



# **Financial and Business Report**

## **December 2011**

**Australia and New Zealand Banking Group Limited**  
**Japan (Tokyo, Nagoya, Osaka)**

ABN 11 005 357 522

This report was written to explain Australia and New Zealand Banking Group Limited and its Japan branches based on the Banking Act Article 21 and Ordinance for enforcement of the Banking Act Article 19.2 (Disclosure of Financial and Business Report)

Australia and New Zealand Banking Group Limited

## A Message from CEO Japan



On behalf of ANZ, I would like to thank our valued customers in Japan for your continued support in 2011.

This has been a very challenging year for Japan with the devastating impacts of the Great East Japan Earthquake. ANZ staff around the world were deeply saddened by these events, and our thoughts and sympathies are with the Japanese people as they deal with the long-term recovery.

During this time, ANZ branches in Tokyo, Osaka and Nagoya remained open for business and continue to provide full services to customers. Despite these challenges ANZ has continued to grow its presence in Japan by increasing our local staff and deepening customer relationships with Japanese customers. ANZ Group has donated Australian \$1 million to support disaster relief and recovery efforts. ANZ Japan has supported the town of Minami Sanriku where Australian and New Zealand rescue teams helped just after the earthquake, by volunteering and by funding the civic Life-long Learning Centre.

Japan is Australia's second largest trading partner, and is an important economic, social and political contributor to the Asia Pacific region. In this region, ANZ takes Super Regional Strategy, and we continue to work towards our goal of becoming a super regional bank by creating new opportunities for our customers through our products and services and well-established connections in key regional markets.

ANZ remains one of a select group of banks globally that have a AA category credit rating (Aa2 from Moody's and AA- from Standard & Poor's) and we are one of the few banks in the world to have come out of the global financial crisis with the same rating as we went into it with (as at December 2011). In Japan, J-Money Magazine (ex-Euromoney Japan) voted ANZ the No. 1 FX bank for Australian and New Zealand dollars for the 19th consecutive year in 2011, further demonstrating our commitment and expertise in this country. We are committed to growing our business in Japan and Asia Pacific to enhance our capabilities and services, and to connect our customers wherever they are doing business in the region.

December 2011

Yours sincerely

Robert Bell  
ANZ CEO Japan

More detailed ANZ's information can be found on our website.

Japan : <http://www.anz.co.jp/top.html> (Japanese)

Australia : <http://www.anz.com/about-us/> (English)

# Australia and New Zealand Banking Group Limited (Bank), Japan

## Place and Telephone Number of Branches

### Tokyo Branch

〒100-6333  
33rd Floor, Marunouchi Building  
4-1Marunouchi 2-chome, Chiyoda-ku,  
Tokyo  
T:03-6212-7770

### Nagoya Sub-branch

〒450-6215  
15th Floor, Midland Square  
7-1Meieki 4-chome, Nakamura-ku,  
Nagoya-shi, Aichi  
T:052-533-6971

### Osaka Branch

〒530-0001  
17th The Hilton Plaza West Office Tower  
2-2Umeda 2-chome, Kita-ku, Osaka-shi,  
Osaka  
T:06-6456-1231

## Major Business

TermDeposits and Call Deposits in foreign currencies, Structured deposits (with foreign exchange options)  
Sale of investment trusts (*toushin*), Foreign remittances, Agency business of overseas account opening (Australia and New Zealand), Mortgage loans and deposit-secured loans  
Foreign exchange transactions in A\$, NZ\$ and other currencies, OTC derivatives like interest rate swaps and commodity derivative, Money market transaction with corporate customers  
Corporate finance, Export Finance and Project Finance

## Outline of Australia and New Zealand Banking Group Limited (Bank)

### (1) History:

1835: established in UK as the Bank of Australia (according to UK Banking Law)  
1951: merged with Union Bank of Australia and changed its name to the present one  
1970: merged with English, Scottish and Australian Bank  
1977: transferred its head office from UK to Australia (Melbourne) (it formally and substantially became an Australian bank.)  
1984: acquired Grindlays Bank plc, the largest bank in India, expanded network to India, Middle East and Africa  
1985: opened Tokyo branch and started business in Japan  
1989: acquired Post Bank Limited in New Zealand and expanded its network in New Zealand  
1990: opened Osaka branch and expanded network in West Japan, and in the same year acquired National Mutual Royal Bank Limited and Town & Country Building Society (both are Australian banks)  
2000: sold Grindlays Bank plc to Standard Chartered Bank  
2001: acquired America Samoa Bank and Bank of Kiribati Limited, and acquired branches in Papua New Guinea, Vanuatu and Fiji Islands  
2002: started investment trust (*toushin*) and life insurance business in Australia and New Zealand in cooperation with ING Group  
2003: acquired National Bank of New Zealand  
2004: allied with Royal Group in Cambodia, established a bank there  
2005: allied with Sacombank in Vietnam, and opened representative offices in New Caledonia, Noumea  
2006: invested in Tianjin City Commercial Bank in China  
2007: invested in AMMB Holding Berhad in Malaysia, Shanghai Rural Commercial Bank in China, Saigon Securities Incorporation in Vietnam and ANZ Vientiane Commercial Bank in Laos  
2009: acquired assets of Royal Bank of Scotland in Taiwan, Singapore, Indonesia, etc., and acquired 100% shares of the investment trust and life insurance companies located in Australia and New Zealand which had been a joint venture with ING in Australia  
acquired the Landmark Financial Services, Austrian agribusiness based loan financial company  
2010: opened Nagoya sub branch

### (2) Branch network:

Number of branches and offices is 1,381 in 32 countries globally (as of September 30, 2011)

### (3) Number of employees:

48,938 persons for the whole group (as of September 30, 2011)

### (4) Credit rating (as of December, 2011)

P-1 (for short-term bonds), Aa2 (for long-term bonds) by Moody's  
A1+, AA - by Standard & Poor's

### (5) Capital ratio (as of September 30, 2011)

(Tier 1) 10.9% (Tier 1+Tier2) 12.1%



## Media Release

For Release: 3 November 2011

### ANZ 2011 Full Year Result

#### Result driven by solid underlying business performance; accelerating execution of the super regional strategy

ANZ today announced statutory profit of \$5.36 billion and underlying profit of \$5.65 billion for the financial year ended 30 September 2011 up 19% and 12% respectively on the previous year (YOY).

The proposed final dividend of 76 cents per share fully franked brings the total dividend for the year to \$1.40 per share, 11% higher than for 2010.

**Group Balance Sheet & Profit Key Points** (All figures are on an underlying basis, refers to the ongoing operations of the Group, unless otherwise stated. Reported profit is adjusted to exclude non-cash and significant items to arrive at underlying profit.)

- Underlying profit increased 12% with income up 7% despite a 31% decline in second half Institutional Global Markets income. Profit before provisions (PBP) excluding Global Markets increased 8%.
- The Group net interest margin excluding Global Markets grew 7 bps with asset re-pricing and funding mix changes largely offset by increases in the cost of funding in particular for deposits.
- ANZ has continued to invest for growth, pacing investment to market conditions. This approach was reflected in modest cost growth in the second half (up 2%).
- Loans and advances increased 8% and customer deposits grew 16%.
- ANZ has steadily improved the diversity of its funding base, reducing reliance on offshore wholesale funding by \$12 billion during the past three years. Customer funding now sits at 61%.
- The Group is strongly capitalised with Tier 1 capital at 10.9%.
- Return on Equity increased to 16%.
- Gross impaired assets reduced 15% with new impaired loans down 30%. The provision charge reduced 33% however total provision coverage (Total provision coverage ratio is the individual provision plus the collective provision as a proportion of credit risk weighted assets. Collective provision ratio is the CP as a proportion of CRWA.) remains strong at 1.96% of credit risk weighted assets (CRWA) and the collective provision ratio at 1.28% of CRWA.

ANZ Chief Executive Officer Mike Smith said: "This result is in line with the key trends that we outlined at our August trading update.

"Our key customer franchises in Australia, New Zealand and Asia Pacific have produced solid performances; we have continued to make progress with our super regional strategy; and we have delivered value for our customers.

"We have a strong financial and capital position. Our focus on the growth markets of Asia and their connectivity with our key domestic franchises means we are in the right place, with the right strategy at the right time.

"In the second half though, the global economic situation saw trading conditions for our Markets business deteriorate significantly. This more difficult operating environment - characterised by ongoing economic volatility, cautious consumer and business behaviour, and higher funding and capital costs for banks globally - is likely to be with us for some time.

"With the changed game in global banking, our strategy and our financial strength will give us even more choices - choices which are open to very few banks in the world right now.

"This is providing another window for us to take advantage of growth opportunities, to expand the support we provide to customers, to build scale and create value for our shareholders.

"We will continue to focus on the four consistent themes of our super regional strategy: investing in our super regional footprint and capability to deliver differentiated revenue growth over the medium term; building our customer franchises in Australia and Asia while maintaining our strong position in New Zealand; leveraging our capital position for organic and strategic growth; and continuing to transform our productivity performance.

"We can't take this for granted though. We will continue to step up the pace in executing our strategy but we will also respond to the environment with a stronger emphasis on generating on-going efficiencies given the more constrained domestic conditions.

"The bottom line is that we see 2012 as a year of opportunity and I am confident we can continue delivering on our promises to shareholders, customers and the community," Mr Smith said.

### **Divisional and Business Overview** (All comparisons are YOY and pro forma unless otherwise stated.)

- Australia Division increased profit 2% for the year. Pre-provision profit grew 5% with strong cost management delivering positive revenue/expense jaws for both the year and the second half. A stronger second half for Commercial saw profit for the year up 5%. Retail continues to perform well up 6%, while tough financial market conditions coupled with increased insurance costs arising from extreme weather events saw Wealth PAT down 16%.
- Asia Pacific Europe & America (APEA) Division USD profit increased 20% despite more challenging market conditions in the second half for the Global Markets business. PBP grew 17% with Retail improving its contribution and completing a well-managed transition of the businesses acquired from RBS. The Partnerships contribution rose 4%.
- New Zealand Division NZD profit increased 55% driven by good performances by all business lines, strong cost management and much lower provisions. Retail profit increased 44% YOY while Commercial was up 61% YOY but declined slightly HOH impacted by lower credit demand.
- Institutional profit increased 9% with strong results delivered by Transaction Banking (+10%) and Global Loans (+67%). Global Markets profit declined 28%. While Global Markets customer sales income grew to record levels, up 13%, volatile market conditions coupled with ANZ's decision to minimise risk positions in a highly unpredictable market, saw both Trading and Balance Sheet incomes decline significantly HOH.

### **PERFORMANCE BY REGION** (All comparisons use pro forma profit.)

#### **AUSTRALIA** (all figures pro forma)

#### **Strategic Focus and Progress**

The Australia Division is focused on delivering a service-based customer proposition through more efficient business processes and platforms, and improved products and customer-facing technology including offerings like the "GoMoney" iPhone application which now represents almost a third of all online transactions.

- We have tailored customer segment propositions which include offers aligned with the Group's super regional strategy, such as Asia Pacific arrivals to Australia.
- All priority segments have improved customer satisfaction ratings.
- We are delivering growth through a better customer experience in Commercial driven by more efficient customer coverage and better leverage of our Asian footprint.
- We are improving our Wealth proposition and enabling greater presence for the Wealth Management and Insurance offerings within bank branches and online (e.g. EasyProtect, 50+ Life).
- The Division's balance sheet strategy is focused on continual funding base improvement - loan to deposit ratio has reduced from 180% to 156% in three years.

#### **Divisional Results**

- Profit grew 2% YOY (+8% HOH) with PBP growth of 5% YOY (+2% HOH) reflecting good cost control, particularly in the second half despite tougher revenue conditions.
- Lending increased 6% YOY (+3% HOH) with customer deposits up 14% YOY (1.5 x system) and 6% HOH. Retail lending rose 7% YOY (Mortgages up 7%, 1.2 x system (Mortgages relative to system number based on APRA Banks data and RBA data)) and deposits increased 13%. Commercial lending grew 5% with Business Bank up 10% and Small Business Banking up ('SME') up 12%. Regional Commercial lending was flat YOY reflecting strong seasonal cash flows and subsequent loan pay down. Deposits increased 18% YOY with good growth across Business Bank, SME and Regional Commercial.
- Retail performed well once again with profit up 6% YOY and HOH and income up 6% YOY (+2% HOH) with 2% positive revenue/expense jaws YOY (neutral HOH).
- A significantly improved performance from the Commercial business with profit up 5% YOY (+22% HOH) reflecting good income growth +6% YOY (+4% HOH), tighter expense control in the second half (-2% HOH) and a 44% HOH reduction in provisions.
- Profit after tax in Wealth was 16% lower YOY (-15% HOH) reflecting volatile market conditions, negative investor sentiment due to volatile equity markets and increased insurance costs caused by catastrophic weather events coupled with higher levels of investment in strategic projects. Strong new business growth in the insurance business was somewhat offset by adverse general insurance claims and life lapse rate experience.
- Credit quality continues to be carefully managed. The 90-day delinquencies in the mortgage book were lower at the end of the second half than for the first half with 30 day mortgage delinquency numbers improving significantly, down 50 bps HOH.

## **ASIA PACIFIC EUROPE & AMERICA** (all figures pro forma and USD)

### **Strategic Focus and Progress**

The APEA division is building a leading Asia Pacific regional bank with connectivity as a key competitive differentiator. The primarily organic strategy seeks to deliver an integrated, sustainable franchise supporting the Group aspiration for APEA derived revenue to drive 25-30% of Group NPAT by 2017.

- After several years of rapid expansion across geographies, segments and products, APEA is now deepening its reach in key franchise markets and within target customer segments as well as building a more balanced asset portfolio between our Institutional, Commercial and Retail and Wealth segments. In Asia, 'active' customers in the Institutional and Commercial business grew 25% YOY.
- Connectivity is a key competitive differentiator for ANZ. Over and above revenue booked in APEA, 4% of Australia and New Zealand revenue was APEA derived.
- The Division continued to pace investment in the franchise with \$50 million of investment spend in 2011. The Mumbai branch was opened in June and the Chongqing branch in March deepening access to our core strategic markets and customers. New investment for IT and operations infrastructure focused on major programs such as Transactive Asia (cash management), the core banking system and Global Markets sale distribution platforms. The extension of the ANZ brand campaign into Asia for the first time has generated strong awareness in our target markets and segments.
- The successful integration of the businesses acquired from RBS has supported the strong performance of Retail and Wealth. The repositioning of the businesses toward the affluent and emerging affluent segments is also now complete. The business has expanded its product capability, customer numbers and revenues (+18% YOY) through focused management, including strong control on costs, through the year.
- The total investment value of ANZ's share of our Asian Partnerships continues to grow with ANZ continuing to add value through the infusion of ANZ talent and skills.
- The Division has taken a rigorous and conservative approach to balance sheet management and has a loan to deposit ratio of 60%. The quality of our deposit base continues to improve and we are managing our assets to maintain flexibility during periods of market uncertainty.

### **Divisional Results**

- Underlying momentum was strong despite the volatile macro environment with profit up 20% YOY (-9% HOH) with solid growth YOY in Retail. The Institutional business grew profit 18% YOY but was significantly impacted in the second half (-25%) by challenging Global Markets trading conditions.
- Expenses grew 26% YOY (+9% HOH) as ANZ continued to build out the business. Greater scale and focused investment will drive greater cost-efficiency over time. Employee numbers (including contractors) have reduced by circa 250 from November last year as various enablement projects reached completion including the successful integration of the RBS businesses.
- Lending grew 44% YOY (+18% HOH) and customer deposits increased 40% YOY (+16% HOH) with growth strong in both Retail and Institutional. While volumes were strong margins were impacted in the second half by pricing competition.
- Institutional revenues increased 29% YOY but were down 2% HOH. Despite more challenging market conditions Global Markets sales income increased 41% YOY and trading income grew 10% YOY. Institutional expenses increased 38% YOY (+20% HOH) reflecting investment in people, products and systems.
- Retail and Wealth revenue grew 18% YOY with the Wealth contribution to Retail growing from 14% to 22%. Expenditure up 15% YOY (+6% HOH) with savings from the RBS transition being reinvested to grow revenue. The cost to income ratio for this business will continue to improve having declined from 81% to 79% during 2011.
- Partnerships profit grew 4% YOY (+18% HOH) with the largest contributions from AMMB and SRCB.
- Provision charges decreased 35% YOY. The APEA business has, over the past year, improved the general quality of the loan portfolio in particular within the old RBS loan book.

## **NEW ZEALAND** (all figures in NZD pro forma)

### **Strategic Focus and Progress**

The New Zealand business is focused on delivering a lower cost structure through a simplification and efficiency program which is progressing well.

- The management structure has been changed, costs have reduced and process and product simplification is in train as is the move to one IT system.
- The new regional management approach simplifies decision-making across all businesses and increased frontline time with customers is being delivered through re-engineered processes.

- Customer satisfaction and staff engagement scores have improved reflecting the careful management of the comprehensive change program.
- Core system testing is progressing with migration to a single platform in late 2012 expected to assist productivity gains in 2013.
- The product portfolio continues to be simplified and to date products in the Retail business have been reduced from 140 to under 100.
- The management of the New Zealand business reflects the muted revenue environment – the productivity focus aims to deliver the lowest cost to income ratio in the market, our margin focus will deliver profitable growth albeit we expect continued low levels of credit demand and revenue, and our risk settings have been adjusted to prudently manage the changed economic outlook.

### **Divisional Results**

- Profit increased 55% YOY (flat HOH). PBP growth of 13% YOY (+2% HOH) reflecting muted HOH income trends and strong cost control (expenses down 2% YOY, flat HOH).
- Lending decreased 2% YOY and HOH largely reflecting customer deleveraging in both Retail and Commercial. Deposits grew 4% YOY with Commercial deposits up 6%.
- Retail profit increased 44% YOY (+14% HOH) driven by income growth of 4% YOY and HOH, cost management (flat YOY, -2% HOH) and much lower provisions YOY.
- Commercial profit increased 61% for the year but was slightly down in the second half (-1% HOH). Income grew 6% however a tougher second half operating environment saw income flat HOH. Expenses were well controlled (-3% YOY and HOH). Provisions declined 62% YOY.
- Wealth profit grew 38% YOY (+23% HOH) with strong income results (+15% YOY +17% HOH) coupled with good expense control (down 2% YOY).
- The provision charge decreased 58% YOY.

### **INSTITUTIONAL** (all figures pro forma and FX adjusted)

#### **Strategic Focus and Progress**

The Institutional business is focused on executing to a clearly articulated strategy to build the world's best bank for customers driven by trade and capital flows in the Asia Pacific region, particularly in resources, agribusiness and infrastructure.

- The Divisional strategy aims to drive more diversified earnings by product, customer and geography, and growth in our client base. At the same time we are improving the risk profile of the business.
- Institutional is managed as a global business providing the opportunity to focus its efforts on geographies, products and capabilities that can deliver growth at any given point in time.
- The super regional focus is driving a changing geographic distribution of profit with APEA revenues up 30% to represent 26% of Institutional revenue compared to 20% in 2010. Trade finance revenue increased 29% YOY with 58% growth in Asia. Customer driven revenues have steadily increased, particularly in our key competency areas of resources, agribusiness and infrastructure where revenues grew 19%.
- 1,300 new relationships were acquired during the year with client numbers up 8% (Asia Pacific client base up 15% YOY).
- Investment in the Transactive cash management platform is delivering growth with payments and cash management revenue up 13% YOY. The system is in place in Australia and New Zealand with Hong Kong and Singapore to be implemented in November 2011 and the remaining nine key Asian markets online by the end of 2012.
- Revenues continue to grow in our priority products including trade, cash, foreign exchange and commodities. Investment in improved FX capability has been reflected in increased sales with FX revenues up 22% to represent just over half of total Global Markets sales revenues.
- Productivity initiatives, which are ongoing, kept the cost run rate in the mid single digits through FY11 and a flatter run rate continued into FY12. Customer service is being improved through centralising, standardising and automating back office processes.

### **Divisional Results**

- Profit increased YOY up 9% however a significant second half fall in Trading and Balance Sheet Income in the Global Markets business drove a 15% HOH decline in PAT.

- Customer deposits grew 20% YOY with lending up 16% YOY. APEA lending, which is weighted toward trade lending, grew 23% and now represents 34% of the loan portfolio.
- Operating expense growth while 17% YOY was 5% HOH with 2011 cost growth in large part reflecting the full year impact of investment in people and in systems in 2010. Cost growth slowed in the second half to reflect the changed revenue environment and there are a series of productivity initiatives in place to maintain a lower cost run rate into FY12.
- Transaction Banking performed well with profit up 10% YOY (+22% HOH) and Global Loans profit increased 67% YOY (+11% HOH).
- Global Markets profit declined 28% YOY. While customer sales revenues grew to record levels, up 13% YOY, total Global Markets revenues declined 11% YOY. Volatile market conditions in the second half coupled with ANZ's decision to minimise risk positions in a highly unpredictable market, saw both Trading and Balance Sheet incomes decline significantly. Notwithstanding this trend, the Global Markets business was profitable in each quarter.
- There is an improving trend in impaired assets with net impaired assets down 27% YOY. The individual provision charge has declined materially (down 72% YOY) and weighted average credit scores have continued to improve.

## **BALANCE SHEET, CAPITAL AND FUNDING**

ANZ remains strongly capitalised with a Tier 1 ratio as at 30 September 2011 of 10.9% and a Common Equity Tier 1 ratio of 8.5% (equating to 9.5% on a Basel III fully harmonised basis).

The Group has continued to strengthen its funding profile with an increasing weighting to customer funding which now represent 61% of total funding. Since 2008, customer deposit growth has exceeded loan growth by circa \$49 billion, significantly reducing ANZ's reliance on wholesale debt.

The term debt issuance for FY11, including pre-funding, was \$18 billion; in addition to which ANZ raised \$1.34 billion in hybrid capital. A similar target will apply in FY12. This will include issuance under Australia's recently implemented covered bond legislation which will further diversify ANZ's debt investor base. Despite challenging global funding market conditions our New Zealand business, ANZ National, successfully executed its first covered bond transaction in October.

Reliance on offshore short-term wholesale debt remains low and ANZ's liquidity position has been further strengthened. Notably, the liquidity portfolio and supplementary assets exceed total offshore wholesale debt (short and long-term) placing ANZ in a strong position in the current volatile global environment.

## **CREDIT QUALITY**

Credit quality has improved throughout the year. Total gross impaired assets declined 15% largely reflecting a 23% decrease in impaired loans (-11% HOH). New impaired loans and NPCCDs (non performing commitments, contingencies and derivatives.) decreased 32% (-3% HOH) while new impaired assets declined 21% (-24% HOH).

The total provision charge declined HOH as the first half charge included an amount for natural disasters which was partially released in the second half, along with higher recoveries in the Institutional business. The collective provision balance has remained stable HOH.

ANZ has continued to take a prudent approach to provisioning throughout the global financial crisis and remains appropriately provided for at this point of the economic cycle. The Group's coverage ratios reflect this, with the total provision coverage ratio at 1.96% (Total provision coverage is the individual provision plus the collective provision as a percentage of credit risk weighted assets (CRWA). Collective Provision ratio is the collective provisions as a percentage of CRWA.) and the collective provision ratio 1.28%.

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**Australia and New Zealand Banking Group Limited**  
**Condensed Consolidated Financial Information**

(AUS\$M)

Income Statement	Full year Sep 2011	Half year Mar 2011	Full year Sep 2010
Net Interest Income	11,481	5,839	10,862
Other operating Income	5,331	2,543	4,920
Operating expenses	(7,718)	(3,821)	(6,971)
Profit before income tax, credit impairment and non-core items	9,094	4,609	8,811
Profit for credit impairment	(1,211)	(660)	(1,820)
Income tax expense	(2,222)	(1,126)	(1,960)
Non-controlling interest	(9)	(5)	(6)
Underlying profit	5,652	2,818	5,025
Adjustments between statutory profit and underlying profit	(297)	30	(524)
Profit attributable to shareholders of the Company	5,355	2,838	4,501
Balance Sheet	As at Sep 2011	As at Mar 2011	As at Sep 2010
<b>Assets</b>			
Liquid assets	24,899	19,298	18,945
Due from other financial institutions	8,824	7,479	5,481
Trading securities or available for sales assets	58,338	47,289	54,287
Net loans and Customers' liability for acceptances	397,307	379,389	363,392
Other assets	105,120	83,992	89,598
<b>Total assets</b>	594,488	537,447	531,703
<b>Liabilities</b>			
Due to other financial institutions	23,012	22,014	21,610
Deposits and other borrowings	368,729	331,789	310,383
Liabilities for acceptances	970	577	11,495
Bonds and notes	56,551	58,526	59,714
Other Liabilities	107,272	89,412	94,346
<b>Total liabilities</b>	556,534	502,318	497,548
<b>Total equity</b>	37,954	35,129	34,155

[Lead Auditor's Independence Declaration](#)

The lead auditor's independence declaration given under section 307C of the Corporations Act 2001 is set out below and forms part of this Directors' Report for the year ended 30 September 2011.

THE AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2011, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG



Peter Nash  
Partner  
Melbourne  
2 November 2011

## Shareholders Information at 10 October 2011

	Name	Number of shares	% of shares
1	HSBC Custody Nominees (Australia) Limited	467,156,528	17.77
2	National Nominees Limited	355,961,863	13.54
3	JP Morgan Nominees Australia Limited	347,499,738	13.22
4	Citicorp Nominees Pty Limited	97,828,934	3.72
5	Citicorp Nominees Pty Limited (Colonial First State INV A/C)	49,104,214	1.87
6	Cogent Nominees Pty Limited	38,099,783	1.45
7	JP Morgan Nominees Australia Limited (Cash Income A/C)	28,463,355	1.08
8	RBC Dexia Investors Services Australia Nominees Pty Limited (Pipooled A/C)	24,512,112	0.93
9	AMP Life Limited	24,206,102	0.92
10	Queensland Investment Corporation	13,069,092	0.50
11	UBS Wealth Management Australia Nominees Pty Ltd	12,238,042	0.46
12	Anzest Pty Ltd (Deferred Share Plan A/C)	11,472,251	0.44
13	Cogent Nominees Pty Limited (SMP Accounts)	8,540,532	0.32
14	Australian Foundation Investment Company Limited	7,774,021	0.30
15	Australian Reward Investment Alliance	7,401,221	0.28

Australia and New Zealand Banking Group Limited Japan Branches

**Balance Sheet**

(Jpy in million)

Assets	As at Sep 2011	As at Mar 2011	As at Mar 2010	Liabilities	As at Sep 2011	As at Mar 2011	As at Mar 2010
Cash on hand and due from banks	347,716	6,906	45,791	Deposits	540,404	478,336	281,772
Call loans	-	-	-	Negotiable certificates of deposits	-	-	20,000
Receivables under resale agreements	-	-	-	Call money	5,995	16,646	4,535
Receivables under securities borrowing transactions	-	-	-	Bills sold	-	-	-
Bills bought	-	-	-	Payables under repurchase agreements	-	-	-
Monetary claims bought	25,269	13,672	5,600	Payables under securities lending transactions	-	-	-
Trading account securities	-	-	-	Commercial paper	-	-	-
Money held in trust	100	100	100	Borrowed money	-	-	-
Securities	-	-	79,991	Foreign exchanges	0	32	74
Loans and discounts *1	41,136	44,340	19,705	Other liabilities	22,286	10,903	5,513
Foreign exchanges	15,426	7,427	2,431	Provision for bonus payment	304	153	85
Other assets	12,877	12,408	8,142	Reserve for employee retirement benefit	75	69	108
Tangible fixed assets *2	162	169	78	Reserve under special law	-	-	-
Intangible fixed assets (Software)	9	11	11	Deferred tax liabilities	-	-	-
Deferred tax assets	540	485	304	Negative goodwill	-	-	-
Customers' liabilities for g'tee & accept	30,988	30,558	22,828	Banks' liabilities for g'tee and acceptance	30,988	30,558	22,828
General provision for doubtful debts	△ 375	△ 402	△ 237	Head office and branches accounts	261,277	35,395	831
Head office and branches accounts	390,672	458,968	152,929	Sub-total	861,333	572,095	335,750
				Legal reserve	1,317	1,317	1,255
				Retained earnings brought forward	1,874	1,234	673
				Revalue on AFS securities	-	-	△ 2
				Defferal hedge loss	-	-	-
				Revalue on real estate	-	-	-
Total	864,526	574,648	337,677	Total	864,526	574,648	337,677

Note\*1 --- Nonperforming Loans with specific provision 64 million yen  
 (bankrupt) ( - million yen )  
 (past due) ( 64 million yen )  
 (past due over three months) ( - million yen )  
 (concessions of interest etc) ( - million yen )

Note\*2 --- Accumulated Depreciation 405 million yen

**Profit and Loss**

(Jpy in million)

	Half year Sep 2011	Full year Mar 2011	Full year Mar 2010	Full year Mar 2009
Ordinary Income	6,213	10,682	5,978	9,813
Interest Income	2,852	4,600	2,769	7,441
<i>(Interest on Loans)</i>	423	506	574	916
<i>(Interest and Dividends on Securities)</i>	-	24	68	-
Fees and Commission rcvd	633	1,854	688	554
Other Operating Income	2,711	4,223	2,509	1,816
Other Ordinary Income	15	3	9	0
Ordinary Expenses	5,242	9,447	5,321	8,602
Interest expenses	3,316	5,422	2,668	6,438
<i>(Interest on Deposits)</i>	2,821	4,732	2,422	4,287
Fees and Commission paid	230	36	51	29
Other Operating Expenses	2	0	0	0
General and Administrative Expense	1,673	3,745	2,512	2,033
Other Ordinary Expenses	20	242	87	100
Ordinary Profits	970	1,234	657	1,210
Extraordinary Income	-	-	65	-
Extraordinary Loss	-	15	0	1
Profit before income taxes	970	1,219	722	1,208
Corporate and Inhabitant Tax	386	778	223	597
Deferred income taxes	△ 55	△ 182	79	△ 82
Total Taxes	330	596	302	514
Net profit after tax	640	623	419	694

Head Office: Melbourne, Australia

Please see the confirmation below which business manager wrote regarding the accuracy of financial statements of ANZ Japan and effectiveness of internal audit of preparing the financial statements based on “Requirement of clarification of the business manager’s responsibility regarding the accuracy of financial statements and effectiveness of internal audit”( FSA Supervisory Bureau No.2835 Oct 7, 2005) .

Confirmation Note

November 30, 2011

Australia and New Zealand Banking Group Limited Japan Branches

Chief Operating Officer  
Atsushi Takahashi

I declare that there are no false descriptions and erroneously omits on all the important descriptions of financial statements as far as I know when checking financial statements of Japan branches with the account period from April 1 2011 to September 30 2011.

ANZ Japan ensures the appropriateness of financial statements by establishing a system which makes each division in charge play an appropriate role with split of work and division in charge clarified when preparing financial statements.

## **Business Strategy**

### **Personal Banking**

**~We provide financial instruments and financial services for individual investors.~**

Personal Banking has provided financial instruments for Japanese individual customers as a pioneer of foreign currency deposit of Australian Dollar and New Zealand Dollar since opening of ANZ Tokyo Branch in 1985. In addition to foreign currency deposits, we arrange a line up of products including mutual funds which invest in currencies, equity and fixed income of Oceania, Asia, and other emerging and developed countries, and custom-made structured deposits of Oceania and other foreign currencies, which attract Japanese investors. We also offer international remittances and Japanese Yen deposits.

Our global brand concept is “Providing people shaped banking experiences (=Customer-Oriented)” and “uncomplicated banking experiences”. We consider that it is our strong point to provide financial instruments and services which are suitable for each customer’s needs. We are increasing staffs and enhance system capability to improve quality of products and services more than before for customers who are interested in Australia and/or New Zealand products and services as well as those customers who are interested in general asset management products and services.

As for our business hub, we opened Nagoya Sub-branch in May 2010 in addition to Tokyo branch and Osaka branch. Each branch is at close range of JR station including Tokyo station, Osaka station and Nagoya station, which make customers who reside in distant place access easily.

We aim to provide customer centric and sincere services to all customers.

#### **(Tokyo Branch)**

Tokyo Branch provides its service on the 33rd Floor in Marunouchi Building at the Imperial Palace side of JR Tokyo station. Its location is also so close to the Tokyo station of Metro Marunouchi line and the Nijubashi station of Metro Chiyoda line so that customers can be easy to access.

#### **(Nagoya Sub-Branch)**

Our office is on the 15th Floor in Midland Square Building in front of JR Nagoya station and started to provide services for customers in Tokai area.

#### **(Osaka Branch)**

We are the first Australian bank to open Osaka Branch in 1990. ANZ moved to the 17th Floor in The Hilton Plaza West Office Tower (west side of Hilton Hotel) in the south front of JR Osaka station to increase convenience for customers in Western Japan.

※Osaka Branch and Nagoya Sub-Branch provide Personal Banking Services only.

### **Global Markets Japan**

Global Markets Japan promotes foreign exchange, currency option, OTC interest rate derivative, OTC commodity derivative transactions and other banking products. Our client base includes financial institutions, institutional investors, securities companies, investment advisors for mutual funds, general trading companies, manufacturers and service companies. In the field of Australia dollar and New Zealand dollar Foreign exchange transactions, a strong point for ANZ, we have been rated number one in the Tokyo Foreign Exchange Poll conducted by J-Money magazine for nineteen consecutive years.

“Customer-Oriented” underlies our basic marketing policy. ANZ’s policy requires us to consider the client’s risk appetite, understanding of the risks as well as product suitability. Our objective is to provide accurate information, best strategic advice and professional execution based on the client’s risk profile and level of product understanding. All Global Markets Japan’s clients also have a dedicated Corporate & Institutional Banking or Financial Institution & Public Sector relationship manager assigned to them to further understand the client’s requirements and overall business condition.

## **Financial Institutions Group**

We provide various types of financial services to financial institutions including banks, securities and insurances based on huge global-based customer network. We support their settlement function on Australia dollar basis and New Zealand dollar basis attached to the capital transactions, including inter-bank remittance followed by international trade.

We also provide total banking services to world-wide financial institutions by using our wide network.

## **Corporate & Institutional Banking**

### **Transaction Banking (Trade & Supply Chain, Payment & Cash Management)**

We are the only Australian bank which provides institutional service among four large Australian banks, with business in Japan beginning in 1969. ANZ Group is well-positioned to offer the wide range of services using a strong point of resourceful Australia, backed by high credit risk rating (Aa2, AA- / stable, for long-term bonds as of Dec 2011), the worldwide net work (\*) and based on the robust financial ground. We receive a high evaluation in market business, continuously rated number one for currency ranking of Australia dollar and New Zealand dollar in Euro Money Japan for a long time. We are also named the leading private bank of Project Finance in Asia and Oceania markets.

Our bankers at Corporate and Institutional Banking, with abundant experiences in global financial institutions, comprehensively figure out the needs of multi national companies which expand their business globally and provide the following various banking services by collaborating with Transaction Banking and other product departments.

- Corporate Finance
- Project Finance and Export Finance
- Structured Finance
- Market Products including OTC Derivatives regarding Foreign Currency, Interest and Commodity
- Letter of guarantees such as bid bonds, performance bonds and remittance of minor currencies
- Trade finance (Export Bills Negotiation, Confirmation of letter of credit, Forfaiting, Import Finance etc.)
- Receivables Finance
- Payments and Cash Management

In addition, we established Japan Desks in China and Southeast Asia in 2010 for the purpose of supporting Japanese corporate customers' operations there. We are going to expand such hub gradually.

\*) Key ANZ group hubs

Australia, New Zealand, China, Vietnam, Indonesia, Singapore, Malaysia, Thailand, Laos, Cambodia, Philippines, Hong Kong, Korea, Taiwan, India, Papua New Guinea, Vanuatu, Fiji, United States, Britain and German

## **Specialised Lending Japan**

We support Japanese customers' trades and overseas investment by providing Project Finance and Export Finance products, especially in the Project Finance market we have been performing extremely well for a long time.

We also offer various types of finance to Japanese customers, using some financial programs provided by Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) to support Japanese companies' finance for overseas projects. We provide total financial services with "Detailed response peculiar to Japanese banks" and "Proposal ability of financial products peculiar to foreign banks" by Japanese staff who has experience of working for Japanese bank and JBIC. We also provide professional financial services such as financial advisor and lead-arranger in various sectors including energy and natural resources, electric power, infrastructure and manufacturing, making use of ANZ global network with offices in international cities such as Sydney, Melbourne, Perth, Brisbane, Auckland, Wellington, Singapore, Hong Kong, Jakarta, Hanoi, Ho Chi Minh, Beijing, Shanghai, Dubai, London, Frankfurt and New York. Nowadays, since energy and natural resources sector attracts attention due to the rapid growth of Asia emerging countries such as China and India, Japanese companies' investment opportunities in Australia with abundant natural resources is increasing.

We would like to grow as our Japanese customers grow.

## **Compliance**

We create several local compliance policies and procedures including Compliance Manual based on the Japanese laws, regulations and ANZ group policies to inculcate a compliance mind into Japanese staffs. We monitor the risk management status of Anti-Money laundering, Anti-Social and Conflict of Interest and so on as well as implementing laws and regulations such as Banking Act and Financial Instruments and Exchange Act.

## **EXPLANATORY NOTE ON NON-REGISTERED CREDIT RATING**

From the viewpoint of ensuring fairness and transparency in the markets, the Financial Instruments and Exchange Law has introduced a registration system for credit rating agencies. In accordance with this regulation, financial instruments firms are required to inform customers of the fact that the rating is not registered and the rationale for the registration system, etc. whenever marketing any financial products which are rated by non-registered credit rating agencies. In addition, under the Banking Law, this duty of disclosure applies *mutatis mutandis* to banks when providing credit ratings given by non-registered credit rating agencies for the purpose of marketing contracts for “specified deposits” including foreign currency denominated deposits.

### **Rationale for the Registration System**

Registered credit rating agencies are subject to regulations such as: (1) the duty of good faith; (2) the duty to maintain an operational management system which prevents conflicts of interest and ensures the fairness of the credit rating process, etc.; (3) the prohibition on giving a credit rating to a security which they hold; and (4) the duty to disclose information including to prepare and make available for public inspection the policies for credit ratings and the documents for public release and explanation. Registered credit rating agencies are also subject to supervision by the Financial Services Agency, including orders to submit information, onsite inspections and business improvement orders. However, non-registered credit rating agencies are not subject to such regulation or supervision.

### **Credit Rating Agency Group, etc.**

#### **Standard & Poor’s**

##### **Name of the Credit Rating Agency Group, etc.**

Name of the Credit Rating Agency Group:

Standard & Poor’s Ratings Services (“S&P”)

Name of the Registered Credit Rating Agency within the Group and its Registration Number:

Standard & Poor’s Ratings Japan K.K. (FSA Commissioner (Rating) No. 5)

##### **Method of Obtaining the Information about the Summaries of the Policies and Criteria for Credit Rating**

The information is published in the “Non-Registered Rating Information” (「無登録格付け情報」  
<http://www.standardandpoors.co.jp>) which can be found in the menu under “Library/Regulation Related” (「ライブラリ・規制関連」) on the website of Standard & Poor’s Ratings Japan K.K.  
(<http://www.standardandpoors.co.jp/unregistered>).

##### **Assumptions, Significance and Limitations of the Rating**

Credit ratings assigned by Standard & Poor’s are statements of opinion on the future credit quality of specific issuers or issues as of the date they are expressed and do not guarantee timely payments of interest or principal. Credit ratings are not a recommendation to purchase, sell or hold any securities, or a statement of market liquidity or prices in the secondary market of any issues.

Credit ratings may change depending on various factors, including issuers’ performance, changes in external environment, performance of underlying assets, creditworthiness of counterparties and others. Standard & Poor’s conducts rating analysis based on information it believes to be reliable in terms of quality and quantity. However, Standard & Poor’s does not perform an audit, due diligence or independent verification of any information it receives, or guarantees its accuracy, completeness or timeliness.

This information is prepared as of November 30, 2011 based on sources which we believe are reliable, but we do not guarantee its accuracy or completeness. For details, please refer to the above mentioned website of Standard & Poor’s Ratings Japan K.K.

#### **Moody’s**

##### **Name of the Credit Rating Agency Group, etc.**

Name of the Credit Rating Agency Group:

Moody’s Investors Service, Inc. (“Moody’s”)

Name of the Registered Credit Rating Agency within the Group and its Registration Number:

Moody’s Japan K.K. (FSA Commissioner (Rating) No. 2)

### **Method of Obtaining the Information about the Summaries of the Policies and Criteria for Credit Rating**

The information is published in the “Matters Related to the Explanation of Non-Registered Ratings” (「無登録格付説明関連」) in the page of “Use of Credit Ratings Given by Non-registered Companies” (「無登録業者の格付の利用」) which is displayed after clicking “Credit Rating Business” on the website of Moody’s Japan K.K. (<http://www.moodys.co.jp>).

### **Assumptions, Significance and Limitations of the Rating**

Credit ratings are Moody’s Investors Service, Inc.’s (“MIS”) current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. MIS defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. Credit ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, sell, or hold particular securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information is given or made by MIS in any form or manner whatsoever.

Based on the information received from issuers or from public sources, the credit risks of the issuers or obligations are assessed. MIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MIS considers to be reliable. However, MIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

This information is prepared as of November 30, 2011 based on sources which we believe are reliable, but we do not guarantee its accuracy or completeness. For details, please refer to the above website of Moody’s Japan K.K.

## **Japanese Bankers Association (JBA) [Zenginkyo]**

### **Customer Relations Center**

The JBA Customer Relations Center is operated by the JBA as a contact point for receiving consultations and inquiries about banks and for receiving your views or complaints about banks. Consultations and inquiries, etc. are free. For details, go to our website:

<http://www.zenginkyo.or.jp/adr/>

Customers whose disputes with a bank seem insurmountable should use the “Mediation Committee.” For more information, contact the JBA Customer Relations Center.

1-3-1 Marunouchi Chiyoda-ku Tokyo 100-8216

**TEL 0570-017109 or 03-5252-3772**

Connect at local call rates from ordinary phones and public phones. Navidial Available at local call rates

Days open: Monday to Friday (except public holidays and bank holidays) Hours of opening: 9 a.m. to 5 p.m.

The JBA is a designated dispute resolution institution under the Banking Law and Norinchukin Bank Law.

This report includes descriptions regarding future performance.

Such descriptions do not ensure our future performance, and they includes risk and uncertainty.

Please note that our future performance will be changeable in line with the change of condition for business environment.

Published in December 2011

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