibits a person (together with its 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 its associates, holding a stake in the company of more than 15%. However, the 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.

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, Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a company if, because of a 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 6 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, would have voting power in the company more than 3 percentage points higher than they had 6 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' (which is also broadly defined) 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.

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, 47 and 48 together with the Remuneration Report in the 2011 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 44 of ANZ's 2011 Annual Report for a discussion of material legal proceedings as at September 30, 2011.

Significant events since the end of the financial year

No significant events for ANZ have occurred from September 30, 2011 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 2011 final dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. A discount of 1.5% will be applied when calculating the "Acquisition Price" under the DRP and BOP terms and conditions. This discount will apply in respect of the 2011 final dividend and to future dividends until such time as ANZ announces otherwise.

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. directions given by the Reserve Bank of Australia in accordance with the Banking (Foreign Exchange) Regulations 1959 in respect of foreign currency transactions involving the transfer of property, securities or funds owned or controlled by, or payments either to (or for the benefit of) or by (or on behalf of) certain persons or entities from time to time, including the following persons and entities:

   (a) specified supporters of the former government of the Federal Republic of Yugoslavia (the Milosevic regime);

   (b) specified ministers and senior officials of the Government of Zimbabwe;

   (c) certain entities or an individual associated with the Democratic People's Republic of Korea (North Korea);

   (d) specified individuals associated with the Burmese regime;

   (e) specified certain Iranian entities and persons;

   (f) certain key persons associated with the Qadhafi regime; and

   (g) certain key persons and entities involved in human rights abuses in Syria.

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 – Libya) 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.

1. 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 1975 (the 'Foreign Takeovers Act'). The Foreign Takeovers Act applies (subject to certain monetary thresholds) to, amongst 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 Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

2. Financial Sector ('Shareholdings') Act 1998

   The Financial Sector (Shareholdings) Act 1998 prohibits a person (together with its 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 its associates, holding a stake in the company of more than 15%. However, the 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.

3. 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, Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a company if, because of a 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 6 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, would have voting power in the company more than 3 percentage points higher than they had 6 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 if any person already has a substantial holding and there is movement of at least 1% in their holding, is required to give a notice to us and to the 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.

Asset margin measures the difference between the income earned and cost incurred from lending activities as a percentage of total interest earning assets. Calculation includes the impact of changing mix of lending products, change in lending product margins excluding the change in the cost of wholesale funds and the change in the amount of fees recognized as effective Net Interest Income.

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.

Exception fees are fees which may be charged when there are insufficient funds to cover a transaction, resulting in a dishonor or an approval to overdraw the account, when a credit card limit is exceeded or when a credit card payment is late.

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 option and are subject to an insignificant risk of changes in value.

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

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

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

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

Operating income includes net interest and other operating income.

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

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

Revenue includes net interest income and other operating income.

Annex B: Condensed Consolidated Financial Statements for the full year ended September 30, 2010