



CHAIRMAN'S REPORT A MESSAGE FROM CHARLES GOODE

ANZ DELIVERED A SOLID RESULT IN 2009 AGAINST THE BACKDROP OF THE GLOBAL FINANCIAL CRISIS AND A MAJOR DOWNTURN IN THE WORLD ECONOMY.

Our Performance

ANZ's statutory profit after tax for the year ended 30 September 2009 was \$2,943 million, down 11% reflecting higher provisions. With an increase in the weighted average number of shares of 16%, this led to a fall in earnings per share of 23%. The dividend for the year was \$1.02 per share fully franked, down 25%.

Excluding the impact of \$829 million from one-off items, hedging timing differences and non-continuing businesses our underlying profit¹ for 2009 was \$3,772 million, up 10%.

Underlying revenue growth of 17% was strong while costs increased by 12% with our underlying cost-to-income ratio at 42.2%, down from 44%. Provisions were at cyclical highs with the total credit impairment charge up 46% to \$3,056 million, with increases across all regions but most pronounced in New Zealand.

Importantly, ANZ maintained its AA-credit rating, one of only 11 banks remaining in the world with an AA-rating.

These results were achieved at a time the global financial system and the world economy came under extraordinary pressure and they reflect the very significant efforts of our management and our staff during the year. I thank them for their contribution.

Capital Management

During 2009 ANZ took further steps to manage its capital position and funding programs to ensure we were strongly positioned given the difficult financial and economic conditions.

In May, we undertook a fully underwritten \$2.5 billion institutional share placement. In July, we completed a Share Purchase Plan for retail shareholders which saw us issue \$2.2 billion of ordinary equity.

Over 40% of our retail shareholders participated, making it one of the most successful Share Placement Plans undertaken by an Australian company. The new shares were issued at \$14.40 compared to ANZ's year-end share price of \$24.39 representing a strong return to participating shareholders.

Including the underwritten Dividend Reinvestment Plan in July, ANZ raised \$5.7 billion of ordinary equity and the Group ended 2009 as one of the world's best capitalised banks.

ANZ's Tier 1 capital ratio was 10.6% at the end of 2009 compared to 7.7% a year earlier. Adjusting for the acquisitions we made during the year but which have not yet been completed, the pro-forma Tier 1 ratio is estimated to be 9.5%.

Expansion and Growth

Our financial performance and strong capital position allowed ANZ to capitalise on significant strategic opportunities that arose during the year and our super-regional strategy was advanced through both organic growth and acquisitions.

In August, we announced an agreement to acquire certain selected businesses of the Royal Bank of Scotland (RBS) in East Asia for approximately US\$550 million (A\$626 million).

The acquisition includes the RBS Retail, Wealth and Commercial businesses in Taiwan, Singapore, Indonesia and Hong Kong and the Institutional businesses in Taiwan, the Philippines and Vietnam. It creates a new platform for our Retail and Wealth businesses in Asia.

ANZ also moved to strengthen its franchise in Australia and New Zealand with an agreement to acquire the 51% held by the ING Group in the ANZ-ING wealth management and life insurance joint ventures.

OPPORTUNITY CONFIDENCE CONNECTIONS

Board Changes

John Morschel, one of Australia's most respected business leaders, has agreed to succeed me as Chairman in February 2010.

John has been a director of ANZ since October 2004 and has made a major contribution since joining the Board. He has extensive experience as a chief executive and more recently as a non-executive director and chairman of major Australian and international companies. John also brings to the role a strong background in banking and financial services. He will make an excellent Chairman for ANZ.

We have also welcomed three new Directors to the Board during the year – Peter Hay, Alison Watkins and Lee Hsien Yang – to facilitate a transition with the planned retirements of some Directors.

Peter Hay has a strong background in company law and investment banking advisory work, with strong experience in mergers and acquisitions. Alison Watkins is an experienced CEO and established director with a grounding in finance and accounting. Lee Hsien Yang is one of Asia's most respected business leaders and has considerable knowledge of the region.

I would also like to acknowledge the outstanding contribution made to ANZ over 15 years by Margaret Jackson who retired from the Board in April 2009.

Customers and the Community

While the global financial and economic conditions have been testing, ANZ has maintained the momentum established in recent years by focusing on its customers and contributing to the community.

In Australia, we maintained the highest level of customer satisfaction of any of the major banks and we began the roll out of our new global brand identity and positioning for ANZ.

A number of the communities in which ANZ operates experienced disasters during the year. These included natural disasters in Asia and the Pacific and the bushfires in Victoria.

ANZ contributed to the relief efforts through donations, direct grants and the efforts of many ANZ staff.

During 2009, ANZ was named as the most sustainable bank globally in the Dow Jones Sustainability Index for the third consecutive year.

Outlook

Looking ahead, the actions taken by governments around the world have gained traction and are now moderating the effects of the global economic downturn.

While it is clear that Australia and Asia have weathered the crisis better than the US and Europe, there is still uncertainty about the shape of the recovery and it is prudent to be cautious. In New Zealand, there are early signs the economy has stabilised, however, economic recovery is likely to be slow.

At ANZ, we are facing some headwinds in 2010 including the strength of the Australian dollar, a less favourable global markets environment and a 13%² increase in the number of shares to be serviced. Our regional growth focus however, puts us in a unique position to capitalise on Asia's recovery and growth.

However, we also have some tail winds with the recovery in the economies of Australia, New Zealand and the region, continued profitable expansion in East Asia and a moderation in our outlook for doubtful debts.

We have a strong management team, a strong capital position, strong liquidity and a well thought out strategy to be a super regional bank.

The bank is being managed for the medium term and the outlook is for an improvement in profits in 2010 and a strong 2011.



Charles Goode Chairman



A Message from John Morschel

It will be an honour for me to succeed Charles as Chairman of ANZ in February 2010.

I look forward to leading a well qualified and committed Board of Directors and working closely with Mike Smith and, what I regard to be, a very strong senior management team.

I am sure that shareholders will join me in thanking Charles for his tireless leadership as Chairman of ANZ for the last 14 years.



John Morschel

¹ Adjusted for material items that are not part of the normal ongoing operations of the Group including one-off gains and losses, gains and losses on the sale of businesses, non-continuing businesses, timing differences on economic hedges and acquisition related costs.

² Shares on issue at 30 September 2009 divided by the weighted average number of shares during 2009.

FIVE YEAR SUMMARY

	2009 \$m	2008 \$m	2007 \$m	2006 \$m	2005 \$m
Financial performance¹					
Net interest income	9,810	7,855	7,302	6,943	6,371
Other operating income	4,557	4,440	3,765	3,146	2,935
Operating expenses	(6,068)	(5,406)	(4,953)	(4,605)	(4,340)
Profit before provisions and income tax	8,299	6,889	6,114	5,484	4,966
Provision for credit impairment	(3,056)	(2,090)	(567)	(407)	(565)
Income tax expense & minority interest	(1,471)	(1,373)	(1,623)	(1,490)	(1,250)
Underlying Profit ¹	3,772	3,426	3,924	3,587	3,151
Adjustments between statutory and underlying profit ¹	(829)	(107)	256	101	24
Profit attributable to shareholders of the Company	2,943	3,319	4,180	3,688	3,175
Financial position					
Assets	476,987	470,293	392,773	334,640	300,885
Net Assets	32,429	26,552	22,048	19,906	19,538
Tier 1 capital ratio ²	10.6%	7.7%	6.7%	6.8%	6.9%
Return on average ordinary equity ³	10.3%	14.5%	20.9%	20.7%	18.3%
Return on average assets	0.6%	0.8%	1.2%	1.1%	1.1%
Cost to income (underlying) ¹	42.2%	44.0%	44.9%	45.6%	46.6%
Shareholder Value – Ordinary Shares					
Total return to shareholders (share price movement plus dividends)	40.3%	-33.5%	15.6%	17.1%	32.6%
Market capitalisation	61,085	38,263	55,382	49,331	43,834
Dividend	102 cents	136 cents	136 cents	125 cents	110 cents
Share price – 30 September closing price	\$24.39	\$18.75	\$29.70	\$26.86	\$24.00
Other Information					
Points of representation	1,352	1,340	1,327	1,265	1,223
Number of employees (full time equivalent)	37,687	36,925	34,353	32,256	30,976
Number of shareholders ⁴	396,181	376,813	327,703	291,262	263,467

¹ Adjusted for material items that are not part of the normal ongoing operations of the Group including one-off gains and losses, gains and losses on the sale of businesses, non-continuing businesses, timing differences on economic hedges and acquisition related costs.

² Basel II has been applied from 1 January 2008. Prior to that values were calculated using Basel I methodology.

³ Average ordinary shareholders' equity excludes minority interest and preference share dividend.

⁴ Excludes employees whose only ANZ shares are held in trust under ANZ employee share schemes.