

## Message from Mike Smith

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Hello I'm Mike Smith. I'm ANZ's Chief Executive Officer and I'd like to welcome you to ANZ's 2010 Shareholder and Corporate Responsibility Review video.

I want to take this opportunity to update you on ANZ's performance this year and the progress we're making in our aspirations to become a leading super regional bank.

ANZ's performance in 2010 demonstrates that three years after setting out our super regional aspiration, we have real momentum in every area of our business and we're delivering on the promises made to our shareholders, to our customers and to the community.

- Overall, we delivered a strong financial performance, assisted by improved economic conditions in Australia and New Zealand and by Asia's growth.
- Provisions for bad and doubtful debts fell significantly, down from the record levels we saw last year as a result of the Global Financial Crisis and economic downturn.

- We've continued to build a strong bank through our focus on the balance sheet and careful management of both our capital and liquidity.
- Our strategy, which focuses on some of the world's best performing economies, has also given us diversification in our funding base. Asian deposits continuing to help us reduce our funding gap.
- We completed acquisitions in Australia, New Zealand and in Asia, strengthening our activities in banking and wealth management.
- We also continue our strong performance in customer satisfaction and we were assessed the leading bank globally by the Dow Jones Sustainability Index for the fourth year running.

These achievements reinforce that ANZ's super regional strategy has us focussed on the right geographic region at the right time in order to help us grow and succeed in the future.

Asia, excluding Japan, is expected to grow at around 8% next year, which compares to around 2.5% in the United States and Europe. The Australian economy is expected to remain robust and the recovery is picking up pace in New Zealand.

While global economic growth will continue to be soft over the medium term, the momentum we now have in our business and our regional focus sets us up very well for 2011.

In **Australia**, increasing market share was a feature of the latest result, with both lending for mortgages and household customer deposits growing. We also maintained our number one ranking of overall customer satisfaction in Australia's Retail business.

In **Asia Pacific, Europe and America**, the team has built what was just a presence in Asia into a real business. While this year has been one of consolidation after the acquisition of businesses from the Royal Bank of Scotland in six Asian countries, we continued to perform well.

We also achieved a number of other milestones in our regional expansion plans, including gaining regulatory approval for new or expanded banking licences in China, Singapore, the Philippines and India.

**Our Institutional** business continued its turnaround in 2010, with revenue growth reflecting increased client numbers and strong client relationships. Underpinning this is the increasing connectivity that our customers have within Asia from elsewhere in the ANZ network.

Institutional and our Corporate Bank were rated number one for lead domestic bank relationships in New Zealand and in Australia.

In **New Zealand**, the economy is stabilising but there is still some uncertainty around the Rural and Commercial sectors. Provisions fell significantly, helping drive a lift in profit off a low base in 2009. I am increasingly optimistic about what we can do in New Zealand next year.

While reporting on our performance tends to focus on financial results, the reality is over the long term, ANZ's performance is a reflection of how we're serving our customers and contributing to the communities in which we operate, every day.

Managing our business responsibly with ANZ's long-term sustainability in mind is fundamental to our aspiration to become a leading super regional bank in Asia Pacific.

- Customers and communities expect us to understand and respond to the issues that are important to them.
- Governments and regulators are seeking responsible corporations to invest in their countries.
- And we want to attract investors who target well-managed companies with superior prospects for medium to long-term growth.

Of course, increasingly, the best employees want to work for companies that are both financially successful and are able to demonstrate that they are making a sustainable contribution to society.

This commitment requires us to balance financial risks and opportunities with the economic, social and environmental impacts of our decisions.

I'm especially proud of our work to support customers facing financial hardship; to assisting communities affected by natural disasters; to improve financial capability among people on low incomes and of our work every day to embed responsible business practices in everything we do.

As we near the end of the calendar year, ANZ is now a much more predictable organisation for shareholders and a better place for our customers to do business.

We have a world-class team of experienced bankers leading our organisation and taking advantage of growth opportunities, as well as a workforce of energetic and

dedicated staff who put the customer at the centre of everything they do, every day.

It's an exciting time for ANZ. We have weathered the global financial crisis of 2008 and 2009, we have delivered a strong performance in 2010 and we're now well placed to continue to deliver on our plans and grow in the future.

I wish you all the best for the festive season and I look forward to updating you on ANZ's progress at our Annual General Meeting of Shareholders and during 2011.

Many thanks.