

Message from John Morschel

Welcome to ANZ's Shareholder and Corporate Responsibility Review video for 2010. I'm John Morschel, Chairman of ANZ.

It's a privilege to look after your interests and work with the Board, our CEO Mike Smith and the senior management team to realise ANZ's vision to build a leading super regional bank in Asia Pacific.

This year, we're pleased to combine our annual Shareholder Review and Corporate Responsibility Report, giving you a balanced view of our financial performance as well as our performance against Corporate Responsibility targets, as we strive to grow our business responsibly.

ANZ delivered a strong outcome for shareholders in 2010, while also performing for our customers and the community.

Strong performances across the bank from all regions and our Institutional Division saw us lift statutory profit for the full year to \$4.5 billion, up 53% on 2009.

Allowing for some one-off items such as costs associated with our acquisitions and subsequent fair value costs, underlying net profit after tax was \$5 billion, up 33% on last year.

While these are good headline numbers, it's important to remember that ANZ had record provisions last year as a result of the Global Financial Crisis and the economic downturn that followed.

Provisions have improved significantly, reflecting the improved economic environment in Australia and New Zealand and this is flowing through to the bottom line.

It is also important to realise that banks in general and ANZ in particular, produce a return on assets of less than 1% - that's one cent for every dollar of assets - and a return on shareholders equity of around 14%.

These returns are not excessive, especially when one considers the gearing risk that shareholders take when investing in banks.

Importantly, for ANZ shareholders, the proposed final dividend of 74 cents per share is 32% higher than 2009, bringing the total dividend for the year to 126 cents per share fully franked.

Management of our balance sheet was a strength for ANZ in 2010.

We're strongly capitalised, with Tier 1 capital of 10.1% and Core Tier 1 sitting at 8.0% at the end of September.

ANZ is well placed to meet any new capital standards being developed by the Basel Committee on Banking Supervision and the Australian Prudential Regulatory Authority.

This year we raised around \$24 billion in term funding, as well as an additional \$2 billion in pre-funding for 2011.

ANZ retained strong access to funding markets and the 2011 objective is going to be broadly consistent with 2010 levels.

During 2010, we continued to advance our super regional strategy through organic growth and acquisitions.

In December, we acquired around \$2.4 billion in loans and \$300 million in deposits from Landmark Finance Services, taking our Regional Commercial business to the number two market position in agri-business and strengthening our relationship with the rural community.

We also completed the acquisition of the ING wealth management and life insurance businesses this year and it's pleasing to see their integration into ANZ is on track.

In Asia, we completed the acquisition of selected businesses from the Royal Bank of Scotland, consolidating ANZ's position as the only bank in Australia to give shareholders a material exposure to growth in the Asia region.

During 2010, ANZ continued to deliver good outcomes for our customers and the community:

- In Australia we were ranked number one for retail customer satisfaction.
- In Institutional we were rated number one for 'lead domestic bank relationships' in Australia and in New Zealand, we were named Bank of the Year by the Institute of Finance Professionals.
- ANZ was also assessed as the leading bank globally for the fourth year running on the Dow Jones Sustainability Index, the most widely accepted

While we've delivered a strong outcome for shareholders this year and we are making great progress on our super regional strategy, the environment will remain challenging to navigate in 2011.

There is still continuing uncertainty in the global environment, particularly in the United States and Europe and all banks are now facing higher funding costs following the Global Financial Crisis and economic downturn.

Before I close, I'd to acknowledge the contribution of Charles Goode who retired earlier this year, after 18 years on the ANZ Board, with almost 15 of those years as Chairman.

Charles served during an extraordinary period of transformation at ANZ and has made a long-lasting contribution to both business and the community throughout the Asia Pacific region. I wish him all the best for the future.

This year marks the 175th anniversary of ANZ's establishment, formed by the amalgamation of banks and the innovation and dedication of generations of talented people.

Throughout our history, ANZ's people have embraced change and continued to make things happen for our customers, our shareholders and the community and I am confident we will continue to deliver value and performance into 2011 and beyond, and I would like to thank them for their outstanding contribution throughout the year.

On that note, I'd like to take this opportunity to wish all shareholders the season's greetings and thank you for your ongoing support of ANZ.