2018
ANNUAL REVIEW

OUR 2018 REPORTING SUITE

In preparing this Annual Review we have continued to draw on aspects of the International Integrated Reporting (IR) Framework to describe how our business model, strategy, governance and risk-management processes are addressing our most material issues and delivering value for our shareholders and other stakeholders. We outline our response to external social and environmental challenges, including the work we are undertaking to rebuild our reputation as a fair and responsible business, driving sustainable returns for all stakeholders. In future reports we will seek to achieve a closer alignment with the requirements of the IR Framework, particularly with respect to the connectivity between our strategy, performance metrics and remuneration outcomes.

This Review covers all ANZ operations worldwide over which, unless otherwise stated, we have operational control for the financial year commencing on 1 October 2017 and ending 30 September 2018. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

We produce a suite of reports to meet the evolving needs and requirements of a wide range of stakeholders, including investors, customers, employees, regulators, non-government organisations and the community.

Our 2018 Annual Report at anz.com/annualreport principally details our financial information. Our 2018 Corporate Governance Statement discloses how we have complied with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd edition'. We also provide our Principal Risks and Uncertainties. These documents are available at anz.com/corporategovernance.

Our Sustainability Review complements this Annual Review, providing stakeholders with more detailed sustainability disclosures, including: performance against our sustainability targets; our approach to our priority areas of financial wellbeing, environmental sustainability and housing; and how we are managing social and environmental risk. This report will be available at anz.com/cs in December.

The reports available for stakeholders are as follows, anti-clockwise from bottom left.

1. 2018 Annual Review anz.com/annualreview
2. 2018 Annual Report anz.com/annualreport
3. 2018 Corporate Governance Statement anz.com/corporategovernance
4. 2018 ANZ Sustainability Review anz.com/cs

Other financial disclosures are available on shareholder.anz.com

Throughout this Annual Review, KPMG has considered common content which will be disclosed in the 2018 Sustainability Review[1]. A copy of KPMG's limited assurance report over the 2018 Sustainability Review will be contained in that report.

We will continue to evolve and improve our reporting suite over the coming years and welcome feedback on this report. Please address any questions, comments or suggestions to investor.relations@anz.com.

CONTENTS

1. Common content includes the following sections: sustainability metrics contained in the 2018 Performance Snapshot, Improving Customer Outcomes, Approach to Sustainability, What Matters Most, Stakeholder Engagement, 2018 Sustainability Targets, Our Climate-Related Financial Disclosures and Five Year Summary.

“I believe ANZ’s long-term viability is dependent on us making decisions that are mindful of the impact we have on the community, our shareholders, our customers and our people.”

Shayne Elliott, CEO

This report is being released at a time of unprecedented scrutiny of our industry, particularly in Australia where the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has highlighted misconduct and conduct falling below community standards and expectations. We do not underestimate the significance of the Royal Commission’s examination of our sector and the magnitude of the task ahead to correct our failings and demonstrate we are trustworthy.

We recognise that communicating transparently and openly with our stakeholders is critical to rebuilding the community’s confidence in us. This Annual Review not only talks to stakeholders about the challenges we face, what we have got wrong and what we are doing to fix it, but also the positive contributions we have made during the year.

Throughout this report there are case studies featuring our customers – customers we have supported to grow their business, improve their financial wellbeing and succeed in a digital world. These positive stories are in no way intended to diminish the instances where we have let our customers and the community down. They do, however, speak to the fact that, if we are to deliver a strong and sustainable bank to benefit all stakeholders, our customers must be at the centre of everything we do.

2018 PERFORMANCE SNAPSHOT

$6.5 BILLION
Cash profit[1]

11 PERCENT
Cash return on equity[1]

223.4 CENTS
Cash earnings per share[1]

160 CENTS
Fully franked dividend for FY18 per share

$18.47
Net tangible assets per share[2]

11.4 PERCENT
Common Equity Tier 1 Capital[3]

$11.5 BILLION
funded and facilitated in low carbon and sustainable solutions

MORE THAN 889 THOUSAND
people reached through our target to help enable social and economic participation[4]

32 PERCENT
of women in leadership[5]

$137 MILLION
in community investment[6]

1ST
Australia and New Zealand Institutional NPS[7]

RANKED 3RD
Net Promoter Score Retail Australia[8]

3.71 MILLION DIGITALLY ACTIVE CUSTOMERS[9]

$341 BILLION IN HOME LENDING – INCREASE OF $10 BILLION[9]

$184 BILLION IN RETAIL DEPOSITS – INCREASE OF $2 BILLION[9]

$95 BILLION IN BUSINESS LENDING – INCREASE OF $1 BILLION[9]

#1 LEAD BANK FOR TRADE SERVICES[10]

1. On a cash profit (continuing operations) basis. Excludes non-core items included in statutory profit and discontinued operations included in cash profit. It is provided to assist readers in understanding the result of the ongoing business activities of the Group. For further information on adjustments between statutory and cash profit refer to page 15 of the 2018 Annual Report.
2. Equals shareholders' equity less preference share capital, goodwill, software and other intangible assets divided by the number of ordinary shares.
3. APRA Basel 3 methodology.
4. Through our initiatives to support financial wellbeing including financial inclusion, employment and community programs, and targeted banking products and services for small businesses and retail customers. Refer to the 2018 Sustainability Review for methodology (to be released in December 2018).
5. Measures representation at the Senior Manager, Executive and Senior Executive levels. Includes all employees regardless of leave status but not contractors (who are included in FTE).
6. Figure includes foregone revenue of $107 million, being the cost of providing low or fee free accounts to a range of customers such as government benefit recipients, not for profit organisations and students.
7. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand 2018. In New Zealand ranked against the Top 4 competitors.
8. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep' 18. Ranking based on the four major Australian banks.
9. Australia and New Zealand.
10. Peter Lee Associates Large Corporate and Institutional Transactional Banking surveys, Australia 2004–2018 and New Zealand 2005–2018.

JILPANTI ENTERPRISES – ANZ FORTESCUE PARTNERSHIP

Through our partnership with Fortescue Metals Group Ltd (Fortescue) we are providing finance to Jilpanti Enterprises Pty Ltd (Jilpanti). Jilpanti is owned and operated by Puutu Kunti Kurrama and Pinikura peoples' Elder Lennie Ashburton and his son Leonard. The company is providing exploration earthworks for Fortescue.

"The support of Fortescue and ANZ has allowed Jilpanti to become a more financially viable entity. Having access to funds to purchase equipment has meant that we are creating steady growth for our business, increasing our income and employing Aboriginal people directly into our business", Lennie Ashburton explains.

Under the $50 million funding initiative, which is supported by a guarantee from Fortescue, eligible Indigenous businesses – especially those without an established trading or credit history – are able to access finance at a competitive rate through ANZ. In the case of Jilpanti, they have purchased two 80 tonne excavators and several vehicles which they would otherwise have hired at more expensive casual hire rates.

Our Managing Director of Institutional banking in Australia Graham Turley is pleased that through the partnership with Fortescue, ANZ is able to open up opportunities for Indigenous businesses. "We hope that this experience will help these businesses grow sustainably, become more financially independent and ultimately drive economic growth and employment in their communities," he said.

Left to right – Heath Nelson, Manager, Community Development, Fortescue Metals Group – **Frank Van Rooyen,** Head Of Natural Resources Australia Institutional, ANZ – **Leonard Ashburton,** Jilpanti Enterprises – **Darryn Brice,** Relationship Manager, WA North, ANZ

CHAIRMAN'S MESSAGE

DAVID GONSKI, AC

THIS SIMPLIFICATION OF OUR BUSINESS IS CRITICAL. WE KNOW A SIMPLER BANK IS MORE FOCUSED AND EASIER TO MANAGE IN AN ENVIRONMENT WHERE REGULATION AND COMPLIANCE IS INCREASING.

This was a challenging year for both ANZ and the entire banking industry.

Our statutory profit was $6,400 million, flat since 2017. Cash profit for ANZ's continuing operations (which excludes non-core items and the discontinued Wealth businesses from the statutory profit) was $6,487 million, down 4.7%.

The final dividend of 160 cents per share fully franked was unchanged from 2017. This reflects a dividend payout ratio of 79.5% of cash profit (total Group), with $4.6 billion in dividends paid to shareholders. This is above our target fully franked payout ratio of 60–65% of cash profit (total Group), however our strong capital position has allowed us to maintain a stable dividend.

While growth was subdued, particularly in Australian retail banking, the fundamentals of our business remain sound. We recognised many of the headwinds facing the sector early and the actions commenced several years ago to simplify our business are now benefiting shareholders.

During the year, we announced the sale of both our Pensions and Investments businesses to IOOF and our Life Insurance businesses to Zurich, as well as the sale of our Life Insurance business in New Zealand to Cigna. We also increased our focus on Institutional banking with the announced sale of our Retail and Commercial business in Papua New Guinea to Kina Bank and the sale of our ANZ Royal Bank (Cambodia) joint venture to J Trust.

We completed the sale of our minority stake in Shanghai Rural Commercial Bank and the sale of our share in the Philippines-based Metrobank Card Corporation joint venture.

A highlight of the year was completing the complex separation of our six retail and wealth businesses in Asia on time and under budget.

This simplification of our business is critical. We know a simpler bank is more focused and easier to manage in an environment where regulation and compliance is increasing. We have rebalanced our business, improved the returns of the Institutional Division, delivered consistent outcomes in New Zealand and we are directing investment and capital to our areas of strategic focus such as Australian home owners.

EARNING TRUST

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been confronting for all of us at ANZ, including the Board. We are unanimous in our resolve to build a company of which we and all of our stakeholders can be proud.

We recognise this has not been the case in the last decade and that we have failed in some circumstances to do the right thing and to keep the needs of our customers as our priority.

The Board and senior management will improve transparency with customers and ensure that the balance between earnings and providing worthwhile, fair and desired services to our customers is maintained at all times.

This is why we have engaged openly and constructively with the Royal Commission and will not wait for its final recommendations before taking action to ensure our failures do not occur again.

We also support strongly the approach that our Chief Executive Officer, Shayne Elliott has stated publicly which is that where ANZ has failed we will compensate those affected quickly and fairly and take steps to ensure that it does not happen again.

The Ethics, Environment, Social and Governance Committee of the Board is active and well informed. The Board has also made it known within ANZ that asking the question 'is this the right thing to do?' is critical.

As you will see in the Remuneration Report, variable remuneration at all levels of ANZ has been materially reduced.

We now have a new executive team running the bank. However, accountability for our failures is still reflected in this year's remuneration of our most senior team including our Chief Executive Officer.

While the Board itself does not receive variable compensation, it shares some accountability for what has occurred.

As an indication of the Board's understanding of its accountability, existing Non-Executive Directors will receive in FY19 a reduction of an amount equivalent to 20% of the FY18 base Non-Executive Director fee (and in my case, 20% of my Chairman's fee). This is in addition to the bank's efforts to identify and fix the causes of our failures.

CAPITAL MANAGEMENT

Despite these difficult macro conditions, the progress of our transformation means we have been able to return surplus capital to shareholders while retaining appropriate flexibility to invest in our business. This year we have maintained our unquestionably strong capital levels, reducing shares on issue by 67 million (equivalent to $1.9 billion) from an announced $3.0 billion share buyback program.

OUTLOOK

We expect the trading environment in Australia to remain challenging, particularly in retail banking, as the industry responds to increasing regulation and compliance costs, as well as implementing the recommendations of the Royal Commission.

ANZ is well placed to navigate these difficult conditions given the progress of our transformation and simplification agenda. Our focus on cost and capital management and our exposure to international trade and commercial banking also positions ANZ well for the future.

I know we have the right management team in place, led by Shayne Elliott, to deliver on a strategy that will create sustained value for our shareholders, customers and employees well into the future. I know we are taking the action required to create a company we can all be proud of.

David Gonski, AC
CHAIRMAN

CEO'S MESSAGE

SHAYNE ELLIOTT

WE ARE MAKING THE INVESTMENTS REQUIRED TO BUILD A BANK WORTHY OF THE TRUST AND RESPECT OF OUR CUSTOMERS, SHAREHOLDERS AND THE COMMUNITY.

We have delivered a credible result in 2018 for shareholders, customers and employees given the significant challenges facing ANZ and the industry.

The actions commenced in 2016 to simplify our business, reduce cost and rebalance capital have us well placed to meet the challenges facing the industry.

OUR PROGRESS

We want to do fewer things and do them really well – while ensuring they are aligned to our purpose. At the same time, we need to focus on the areas where we can win and drive a decent return for shareholders.

In Australia and New Zealand we want to be the best bank for people who want to buy and own their home and for those who want to start, run or grow a small business. In Institutional banking we want to be the best bank in the world for those companies and organisations that move goods and money around the region.

I am confident our strategy of focus, simplification and digital transformation is right, indeed essential, for the times. A simpler organisation is less complex to manage and hence better able to deliver sustainable earnings – and when things do go wrong, we are in a better position to fix them quickly.

Retail banking in Australia is facing strong headwinds. The combined impacts of regulatory and macro prudential requirements have seen annual housing market growth slow with a substantial reduction in the average household's potential borrowing capacity.

This year we maintained our disciplined approach to home loan growth, focusing on customers who want to buy and own their own home. We have deliberately foregone short-term revenue growth and higher margins, particularly in the investor and interest-only segments. This focus has driven better risk-adjusted returns and is in the long-term interest of shareholders.

Institutional banking continued to provide diversified earnings for the Group with the transformation of our business making earnings less volatile. ANZ was again named a top-four corporate bank in Asia and our position as a leading trade bank in the Asian region will be an even more important differentiator as housing credit slows in Australia.

ROYAL COMMISSION

This is a critical moment for the industry, our bank and our people. We continue the urgent work required to fix the significant failures highlighted by the Royal Commission. We have accepted responsibility and we are determined to improve.

We have taken action to fast-track fundamental changes involving leadership, strategy, systems, people and culture. We are also making the investments required to build a bank worthy of the trust and respect of our customers, shareholders and the community.

We will also compensate customers we have failed quickly and fairly and take steps to ensure that it does not happen again.

DIGITAL CUSTOMERS

This year we made significant gains in using digital technology to improve the services we provide to customers, while also improving our operational capacity and reducing risk.

We rolled out the New Payments Platform to more than three million retail and commercial customers, allowing them to transfer funds to other participating banks in real-time with improved data capability. This was a complex project involving more than 150 people over three years that will provide significant benefit to our customers.

During the year, we extended our leadership in mobile payments with the addition of Fitbit Pay and Garmin Pay, while adding eftpos on Apple Pay and Android Pay. In an Australian-first we now allow cash withdrawals from ANZ ATMs using any mobile device. We also introduced a new mobile banking app that remains the top-rated banking app in the Australian Apple store with almost 150,000 reviews.

In New Zealand, we made it easier for customers to interact with the bank through the introduction of a digital assistant, 'Jamie', using artificial intelligence technology to help customers with the top-40 most asked banking questions.

LIVING OUR PURPOSE

A crucial evolution for our business this year has been identifying, adopting and embedding a clear sense of purpose: to shape a world where people and communities thrive.

Along with our values, this underpins everything we do and will ensure all our people can undertake their work with pride and a stronger sense of ethics and fairness.

We took action to rebalance sales incentives for front-line staff, including the removal of all sales incentives for financial planners. This included offering free advice reviews for customers concerned about their current financial position.

We invested more than $137 million in the communities in which we operate, though our employee volunteering and giving programs, our grants programs, and emergency relief measures for customers and communities impacted by natural disasters.

This year sadly has been extremely tough for many of our rural and regional customers in eastern Australia and we implemented a significant package to help our customers impacted by this once in a generation drought in NSW and Queensland.

The package included reducing rates on business loans for farmers by 1% pa in all drought declared areas and setting aside $130 million for discounted loans to help farmers re-stock and re-plant for next season. All home owners in drought declared regions were also excluded from a recent interest rate increase. In addition, we donated $1 million to rural financial counselling and community grants assisting farmers in drought-affected areas.

Our purpose also guided our decision to increase our low carbon finance commitment from $10 billion to $15 billion by 2020, and since 2015 we have funded $11.5 billion in low carbon and environmentally sustainable solutions, such as renewable energy and efficient irrigation. We are reducing our lending to the most carbon-intensive sectors but doing so in a way that supports our customers in making a manageable transition to a low carbon future.

Finally, I would like to acknowledge the over 39,000 people who turn up to work every day to do a better job for our customers, shareholders and our community. While we know we still have a significant job ahead of us, we have the right team to deliver a better bank for all our stakeholders – a bank that can truly shape a world where people and communities thrive.

Shayne Elliott
CHIEF EXECUTIVE OFFICER

BANKING ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has conducted six rounds of hearings into:

1 consumer lending;
2 financial advice;
3 loans to small and medium enterprises;
4 issues affecting Australians who live in remote and regional communities;
5 superannuation; and
6 insurance.

On 28 September 2018, the Royal Commission submitted its Interim Report on the first four hearing rounds. ANZ submitted its response to the Interim Report on 26 October 2018.

From 19 November to 30 November 2018, the Royal Commission will conduct a seventh round of hearings on policy questions arising from the first six rounds.

The Commissioner has been asked to submit his final report by 1 February 2019.

The Royal Commission's Interim Report lays out conduct of a standard below what the community expects and, in some cases, what the law requires. The observations of the Commission have rightly dismayed and disappointed Australians.

We have acknowledged to the Commission that ANZ has engaged in misconduct and conduct falling below community standards and expectations.

These acknowledgements include that:

- we failed our responsible lending obligations for some car loans;
- financial advice customers paid fees for advice reviews we did not provide; and
- there have been cases of inappropriate financial advice, together with other poor conduct by advisors.

The Commission found that in other cases ANZ had failed to meet community standards and expectations or may have a case to answer as to misconduct.

The Commission's Interim Report strengthens our resolve to make ANZ simpler and better able to serve our customers.

We are improving the accountability of our senior executives for failures that harm customers. This includes the implementation of the Banking Executive Accountability Regime (BEAR).

We are also reducing the complexity of the bank, including by reducing the number of products we offer. While no excuse for customer harm, complexity makes it harder to identify and fix problems.

Other steps we are taking to improve customer outcomes are discussed on the following page.

We will continue to engage constructively with the Royal Commission as it finishes its work. Our hope is that the Royal Commission serves as a watershed in the restoration of trust in financial services. This trust is necessary if financial services are to help Australians save, borrow and grow their wealth.

IMPROVING CUSTOMER OUTCOMES

During the year, we have participated in a large number of reforms, at an industry and bank level, to improve customer outcomes and restore community trust. Discussed below are the key reforms on which we have been working.

CHANGES TO REMUNERATION

We are implementing all recommendations from Stephen Sedgwick's 'Retail Banking Remuneration Review', which is focused on strengthening the alignment of retail bank incentives, practices and good customer outcomes.

We have made significant progress, with actions completed since commencement of the program including: changing frontline staff incentive and recognition plans so that no rewards are directly linked to sales; removing the payment of volume-based incentives to aggregators, brokers and introducers; changing staff performance management plans; and focusing our efforts on initiatives that will support the achievement of sustainable culture change.

We are on track to complete all recommendations ahead of expected timeframes and will make further changes as quickly as possible to ensure we achieve full alignment. Management provides regular updates to the Board Human Resources Committee on progress. We will continue to report externally through the Australian Banking Association's (ABA) reporting framework.

NEW BANKING CODE OF PRACTICE

We are implementing strengthened protections for consumer and small business customers arising from the new Banking Code of Practice (Code). The Code has been revised to better reflect community standards and will be binding and enforceable. Changes include:

- loan contracts for small businesses that are written in plain English and easier to understand – we have simplified our main contract for small business customers, halving contract length and increasing customer safeguards;
- active promotion of affordable banking products, specifically assisting people on low incomes to pick appropriate products – see our discussion below on product suitability;
- assistance for vulnerable customers – we have developed a new Vulnerable Customer mandatory learning module to help our staff identify and assist customers experiencing vulnerable circumstances;
- abolition of fees and commissions on lenders mortgage insurance; and
- an end to unsolicited offers of credit card increases.

BETTER PRODUCTS AND SERVICES

At the end of 2016, we appointed former Commonwealth Ombudsman Colin Neave as our first Customer Fairness Advisor – signalling the start of a number of changes we knew we needed to make.

Customer remediation principles developed by Mr Neave, the key elements of which are below, have guided our work this year to fix systemic errors, refund impacted customers more quickly and learn from our mistakes so as not to repeat them in future.

CUSTOMER REMEDIATION PRINCIPLES

- customer focused – fair, honest and efficient;
- comprehensive, timely and transparent decision-making;
- appropriate governance and oversight;
- clear communication to customers impacted by a remediation issue; and
- where relevant, a commitment to paying refunds or compensation to customers without undue delay.

We have established a Responsible Banking group within our Australian Retail and Commercial Business, with specialist teams dedicated to customer remediation, as well as product suitability and responsible lending.

Our Product Suitability Program aims to achieve fair customer outcomes via proactive customer contact, triggered by behavioural indicators in our data. It is intended to help our customers derive greater value from our products.

We have focused initially on vulnerable customers, particularly those with persistent credit card debt or with potential for future financial stress. During the year, our bankers provided financial education and coaching to around 2,000 customers with persistent credit card debt on how to use, and pay down, their credit card. In addition, those customers were offered a lower interest rate for 12 months, or a product transfer (e.g. from a 'rewards' card to a low-rate card). The results of the pilot were encouraging, with customers initially increasing their monthly payments and using their credit cards less, with lower arrears levels.

We are also building product suitability into our product review processes – for example, we are proactively contacting our home loan customers paying interest only before they move to principal and interest payments, to enable them to plan for, and successfully manage, the transition to higher payments.

Finally, at a product level, this year we have removed ATM fees for non-ANZ customers and reduced rates on low-rate cards by two percentage points.

The agile transformation of our workforce – our New Ways of Working – means we are in a better position to implement changes in a timely manner with minimum disruption to our customers. There is more to do but our changes so far are already making ANZ easier to manage and better for customers.

We recognise that getting the basics of customer service right is essential to underpinning our social licence as a bank.

ABOUT OUR BUSINESS

Founded in 1835 and headquartered in Australia, we provide banking and financial products and services to around eight million individual and business customers. We operate in and across 34 markets.

OUR CULTURE AND VALUES

Our values are the foundation of how we work and are supported by our Code of Conduct. All employees and contractors must comply with the Code, which contains guiding principles and sets the standards for the way we do business at ANZ.

We care about:

- INTEGRITY
- COLLABORATION
- ACCOUNTABILITY
- RESPECT
- EXCELLENCE

OUR PURPOSE

Our purpose is to help shape a world in which people and communities thrive. That means striving to create a balanced, sustainable society in which everyone can take part and build a better life.

One of the ways we are bringing our purpose to life is through helping to address complex issues that matter to society and are core to our business and strategy. We are focusing our efforts on financial wellbeing, environmental sustainability and housing, contributing to these challenges by: developing innovative and responsible financial products and services; participating in relevant policy development and research; strengthening stakeholder partnerships; and harnessing the skills of our people.

OUR PEOPLE

We employ 39,924 full-time equivalent employees and are committed to building an engaged, diverse and inclusive workforce, ensuring we have the right people to meet external challenges and achieve our business strategy.

We are building a workplace that reflects the communities in which we operate and is inclusive of a wide range of diversity indicators such as gender, age, caring responsibilities, cultural identity, disability, sexual orientation, religious beliefs, education, work experience and socio-economic background. Leveraging the full diversity of our workforce gives us a strategic advantage and creates commercial, social and economic value.

As we seek to achieve diversity within our workforce, a key focus continues to be on improving the gender balance within our business. We have targets to improve the representation of women in leadership, with progress reviewed monthly by the CEO and the Group Executive Committee, and results informing the Group's bonus pool and performance outcomes.

We are also providing employment opportunities to people who may find it difficult to secure employment, such as refugees, people with disability and Indigenous Australians.

A summary of our policy position on Diversity and Inclusion can be found at anz.com/corporategovernance.

It is important we focus on supporting the wellbeing and safety of our people. Our Health and Safety policy, and health, safety and wellbeing (HSW) programs, ensure that we provide an environment that enables employees to participate fully in the workplace and perform at their best.

We also provide opportunities for our people to contribute to the communities in which they live and work through our giving and volunteering programs. This year 34.6% of our employees volunteered 124,113 hours to community organisations, representing more than 15,514 working days and more than $4.5 million value to the community.

CASE STUDY

FINANCIAL WELLBEING

ANZ EMPLOYEES SUPPORTING THE COMMUNITY

Since 2003 our matched savings program, Saver Plus, has helped to increase the capability of lower income and vulnerable Australians to create and maintain a savings habit, build financial resilience and improve financial capabilities. The program was developed with the Brotherhood of St Laurence and is co-funded by the Australian Government.

Marcus, pictured with a Saver Plus participant, has been working at the Fountain Gate branch for nearly ten years. Since 2010, 897 participants have been recruited to the program in the wider Casey-Cardinia region. ANZ branch staff have provided around 18% of referrals to Saver Plus, with the remainder from local schools and through community engagagement.

"I live locally and being able to contribute to my community is very important. I am proud that ANZ is able to offer this program as I've seen firsthand every day the benefits of building a long term savings habit," explains Marcus.

While Saver Plus is delivered by community organisations, our branch employees play an important role in supporting participants to save – from promoting the program and opening savings accounts to attending the MoneyMinded financial education workshops.

One of the Saver Plus participants referred to the program by Marcus, completed the program whilst studying. "I am currently completing a Diploma in Early Education and Childcare and needed the dollar for dollar matching to purchase a new laptop to complete my Bachelor's Degree next year" she said.

More than half of our branch network employees in Australia are actively involved in the delivery of Saver Plus.

To learn more visit anz.com/saverplus

Left to right – Saver Plus Participant (name withheld)
Leanne Farnsworth, Saver Plus Coordinator at Brotherhood of St Laurence
Marcus Menzies, Banking Consultant, ANZ

OUR APPROACH TO SUSTAINABILITY

Our Sustainability Framework supports our business strategy, reflects our most material issues and is aligned with our purpose. This year we refreshed our Framework.

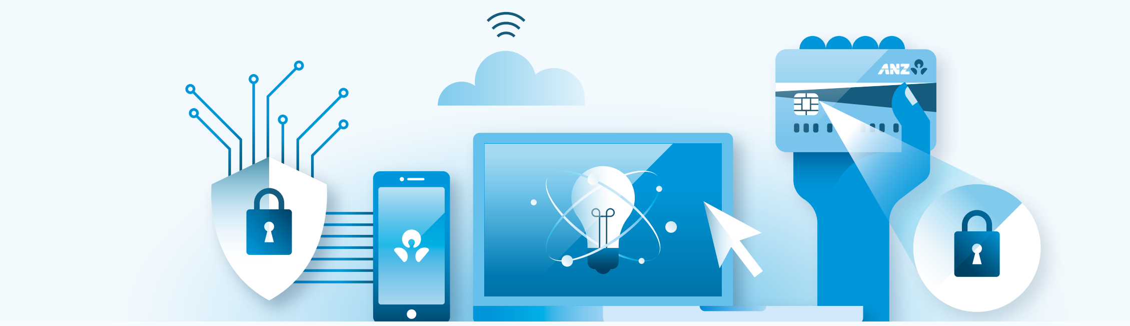
At the core of our Framework is Fair and responsible banking – keeping pace with the expectations of our customers, employees and the community, behaving fairly and responsibly and maintaining high standards of conduct.

Financial wellbeing – improving the financial wellbeing of our customers, employees and the community by helping them make the most of their money throughout their lives.

Environmental sustainability – supporting household, business and financial practices that improve environmental sustainability.

Housing – improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

WHAT MATTERS MOST



OUR MOST MATERIAL ISSUES

Through our annual materiality assessment we engage with internal and external stakeholders to inform our identification of social and environmental risks and opportunities. We seek to identify those that have the most potential to impact our ability to operate successfully and create value for our stakeholders.

These issues may change over time, reflecting changes in our business and external operating environment and the expectations of stakeholders. We use the results of the assessment to inform our business strategy thinking and our Sustainability Framework, reporting and targets.

This year, stakeholders ranked the following issues (risks or opportunities) as having the most potential to impact our value creation in the short, medium and long-term:

Fairness and ethical conduct: is the highest ranked issue, with the Royal Commission strongly influencing stakeholder sentiment in Australia. Operating in a fair and ethical manner is seen by stakeholders as fundamental if we are to demonstrate we are trustworthy. Stakeholders commented on the specific issues of financial incentives resulting in poor customer outcomes, products with poor value for customers and conduct issues.

Corporate governance: it is well recognised that organisations with strong corporate governance processes and policies in place are likely to perform better in the longer term. This year stakeholders told us that ANZ needs to identify and act on misconduct and failures to meet community standards and expectations quickly, and improve remediation. This is the first time this issue has been ranked in the top five, reflecting stakeholder concerns following the significant failures highlighted at the Royal Commission.

Fraud and data security: could significantly disrupt the bank's operations and impact our reputation in the event of a breach. Ensuring we have strong internal controls and risk management frameworks in place to mitigate this is critical. Ongoing education of our customers and the wider community about online risks and improving their own data security is also considered important.

Customer experience: delivering a positive customer experience is a key way in which ANZ can differentiate itself from competitors and deliver sustainable business performance in the long term. Stakeholders also highlighted fairness, transparency, accessibility and simplicity of products as critical to demonstrating to customers that they can trust us to provide them with the right products and services for their circumstances.

Digital innovation: is core to ANZ's strategy and a key factor in driving positive customer experience. Customer expectations are being redefined by their experiences with companies using technology in new ways to deliver better service. Today, the smartphone is our most popular 'branch'. It is now more important than ever that we work hard to keep up with digital change and customer expectations to make banking easier for our customers.

The key steps in our 2018 materiality process, as well as the full list of our material issues, is discussed in detail in our 2018 ANZ Sustainability Review available at anz.com/cs in December.

MATERIAL ISSUES AND RISK MANAGEMENT

Our most material social and environmental risks and opportunities are captured and managed within our existing Material Risk categories (as the table below shows). There is also a clear link between our Material Risks and the challenges arising from the external environment in which we operate.

A full list of ANZ's Material Risks is available on page 38 of the 2018 Annual Report.

MATERIAL RISK TYPE	MANAGEMENT OF MATERIAL RISKS	MOST MATERIAL ISSUES
COMPLIANCE RISK The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to ANZ's businesses.	Key features of how we manage Compliance Risk as part of our Operational Risk framework include: - centralised management of key obligations, and emphasis on identifying changes in regulations and the business environment, so as to enable us to proactively assess emerging compliance risks and implement robust reporting and certification processes. - recognition of incident management as a separate element to enhance ANZ's ability to identify, manage and report on incidents/breaches in a timely manner. - the Whistleblower Protection Policy allowing employees and contractors to make confidential, anonymous submissions regarding concerns relating to accounting, internal control, compliance, audit and other matters.	
OPERATIONAL RISK The risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and/or systems, or from external events. This definition includes legal risk, and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.	We operate a three-lines-of-defence model to manage Operational Risk, with each Line of Defence having defined roles, responsibilities and escalation paths to support effective communication and effective management of our operational risk. Also, we have ongoing review mechanisms to ensure our Operational Risk framework continues to meet organisational needs and regulatory requirements.	
REPUTATION RISK The risk of loss that directly or indirectly impacts earnings, capital adequacy or value, that is caused by: - adverse perceptions of the Group held by any of customers, the community, shareholders, investors, regulators, or rating agencies; - conduct risk associated with the Group's employees or contractors (or both); or - the social or environmental (or both) impacts of our lending decisions.	We manage Reputation Risk by maintaining a positive and dynamic culture that: - ensures we act with integrity; and - enables us to build strong and trusted relationships with customers and clients, with colleagues, and with the broader society. We have well established decision-making frameworks and policies to ensure our business decisions are guided by sound social and environmental standards that take into account Reputation Risk.	
STRATEGIC RISK The risk that the Group's business strategy and strategic objectives may lead to an increase in other key Material Risks – for example: Credit Risk, Market Risk and Operational Risk.	We consider and manage strategic risks through our annual strategic planning process, managed by the Executive Committee and approved by the Board. Any increase to our key Material Risks is managed in accordance with our risk management practices.	
TECHNOLOGY RISK The risk of loss and/or non-compliance with laws resulting from inadequate or failed internal processes, people and systems or from external events impacting on IT assets, including the compromise of an IT asset's confidentiality, integrity or availability.	Consistent with the management of Operational Risk, we operate a three-lines-of-defence model to manage Technology Risk, with each Line of Defence having defined roles, responsibilities and escalation paths to support effective communication and effective management of our technology risk. We also have ongoing review mechanisms to ensure our Operational Risk framework, which is also used to manage Technology Risk, continues to meet organisational needs and regulatory requirements.	

STAKEHOLDER ENGAGEMENT

We know that strong stakeholder relationships are essential to our success and our ability to create long-term value. Transparent and responsive stakeholder engagement, combined with a real willingness on our part to listen, is one of the most important ways in which we can demonstrate trustworthiness and rebuild community confidence. Stakeholder engagement is embedded in our policies, processes and operations. Outlined below are the key issues raised by our stakeholders throughout the year and how we responded.

For more detailed information on how we have responded to what our stakeholders have told us, refer to our 2018 Sustainability Review available in December at anz.com/cs.

OUR STAKEHOLDERS AND HOW WE ENGAGED WITH THEM	KEY ISSUES RAISED	HOW WE RESPONDED
CUSTOMERS - 'Your Say' – ANZ's online customer research community - Online and face to face, forums, surveys, focus groups and individual in-depth interviews - 'Voice of Customer' platform - Conversations with our Customer Advocate and Customer Fairness Advisor - Complaints Resolution Centre - Social media	- Conduct and culture in the Australian banking industry, financial advice and treatment of customers in financial difficulty - Product suitability - Customer service - Fees and charges - Dissatisfaction relating to digital products	Our response to the issues raised by customers can be found in the Royal Commission and Improving Customer Outcomes sections at pages 8–9 and more detail will be available in the 2018 Sustainability Review.
GOVERNMENT AND REGULATORS - Appearances before, and written submissions to, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry - Regular meetings with political stakeholders, officials and regulators - Submissions to parliamentary committee inquiries and other government and regulatory consultations	**Australia:** - Customer detriment caused by poor conduct and governance failures in the banking industry - Open data, comprehensive credit reporting, ASIC powers (e.g. design and distribution obligation, and product intervention power), terms of reference for the Australian Financial Complaints Authority - Competition, aspects of banking products and practices - Public policy development on issues and programs related to financial wellbeing and capability **New Zealand:** - Conduct and culture in the banking industry - Regulatory issues including tax reform, financial markets, overseas investment restrictions, retirement savings, financial advice and responsible consumer lending - Public policy development on issues including financial inclusion, housing and retail payments	ANZ seeks to listen and engage constructively with the Royal Commission, regulators, government and policy makers. In addition to participating in the Royal Commission (discussed at page 8), we have participated in a wide range of government consultations and parliamentary inquiries. An overview of the work underway in response to key inquiries/ reports, is outlined in the Improving Customer Outcomes section at page 9.
SHAREHOLDERS - Results briefings - Strategy briefings, Environment, Social and Governance (ESG) briefings and other market updates - Annual General Meeting - Disclosure documents, including results announcements, investor presentations, external reporting suite and other ASX lodgements - Dedicated ANZ shareholder website	- Opportunities and challenges associated with the current operating environment - ANZ's strategic focus and business priorities, including the execution of our strategy - Financial performance, composition and sustainability of earnings - Capital and balance sheet management, including quantum of capital held and efficient use of capital, balance sheet quality and liquidity and funding positions - Dividend and dividend policy - ESG approach, commitment and progress	We seek to provide shareholders with quality information in a timely fashion through ANZ's reporting suite, announcements and briefings to the market, half-yearly shareholder letters and through our dedicated shareholder site at shareholder.anz.com. In 2018 we held our first ESG Briefing for institutional investors and fund managers, the purpose of which was to share with them how we are responding to external social and environmental challenges.

OUR STAKEHOLDERS AND HOW WE ENGAGED WITH THEM	KEY ISSUES RAISED	HOW WE RESPONDED
EMPLOYEES - 'My Voice' survey of employee engagement - Regular interactive webcasts with CEO and Executive Committee members - 'ANZ Way' Podcast series - Direct communication and formal twice-yearly performance appraisals with line managers - Internal communications channels, including intranet and Yammer - Meetings with unions representing ANZ employees	- Royal Commission – hearings, impacts and implications - Strategic focus and business priorities, including purpose and values - Training and development, including on 'New Ways of Working' and 'New Ways of Leading' - Raising issues and concerns without fear of negative consequences - Employee health, safety and wellbeing - Diversity and inclusion - Flexible working arrangements - Organisational restructuring - Performance management - Remuneration and reward	Our response to the issues raised by employees will be available in the 2018 Sustainability Review.
NON GOVERNMENT ORGANISATIONS (NGOS) - A regular program of CEO and senior executive meetings with civil society leaders to exchange ideas and discuss material social, economic and environmental issues of mutual interest - Direct engagement with NGOs and academics - Regular engagement with peak bodies for professional community services, such as financial counselling - Regular meetings with our community partners	- Remediation and compensation schemes - Responsible gambling initiatives and policies - Vulnerable customers, hardship programs and consumer protection - Support for customers and communities impacted by drought in Australia - Ensuring our operations and supply chain are free of 'modern slavery' - Climate change, carbon risk management and the role of banks in supporting the transition to a low carbon economy - Strategies to tackle unemployment and build social and economic participation - Challenges associated with homelessness in Australia	Our response to the issues raised by NGOs will be available in the 2018 Sustainability Review.
INDUSTRY ASSOCIATIONS ANZ is a member of a number of industry associations. The most significant of these memberships are the Australian Banking Association (ABA), the Business Council of Australia, the Financial Services Council, the Association of Superannuation Funds of Australia, Insurance Council of Australia, the New Zealand Bankers' Association, and Business New Zealand. Via these memberships we participated in: - the development and implementation of the industry consumer protection reform program in Australia - discussions about industry-wide issues and strategy - provided input into industry association responses to parliamentary inquiries and government consultations	- Conduct and culture in the Australian banking industry, including the complaints handling and dispute resolution, hardship and remediation - Remuneration, particularly retail sales commissions and product-based payments and commissions - Comprehensive credit reporting and open banking	We engaged with key industry associations, including the ABA, (we assumed the role of Chair Bank), and the Financial Services Council to develop strategic responses to reputational issues. Together with other Australian banks we continued to implement the industry reform program. As part of this work, the Australian Securities and Investment Commission (ASIC) approved a new Banking Code of Practice, to come into effect mid-2019. Refer to the Improving Customer Outcomes section at page 9 for more detail.

HOW WE CREATE VALUE

We aim to create value for all of our stakeholders.

We recognise that we have not always met this stated aim and have, as a direct result of our business activities, caused customer detriment. By transforming our business, focusing on a purpose and values-led culture and simplifying our products and services – doing fewer things better – we want to ensure that we are having a positive impact on our stakeholders. Fairness and ethical conduct will be fundamental to us achieving this.

The table below presents the value created for our key stakeholders for each of our main business activities. These activities create value for ANZ in the form of income, business growth, an engaged and high-performing workforce and strong relationships with our stakeholders.

STAKEHOLDERS	**CUSTOMERS**			
BUSINESS ACTIVITIES Our business model consists of the following activities:	WE PROVIDE TRANSACTION BANKING SERVICES	WE HOLD DEPOSITS FOR OUR CUSTOMERS	WE LEND MONEY TO OUR RETAIL, SMALL BUSINESS AND CORPORATE CUSTOMERS	WE PROVIDE WEALTH MANAGEMENT AND RISK MITIGATION PRODUCTS
VALUE CREATION* Which create value for ANZ, our stakeholders and other stakeholders: *figures stated cover FY18 year.	- Making it simple for our customers to manage their money and interact with us how and when it is most convenient for them. - Assisting businesses to safely transact, trade and invest across the community and borders. - Contributing to the cyber safety and security of our customers through education and awareness programs. - Preventing financial crime and money laundering.	- Keeping our customers' money safe and providing competitive returns on deposits. We paid $10.7 billion in interest on deposits. - Enabling people and businesses to save, manage their resources and deal with change. - Providing funding for housing, personal lending and businesses.	- Enabling customers to buy homes and businesses to expand and grow. We provided $341 billion in home lending (Australia and New Zealand). - Underpinning employment, investment and economic growth in the community. - Efficiently and responsibly allocating financial resources to meet customer and market demand, and support changing community expectations.	- Enabling customers and their families to save for the future and achieve personal and business goals. - Assisting customers to manage personal and business risks. - Assisting communities to manage social risks. - Allowing business and Institutional customers to manage risk associated with their businesses. - Promoting trade and investment, and the efficient allocation of financial resources.
MATERIAL ISSUES				
Fairness and ethical conduct	●	●	●	●
Corporate governance	●	●	●	●
Fraud and data security	●	●	●	●
Customer experience	●	●	●	●
Digital innovation	●	●	●	●

EMPLOYEES	SUPPLIERS	COMMUNITY			SHAREHOLDERS
WE INVEST IN OUR PEOPLE TO BUILD A DIVERSE AND INCLUSIVE WORKFORCE	WE COLLABORATE WITH OUR SUPPLIERS	WE COLLABORATE WITH PARTNERS TO BUILD CAPACITY AND IMPROVE FINANCIAL WELLBEING	WE INVEST IN THE COMMUNITY	WE PAY TAXES IN THE COUNTRIES WITHIN WHICH WE OPERATE	WE PAY DIVIDENDS TO OUR SHAREHOLDERS
- Enabling us to provide better services and products to customers, and meeting community expectations. - Promoting diversity and equality of opportunity. We recruited 260 people from under-represented groups[1]. - Increasing the skills and capabilities of our people, providing more than 877,000 hours of training. [1] Includes Aboriginal and Torres Strait Islander people, people with disability and refugees.	- Contributing to the economy across the countries we operate in. - Collaborating with suppliers to manage the social and environmental impacts of our mutual business operations.	- Improving the wellbeing of lower income and vulnerable customers, enabling them to participate more fully in society. More than 889,000 people have been reached through our social and economic participation target. - Contributing to the ability of not-for-profit organisations to assist and support the community.	- Contributing to the wellbeing of the community through volunteering and employee giving. 124,113 volunteering hours completed by our employees. - Supporting customers and the community in times of difficulty, hardship or natural disaster, for example, through our drought relief package.	- Contributing to the provision of public services such as health, social services and education. We paid $3,188[2] million in taxes to governments. - Building trust through transparent tax reporting. [2] Total taxes borne by the Group, includes unrecovered GST/VAT, employee related taxes and other taxes. Inclusive of discontinued operations.	- Providing consistent returns to shareholders. - We are paying 79.5% of 2018 cash profit (total Group) to shareholders. - Enabling shareholders to save and invest to meet their personal and business goals. - Providing funding for lending and the economy, and efficiently allocating financial resources. - Facilitating capital and debt raising.

●	●	●	●	●	●
●	●	●	●	●	●
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OUR OPERATING ENVIRONMENT

We need to anticipate and respond to the risks and opportunities arising in our external environment to ensure that we can continue to create value for our stakeholders.

In addition to the regulatory and reputational impacts associated with the Royal Commission, we are responding to a number of other trends and challenges in our external environment. A summary of the issues influencing our strategy and the way we respond is outlined below.

THESE GLOBAL TRENDS PRESENT US WITH RISKS AND OPPORTUNITIES

GLOBAL TREND	RISKS	OPPORTUNITIES
Digital advancement and technological change	- Competition from existing and new competitors is increasing, supported by Government policy, such as the proposed consumer data right. - With the increase in digitisation, strong cyber security capability is critical.	- By improving our digital capabilities and investing in cyber security, we can serve our customers in new and innovative ways, meeting their needs for safe and secure digital banking solutions.
Globalisation	- Community concerns about aspects of trade and investment can potentially limit opportunities.	- With increasing globalisation and the rise of Asia, we can support our customers to increase their cross border trade and investment. - Increased trade and investment leads to higher incomes and employment for the communities in which ANZ operates.
Demographic changes	- Demand for home lending in Australia and New Zealand is impacted by a range of supply and demand factors largely outside of our control, including population growth, housing prices and dwelling construction.	- Community concerns about housing affordability remain high. We can help by partnering with business, government and NGOs to deliver innovative and practical housing solutions.
Lower credit growth environment	- Increasing competition and regulatory requirements places pressure on margins and customer volumes.	- New approaches are needed to deliver products and services to our customers, together with efficient allocation of capital and resources to generate returns to shareholders.
Environment and climate	- We will continue to experience negative reputational impacts if we fail to raise standards across all our activities and take customer and societal impacts into consideration when making business decisions.	- By continuing to focus on improving customer outcomes and strengthening our standards on issues such as environmental sustainability and human rights, we have an opportunity to differentiate ourselves from our peers.

OUR STRATEGY AIMS TO RESPOND POSITIVELY TO THIS ENVIRONMENT AND MEET SOCIETAL EXPECTATIONS

Creating a simpler, better balanced bank: we are reducing operating costs and risks by removing product and management complexity and exiting low-return and non-core businesses.

Focusing on areas where we can win: we are making buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy. We want to be the best bank in the world for customers driven by the movement of goods and capital in our region.

Building a superior everyday experience to compete in the digital age: we are building more convenient, engaging banking solutions to simplify the lives of customers and our own people.

Driving a purpose and values-led transformation: we are creating a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate the rapidly changing environment.

SAFE AG SYSTEMS – THE GRAHAM GROUP

The Graham Group (the Group) is a multi-generational South Australian farming family headed by Mark and Caroline Graham.

Originally focused on grain production, the business has diversified and now encompasses Watervalley Farms, a broad acre cropping business in the Yorke Peninsula, and Regional Skills Training (RST), a registered training organisation providing agronomic, management and compliance training to farmers in South Australia. RST has plans to expand to the eastern States in the coming year.

Caroline Graham and daughter Katy Landt have also launched a start-up technology business, Safe Ag Systems, providing software that enables farming enterprises across Australia to manage their legislative obligations and incorporate workplace health and safety requirements into their operations. Almost 2,000 Australian farmers are now using the software and, pending a successful capital raising, the Group plans to take its software to overseas markets.

As the Group's business has diversified, they have benefited from their long-term relationship with ANZ.

"ANZ has a genuine understanding of all aspects of our business. They have provided flexible and timely options and have always supported the Group as we have expanded. This relationship will continue to grow as our plans for the future are implemented," Mark Graham said.

We are proud of the relationship we share with the Graham family. They have strong ties to their local community and are making a positive impact to agribusiness in Australia. Agribusiness is an important part of ANZ's history, and banking customers like the Graham family aligns with our commitment to help Australian businesses grow.

Left to right – Katy Landt, Co-Founder and CEO Safe Ag Systems
Caroline Graham, Director and Work, Health and Safety Manager, Safe Ag Systems
Ron Sutcliffe, Agribusiness Manager, ANZ

OUR STRATEGY

We have embarked on a strategy to become a simpler, better balanced and more service oriented organisation, helping our customers and our people respond to a challenging world.

Becoming a simpler bank enables us to invest our resources to build better systems and processes, to fix things that are broken and to develop products, services and programs that improve the financial wellbeing of our customers and the community.

We are repositioning the bank for the longer term – focused on fewer things and doing them really well:

- creating the best bank in Australia and New Zealand for home owners and small businesses
- building the best bank in the world for clients driven by trade and capital flows between Australia, New Zealand and Asia
- establishing a common, digital-ready infrastructure and using data to better assist our customers to succeed in a digital world.

While the environment in which we operate is changing at a rapid pace, the four priorities that underpin our strategy continue to drive our transformation. We have made significant progress over the past two and a half years, but recognise that we still have much to do.

Variable remuneration is designed to focus our CEO and Disclosed Executives on key measures supporting our business strategy, and encourage the delivery of value for shareholders. Group, Division and individual performance is considered to determine their variable remuneration recommendations. In respect of Group performance, an assessment against a range of annual and longer-term strategic indicators is undertaken across the categories of Risk, Financial and Discipline, Customer, and People and Reputation. Together these inform the overall Group assessment.

FOCUSING ON AREAS WHERE WE CAN WIN

ACTIONS WE ARE TAKING	OUR PROGRESS: FULL YEAR 2015 TO FULL YEAR 2018[1]
Making buying and owning a home in Australia and New Zealand easy	- established dedicated Home Owners and Home Lending teams, to make buying and owning a home easy - introduced First Home Buyer coaches: mortgage and home lending experts who assist customers through the first home buying journey from start to finish, without any cost or obligation - improved communication with home loan customers transitioning from interest only to principal and interest loans, helping them prepare for increased payment amounts - acquired technology start-up REALas, assisting prospective home buyers find out accurate sale price predictions for properties on the market - provided an additional $52 billion in home lending in Australia and New Zealand - maintained market share of owner occupier customers in Australia at 16%[2] - maintained number 1 housing market share position in New Zealand with 31%[3] share
Making starting, running and growing a small business in Australia and New Zealand easy	- continued to invest in a dedicated Business Banking proposition - introduced innovative solutions for customers including ANZ Be Business Ready (Honcho), ANZ Be Trade Ready, Employment Hero and SmartPayroll - launched BladePay™: smaller, smarter, faster payment technology - provided $95 billion business lending in Australia and New Zealand (in 2018) - grew business deposits in Australia and New Zealand by $16 billion
Being the best bank in the world for customers driven by the movement of goods and capital in our region	- ranked number one Institutional Lead Bank in Australia and New Zealand[4] - maintained equal 4th corporate bank in Asia and improved to #1 for Overall Quality[5] - lead bank for trade services[6] - increased Payments and Cash Management revenue in Institutional by 9%

Links to 2018 Group performance assessment[7]:

Continued to improve customer experience this year, with a highlight being Institutional performance in key customer satisfaction/relationship strength surveys. A disappointing Net Promoter Score (NPS)[8] in Australia was balanced by a record NPS in New Zealand Retail.

CREATING A SIMPLER, BETTER BALANCED BANK

ACTIONS WE ARE TAKING	OUR PROGRESS: FULL YEAR 2015 TO FULL YEAR 2018[1]
Exit low return and non-core businesses	- sold or exited 21 non-core businesses, including announced divestments: - Esanda asset finance business - Wealth Australia – Life Insurance, Wealth Australia – One Path Pensions and Investments/Aligned Dealer Groups - One Path Life New Zealand and New Zealand One Path Life medical insurance book - six Asia Retail and Wealth businesses across Singapore, China, Hong Kong, Taiwan, Indonesia and Vietnam - Papua New Guinea Retail, Commercial and SME business - Metrobank Card Corporation and Shanghai Rural Commercial Bank partnerships in Philippines and China respectively and ANZ Royal joint venture in Cambodia - agreement with CMC Markets to provide the ANZ Share Investing trading platform
Reduce reliance on low-return aspects of Institutional banking	- focused on strategic Institutional customers across Australia, New Zealand and the Asia Pacific region - reduced the Institutional customer base by ~6,000, exiting off-strategy, low-return customers - reduced Institutional Total Risk Weighted Assets by $44 billion - reduced capital allocated to Institutional, from ~48%[9] of total Group capital to ~38%[9]
Reduce operating costs and risks by removing product and management complexity	- total cost base reduced from $9.4 billion to $9.2 billion - reshaped the workforce, including introduction of agile working practices (our New Ways of Working) to the Australia and Technology Divisions to increase speed-to-market for key customer initiatives - reduced full time equivalent (FTE) employees by 25% - decommissioned redundant technology applications - simplified products, including decommissioning ~140 products in Australia Division
Further strengthen the balance sheet by rebalancing our portfolio	- increased Common Equity Tier 1 capital from 9.6% to 11.4% - reallocated capital to Retail and Commercial in Australia and New Zealand, from ~45%[9] to ~60%[9] of total Group capital - freed up over ~$12 billion in capital through announced divestments and reduction in Institutional risk weighted assets

Links to 2018 Group performance assessment[7]:

While cost outcomes were below target (resulting from the large/notable items), we maintained a strong balance sheet, and divestments during the year reduced the complexity of the Group. Total shareholder returns were positive relative to peers and return on equity was on target. Organic capital generation remained strong. Capital, funding and liquidity continued to be well above regulatory minimums.

1. Financial comparisons are on a Cash Profit basis. 2018 excludes discontinued operations.
2. Source: APRA monthly banking statistics 31 August 2018.
3. Source: RBNZ, share of all banks as of August 2018.
4. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking surveys, Australia and New Zealand. In New Zealand ranked against the Top 4 competitors.
5. Greenwich Associates 2017 Asian Large Corporate Banking Study (issued in March 2018): ANZ ranked equal No. 4 in 2016 and 2017.
6. Peter Lee Associates Large Corporate and Institutional Transactional Banking surveys, Australia 2004–2018 and New Zealand 2005–2018.
7. See 2018 Annual Report for full Remuneration Report.
8. NPS is a customer loyalty metric used globally to evaluate a company's brand, products or services. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.
9. Based on Regulatory Capital. 2015: Institutional shown under 2015 IIB Structure, including Global Institutional and Asia Retail & Pacific. 2018 adjusted for announced divestments of OnePath, P&I, NZ OnePath, Cambodia subsidiary and ANZ PNG.

DRIVING A PURPOSE AND VALUES LED TRANSFORMATION

ACTIONS WE ARE TAKING	OUR PROGRESS: FULL YEAR 2015 TO FULL YEAR 2018[1]

Create a stronger sense of core purpose and ethics	- renaming both the Board Environmental, Social and Governance Committee and Responsible Business Committee to include Ethics, providing management with a further vehicle to raise ethical and conduct issues
	- developed an ethical decision-making framework which captures how we apply our purpose, values and principles to inform complex decisions
	- changed the way we pay our employees, placing a greater focus on customer outcomes (see Improving Customer Outcomes on page 9)
	- built momentum across our key focus areas of financial wellbeing, environmental sustainability and housing:
	  - surveyed 9,500 people in ANZ Adult Financial Wellbeing Survey in Australia and New Zealand and launched an insights report, the findings of which will inform future development of products and services
	  - delivered Vulnerable Customer training to 6,100 frontline employees in Australia
	  - arranged 18 green bonds ($1.867 billion) on behalf of customers, including debuts in New Zealand and Asia
	  - introduced interest free loans to help New Zealanders insulate their homes, with nearly 560 loans approved

Invest in leaders who can help sense and navigate the rapidly changing environment	- launched our New Ways of Leading, which describe the behaviours our leaders most need to demonstrate in order to transform ANZ - increased women in leadership roles by 0.9% to 32%, driven by our focus on adaptive leaders who uphold our ICARE values and our New Ways of Leading

Links to 2018 Group performance assessment[2]:

While there were a number of highlights during the year, such as an increase in the number of women in leadership, this was offset by employee engagement scores falling below target. Our standing in the community was impacted by significant community concern as a result of our failures highlighted by the Royal Commission.

BUILDING A SUPERIOR EVERYDAY EXPERIENCE FOR CUSTOMERS AND OUR PEOPLE TO COMPETE IN THE DIGITAL AGE

ACTIONS WE HAVE TAKEN	OUR PROGRESS: FULL YEAR 2015 TO FULL YEAR 2018[1]

Build more convenient, engaging banking solutions to simplify the lives of customers and our own people	- invested in ANZ's new Digital Banking division to support growth in priority areas
	- upgraded key digital channels resulting in improved customer experience, including through:
	  - a new mobile app
	  - full mobile wallet (only major bank in Australia to offer this)
	  - introduction of secure biometric security for ANZ app, New Zealand Contact Centre and Institutional channels
	- continued to simplify technology architecture, decommissioning 264 applications during 2018, a 35% increase on 2017
	- rolled out New Payments Platform (NPP) to small and medium businesses and Institutional clients
	- won 12 of 13 NPP mandates from local and foreign banks
	- prepared for Open Banking through a strategic partnership with Australia's leading data company, Data Republic, allowing sharing and analysis of data with trusted third parties in a secure environment
	- introduced a digital assistant, 'Jamie', using Artificial Intelligence (AI) on help.anz.co.nz, to assist customers with the top-40 most asked banking questions

Links to 2018 Group performance assessment[2]:

There was strong digital engagement with customers across the Group. The ANZ app remains the top-rated banking app in the Apple store, with almost 150,000 reviews.

1. Financial comparisons are on a Cash Profit basis. 2018 excludes discontinued operations.
2. See 2018 Annual Report for full Remuneration Report.

CASE STUDY

FACILITATING TRADE IN ASIA

ZONZO ESTATE

We are helping our business customers start, run and grow their businesses. Our presence in the Asia Pacific region enables us to assist them to expand their networks and enter new markets.

"Challenging local and global environments mean many Australian businesses are looking to diversify and they're focused on where the world's long-term growth is – Asia. More of our customers are coming to us to seek advice on regional demand for their products or services and to help to identify new revenue opportunities" said Mark Hand, Group Executive, Australia Business and Private Banking.

More than 20 of our retail and wholesale Australian business customers have participated in our 'Opportunity Asia' delegation to Shanghai and Hong Kong. Taking place over five days, the program included seminars, panel sessions and networking events focused on practical information to help our customers realise their growth aspirations. Participants had an opportunity to showcase their products at events attended by local experts and potential suppliers, as well as representatives of the Australian Government and industry bodies.

Rod Micallef of Zonzo Estate, a winery and restaurant in Victoria's Yarra Valley, took part in the delegation. Reflecting on his experience, Rod said that "joining the delegation gave us a great insight into the Asian market and has since led to sales in China."

Tara Williamson, Relationship Manager, ANZ – **Rod Micallef,** Director, Zonzo Estate

2018 SUSTAINABILITY TARGETS

Each year we set public sustainability targets and a corresponding Group-wide program of work to support the delivery of our business strategy and respond to our most material sustainability issues.

Progress against our targets is reviewed by the Responsible Business Committee, and twice a year by the Board Ethics, Environment, Social and Governance Committee. Performance against our 2018 targets, many of which are aligned with the United Nations Sustainable Development Goals, are outlined below. More detail will be available in our 2018 Sustainability Review available at anz.com/cs in December.

2018 SUSTAINABILITY TARGETS PERFORMANCE

This year we have achieved or made good progress against the majority of our targets.

✓	32%	ACHIEVED
→	63%	PARTIALLY ACHIEVED OR IN PROGRESS
✗	5%	DID NOT ACHIEVE

ANZ is committed to the United Nations' Sustainable Development Goals (SDGs) and our Framework, together with public targets that we set annually, support 10 of the 17 SDGs:

FINANCIAL WELLBEING

TARGETS	PROGRESS	COMMENTARY
Help enable social and economic participation of 1 million people by 2020 through our initiatives to support financial wellbeing, including our financial inclusion, employment and community programs, and targeted banking products and services for small business and retail customers.[1]	→	More than 889,000 people have been reached through our financial wellbeing programs, and targeted banking products and services for small business and retail customers Relevant SDGs: 1 No Poverty, 8 Decent Work and Economic Growth, 10 Reduced Inequalities, 17 Partnerships for the Goals
Build an engaged, diverse and inclusive workforce by:		Relevant SDGs: 5 Gender Equality, 8 Decent Work and Economic Growth, 10 Reduced Inequalities
- increasing the representation of Women in Leadership by 3% to 34.1% by 2020;	→	Group-wide representation of Women in Leadership has increased to 32% (up from 31.1% as at September 2017).
- maintaining an organisation inclusiveness score of at least 93% in 2018;	✓	Organisation inclusiveness is steady at 93%.
- recruiting >1,000 people from under-represented groups including Indigenous Australians, people with disability and refugees; and	→	Since 2016, we have recruited 510 people from under-represented groups.
- improving employee engagement by 6% to 80% by 2020 (against 2016 baseline score of 74%).	→	Employee engagement decreased from FY16 by 1% to 73%.
Increase employee volunteering participation rate in 2018 to 30%.	✓	Across the Group employee volunteering participation increased to 34.6% in 2018. Relevant SDG: 17 Partnerships for the Goals

1. Refer to the 2018 Sustainability Review for methodology (to be released in December).

CASE STUDY

FINANCIAL WELLBEING

MAKING SAVINGS POSSIBLE

Nigel, pictured with his daughter Molly, first heard about the Saver Plus program from Molly's primary school.

"I originally joined the program for the dollar for dollar matching to help purchase a new computer for Molly" explains Nigel. "The matched savings came in handy, but what I learnt from the program was more valuable in the long-run."

"The program has taught me that with commitment and consistency we can make saving possible. I put aside $50 each month with my daughter, even though it was difficult at times."

Nigel credits Saver Plus with inspiring his daughter to save. Of particular value to Nigel was the MoneyMinded online modules he completed as part of the program, often alongside Molly.

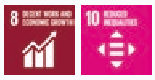
"My daughter took an interest in the bank statements and we talked about what we would do with the extra funds coming in. We talked about a compound interest managed share fund, and this is now what we are doing with the savings. She could see how much the funds would achieve over many years of compound interest."

This year, more than 4,000 people in Australia have benefited from Saver Plus, our financial education and matched savings program for lower-income earners. Participants make regular deposits towards a savings goal over a 10-month period and complete MoneyMinded workshops (either face to face or online) to build their financial management skills. At the end of the program participants' savings are matched dollar for dollar, up to $500 for education costs.

To learn more visit anz.com/saverplus

Nigel, Saver Plus Participant

FAIR AND RESPONSIBLE BANKING

TARGETS	PROGRESS	COMMENTARY
Create the best experience for our customers, measured by: improving Net Promoter Score relative to peers (Retail, Corporate and Commercial and Institutional customers).	→	Australia - Retail: ranking increased to 3rd from 4th at end of 2017[1] - Business and Private Bank: ranking increased to 3rd from 4th at end of 2017[2] - Institutional: ranking increased to 1st from 2nd at end of 2017[3]. New Zealand - Retail: ranking of 4th remained steady from end of 2017[4] - Commercial and Agricultural: ranking of 5th remained steady from end of 2017[5] - Institutional: ranking increased to 1st from 3rd at end of 2017.[6]
Improve senior leaders' role modelling of ANZ values by 2% to 74% in 2018.	✗	Perception of senior leaders' role modelling of ANZ Values has decreased from FY16 by 1% to 71%.
Extend ANZ's cyber security education and awareness program in 2018 by:		
- embedding cyber security information into key business processes (e.g. security tips when establishing new customer accounts) and customer 'touchpoints' (e.g. ANZ website); and	✓	We have delivered a range of initiatives embedding cyber security information into key business processes to raise cyber awareness of both customers and staff.
- collaborating with others (e.g. government, universities and industry) to help build a 'pipeline' of cyber security professionals and raise community awareness of cyber security.	✓	We participate in industry collaborations to address the skills shortage in cyber security and support a 'cyber smart' community.
Implement strengthened due diligence for our Human Rights Standards by end 2018.	✓	Our updated Social and Environmental Risk screening tool was implemented in October 2017 with our updated online Social and Environmental Risk training program rolled out to staff in February 2018. We expanded the pilot of our strengthened human rights customer due diligence to three locations in Asia: China, Indonesia and India. Using the pilot results, we are considering how to embed the strengthened due diligence in our general screening for all locations in FY19. Relevant SDGs 

1. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'18. Ranking based on the four major Australian banks.
2. DBM Business Financial Services Monitor. Base: Business and Private Banking (<$100m annual turnover) Main Financial Institution customers. Data based on business banking NPS only (excludes Private Bank NPS). Six month average to Sep'18. Ranking based on the four major Australian banks.
3. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, Australia.
4. Retail Market Monitor, Camorra Research, Retail, Sep'18 (monthly).
5. Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3m – $150m annual turnover) and Agricultural (>500K annual turnover) customers, Q3'18 (quarterly).
6. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey, New Zealand, ranked against the Top 4 competitors.

ENVIRONMENTAL SUSTAINABILITY

TARGETS	PROGRESS	COMMENTARY
Fund and facilitate at least $15 billion by 2020 in low carbon and sustainable solutions including renewable energy generation, green buildings and less emissions intensive manufacturing and transport.		ANZ has funded and facilitated $11.5 billion in low carbon and sustainable solutions since 2015 Relevant SDGs
By end 2018, ensure emerging issues and leading practices are reflected in the policies and procedures guiding our business lending decisions by:		
- reviewing and, where necessary, updating our Social and Environmental Risk Policy (including sensitive sector standards); and		We reviewed a set of priority issues and sectors, including measures to reduce carbon emissions, with recommended changes to the policy on track to be approved and published by December 2018.
- amending our risk appetite and customer assessment processes to increase emphasis on climate change risks and management.		Climate change risk has been added to the Group and Institutional Risk Appetite Statements.
Reduce the direct impact of our business activities on the environment by:		Relevant SDGs
- reducing scope 1 and 2 emissions by 24% by 2025 and by 35% by 2030 (against a 2015 baseline);		Scope 1 and 2 emissions have decreased by 18%, tracking ahead of the required reduction to meet our target.
- increasing renewable energy use in our Australian operations by 13% by 2020 (against a 2017 baseline);		We have entered into a Power Purchase Agreement to 'off-take' power from a windfarm under development in Murra Warra (Victoria), due for completion in 2019.
- reducing paper consumption in Australia and New Zealand (office and customer paper use only) by 40% by 2020 (against 2015 baseline);		Paper consumption has decreased by 37%, tracking ahead of the required reduction to meet our target.
- increasing recycling rates in our Australian commercial offices (> 20,000m²) by 12% by 2020 (against a 2017 baseline); and		Recycling rate is not progressing as expected and has decreased by 1% since 2017.
- reducing water consumption in our Australian commercial offices (> 10,000m²) by 15% by 2020 (against a 2015 baseline).		Water consumption is progressing slower than expected with a reduction of approximately 4% since July 2015.

GOVERNANCE

BOARD OF DIRECTORS

Above from left to right: **RT Hon Sir John Key, GNZM AC** – Independent Non-Executive Director, **John Macfarlane** – Independent Non-Executive Director, **Paula Dwyer** – Independent Non-Executive Director, **David Gonski, AC** – Chairman, Independent Non-Executive Director, **Graeme Liebelt** – Independent Non-Executive Director, **Ilana Atlas** – Independent Non-Executive Director, **Shayne Elliott** – Chief Executive Officer, Executive Director, **Jane Halton, AO PSM** – Independent Non-Executive Director, **Lee Hsien Yang** – Independent Non-Executive Director

Full biography details can be found on our website at anz.com/directors.

ANZ's strong governance framework provides a solid structure for effective and responsible decision making within the organisation.

The Board is responsible for the oversight of ANZ and its sound and prudent management, with specific duties as set out in its charter available at anz.com/corporategovernance

There are five principal Board Committees – the Audit Committee, the Ethics, Environment, Social and Governance (EESG) Committee, the Risk Committee, the Human Resources Committee and the Digital Business and Technology Committee. Each Committee has its own Charter setting out its roles and responsibilities.

At management level, the Group Executive Committee (ExCo) comprises ANZ's most senior executives. There is a delegations of authority framework that clearly outlines those matters delegated to the CEO and other members of senior management. In addition, there are a number of formally established management committees that deal with particular sets of ongoing issues.

For further detail on ANZ's governance framework see our 2018 Corporate Governance Statement available at anz.com/corporategovernance.

POLITICAL DONATIONS

Our policy is that we make an annual donation to the two major Federal parties to support the democratic process in Australia. In 2018, ANZ donated $100,000 to the Liberal Party of Australia and $100,000 to the Australia Labor Party.

DIRECTORS' MEETINGS

The number of Board meetings and meetings of Committees during the year the Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Risk Committee		Audit Committee		Human Resources Committee		Ethics, Environment, Social and Governance Committee		Digital Business and Technology Committee		Special Committee[1]		Committee of the Board[1]		Shares Committee[1]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Ilana Atlas	12	12			8	8	8	8	4	4			1	1	2	2	1	1
Paula Dwyer	12	12	8	8	8	8	8	8							2	2		
Shayne Elliott	12	12											1	1	4	4	3	3
David Gonski, AC	12	12	8	8	8	8	8	8	4	4	4	4	1	1	4	4	3	3
Jane Halton, AO PSM	12	12					8	8	4	4	3	3	1	1	1	1		
Sir John Key, GNZM AC	6	6	3	3					2	2								
Lee Hsien Yang	12	12	8	8			8	8			4	4	1	1				
Graeme Liebelt	12	12	8	8	8	8	8	8	1	1	1	1	1	1	2	2	1	1
John Macfarlane	12	12	8	8	8	8					4	4	1	1	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, Ethics, Environment, Social and Governance and Digital Business and Technology Committees.

With respect to Committee meetings, the table above records attendance of Committee members. Any Director is entitled to attend these meetings and from time to time Directors attend meetings of Committees of which they are not a member.

1. The meetings of the Special Committee of the Board, Shares Committee and Committee of the Board as referred to in the table above include those conducted by written resolution.

Below from left to right: **David Hisco** – Chief Executive Officer New Zealand and Group Executive **Mark Whelan** – Group Executive Institutional, **Kathryn van der Merwe** – Group Executive Talent and Culture, **Michelle Jablko** – Chief Financial Officer, **Fred Ohlsson** – Group Executive Australia, **Shayne Elliott** – Chief Executive Officer, **Maile Carnegie** – Group Executive Digital Banking, **Kevin Corbally** – Group Chief Risk Officer, **Mark Hand –** Group Executive, Australian Business & Private Banking, **Alexis George** – Deputy Chief Executive Officer and Group Executive Wealth Australia, **Farhan Faruqui** – Group Executive International, **Gerard Florian** – Group Executive Technology.

Full biography details can be found on our website at anz.com/exco.

EXECUTIVE COMMITTEE

BOARD AREAS OF FOCUS

This year the Board and its Committees have undertaken key strategic, governance and oversight activities, including:

STRATEGY

- Participating in Strategy Day with CEO and Executive Committee, reviewing global trends in banking
- Discussing with the CEO regular updates on ANZ's strategic priority of creating a simpler, better balanced bank
- Discussing ongoing updates and progress on business simplification, such as product, process and technology simplification
- Providing oversight of the implementation of New Ways of Working (NWOW) within Australia and TSO and Group Centre divisions, including reviewing the lessons learnt at other organisations that have adopted similar methodologies; reviewing reports, including external reports, in relation to the risk assessment of the NWOW operating model and the impact of NWOW on ANZ's Risk Management Framework
- Assessing the impact of, and ANZ's preparedness for, major technology developments such as the New Payments Platform and Open Banking
- Focusing on reviewing the management of Technology Risk at ANZ

IMPROVING CUSTOMER OUTCOMES

- Providing oversight of ANZ's approach to customer satisfaction, including adoption of Net Promoter System and customer complaint resolution with regular discussion in relation to the key trends, themes and issues in particular divisions
- Providing oversight of customer remediation activities
- Discussing reports on key matters affecting customers, including in relation to the new Banking Code of Practice and ANZ's proposed implementation of it and ANZ's approach to:
  - adopting the Sedgwick recommendations;
  - supporting vulnerable customers; and
  - product suitability for customers.
- Discussing ANZ's research into financial wellbeing and the way this is informing activities across ANZ for customers, communities and employees

PURPOSE AND VALUES-LED TRANSFORMATION

- Renaming of the Environment, Sustainability and Governance Committee to the Ethics, Environment, Social and Governance Committee, providing management with a further vehicle to raise ethical and conduct issues for broader discussion with Directors
- Discussing with the CEO regular updates in relation to ANZ's strategic priority of driving a purpose and values-led transformation of the Bank to build trust and improve our employee and customer propositions
- Providing oversight of the development of ANZ's ethical decision making framework
- Providing a continued focus on the oversight of ANZ's corporate culture, including reviewing results and key themes of ANZ's culture audits and ANZ's staff engagement survey and following up key issues raised within those reports

FINANCIAL

- Reviewing and approving ANZ's operating and funding plans
- Providing oversight of capital management initiatives, including the commencement, and subsequent increase in size, of ANZ's on-market share buyback
- Providing oversight of ANZ's approach to the implementation of key accounting initiatives, including the implementation of Australian Accounting Standard AASB 9: Financial Instruments, and making key accounting judgements, including in relation to software assets amortisation, restructuring and remediation provisioning

REGULATORY

- Providing oversight of ANZ's approach to preventing financial crime, including participating in an internal conference for financial crime professionals and meeting with AUSTRAC to discuss ANZ's approach
- Providing oversight of ANZ's preparedness for the implementation of the Banking Executive Accountability Regime, including approving changes in relation to ANZ's remuneration policy
- Following the announcement of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, meeting regularly to discuss matters pertaining to it, including oversight of the approach to the remediation of matters raised at the Commission

In addition to regular meetings of the Board in Melbourne and Sydney, the Board also met in the Australian Capital Territory and New Zealand and have participated in a number of customer and employee facing events. The Board will also have meetings in regional New South Wales and Western Australia during the remainder of the 2018 calendar year, with a focus on customer and employee engagement.

OUR CLIMATE-RELATED FINANCIAL DISCLOSURES

We acknowledge the position of the Intergovernmental Panel on Climate Change (IPCC) that to achieve the full ambition of the Paris commitments the world needs to transition to net zero emissions by mid-century[1]. We are committed to providing investors and other stakeholders with transparent information enabling them to assess the adequacy of our approach to climate change and our ability to manage the associated risks and opportunities.

This is the second year our disclosures have been aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Our disclosure includes: 1) how we identify climate-related risks and opportunities; 2) who is accountable for managing the risks and opportunities; 3) how climate change informs our business strategy; and 4) the actions we are taking, including targets, to measure our progress.

Our 2017 disclosures were recently reviewed by the TCFD[2]. While the report confirmed we had taken up many of their recommendations, there were some suggestions for improvement. For example, it was suggested we provide information on a wider range of customers (beyond the thermal coal supply chain) and risks, particularly physical risks. We are considering the TCFD's feedback on our disclosures and will continue to seek to improve their usefulness to stakeholders.

GOVERNANCE

Our Board has the highest level of oversight for climate change. The Ethics, Environment, Social and Governance (EESG) Committee of the Board meets quarterly and is responsible for reviewing and approving our climate-related objectives and performance, including goals and targets to support action on climate change. The Board Risk Committee has responsibility for the overview of ANZ's management of new and emerging risks, including climate-related risks.

At an executive level, the Ethics and Responsible Business Committee (ERBC) provides leadership on our sustainability risks and opportunities, monitoring progress against our targets, including those related to climate change. The ERBC is also responsible for:

- guiding which industry sectors, customers and transactions we bank, to align with our purpose, strategy and values, and our public statements on issues such as climate change;
- assessing current and emerging ethical, social, environmental and governance risks and opportunities.

1. IPCC Special Report on Global Warming of 1.5°C – released 8 October 2018
2. https://www.fsb-tcfd.org/publications/tcfd-2018-status-report/

STRATEGY

Identification and management of our material sustainability risks and opportunities, including those related to climate change, supports the achievement of our business strategy. Environmental sustainability is one of our key priorities and accordingly we are: establishing low carbon financial products and services; creating policies to guide which customers we bank; training staff on climate-related risk; and seeking to reduce our operational footprint in line with our targets.

Our business needs to be resilient under a range of climate-related scenarios. To improve our capacity to use scenario analysis as an input to our strategy, we joined with 15 other banks this year to develop methods to improve stress testing of our business lending portfolio for climate-related risk. This work sought to overcome some of the challenges facing banks in modelling climate-related risks, for example:

- identifying the potential economic impact of climate-related scenarios e.g. changes to commodity prices or production and impact on customer revenues; and
- assessing these potential impacts on a customer's capacity to repay debt (i.e. credit risk) over a longer period than the usual 2–3 years.

The working group was coordinated by the United Nations Environment Programme Finance Initiative (UNEP FI). During the pilot we developed and tested approaches and methodologies to inform our risk management and identify opportunities to support our customers, considering both 'transition risks' and 'physical risks'.

What are transition risks?: the technology, policy and regulatory changes that may affect our customers' businesses as governments act on their pledges to reduce carbon emissions under the Paris Agreement. We have developed methodologies that enable us to examine a particular sector, e.g. metals and mining, and to conduct portfolio-wide analysis examining potential impacts on customers' risk profiles.

Transition opportunities: while changes associated with a transition to a low carbon economy present potential risk, they also create potential opportunities for organisations focused on climate change mitigation and adaptation. This is why we have committed to fund and facilitate at least $15 billion by 2020 towards environmentally sustainable solutions for our customers, including initiatives that help lower carbon emissions, improve water stewardship and minimise waste.

What are physical risks?: risks associated with changing weather patterns, rainfall variability, extreme weather events such as cyclones or floods, and the impacts on our customers, e.g. change in production of agricultural commodities and price fluctuations resulting from global supply and demand.

We 'stress tested' customers within the mining and metals (transition risk) and agriculture (physical risk) sectors, and results were in line with our expectations. For example, in our agricultural portfolio the average customer credit rating remained stable in three out of four climate scenarios tested, with a downgrade of one level under a 4°C warming scenario.[1] More significant impacts were identified for customers with weaker credit profiles. These results will inform discussions with our customers as we seek to support them to manage risk and identify business opportunities, such as investing in assets or commodities that are more resilient to climate change.

Building on work undertaken in 2017, we continued scenario testing a select group of customers in the thermal coal supply chain (encompassing extraction, coal rail transport, coal-associated ports and coal-fired power generation). We re-tested some customers to look for any significant changes since our earlier assessment, and included some new customers not tested in 2017. Our engagement this year with a number of these thermal coal customers supplemented our scenario testing and improved our understanding of how they are managing the potential impacts of climate change, including their ability to adapt their business strategy.

Our analysis revealed varying degrees of preparedness for thermal coal customers in managing transition risks. In the medium to long term, risks are higher for companies with higher revenue reliance on thermal coal and with business strategies less prepared for an early shift to a low carbon economy. In the short term, these customers have benefited from robust demand for high quality thermal coal in Asian markets.

We will continue to engage with our thermal coal and other customers to understand how they are preparing their businesses to manage potential transition risks. A number of our customers have begun releasing disclosures in line with the TCFD recommendations – this is informing our customer conversations.

In 2019, we will seek to enhance our understanding of climate-related risks associated with our residential mortgage portfolio by:

- undertaking a geospatial analysis of current flood related risks in a specific location; and
- developing indicators to test the financial capability of home loan customers to withstand the identified risks.

We have identified several other risks and opportunities associated with climate change that have the potential to generate substantive change in our business operations, revenue and expenditure. These include:

Energy policy/regulation: the introduction of energy policies and regulations, supporting lower prices, emissions and improved reliability, provide a more stable environment for investment, and subsequently revenue opportunities, with existing customers and in new markets.

Changes in precipitation extremes and droughts: we bank a large number of agribusinesses in rural and regional Australia and New Zealand. Many of these regions have been impacted in recent years by drought and high temperatures, adversely affecting production levels and reducing revenues. This may impact their ability to repay loans.

THE IMPORTANCE OF ENERGY EFFICIENCY

Buildings represent around 30% of the world's energy use, and more than 55% of global electricity demand – hence the importance of energy efficiency in meeting the goals of the Paris Agreement. In recognition of this, we will now only consider financing the construction of new large-scale office buildings which achieve or exceed a National Australian Built Environment Rating System (NABERS) 4.5 star standard (or equivalent international rating), 'as designed'. Importantly, from a credit risk perspective, energy efficient buildings generally have lower tenancy vacancy rates and may attract higher rents.

1. See case study 1, pp. 29-32 UNEP FI report 'Navigating a New Climate' at www.unepfi.org/banking/tcfd

Changing consumer behaviours: businesses' response to climate change, including the adoption of new technologies and practices, presents a number of risks and opportunities, including the provision of funding and advisory services to customers involved in renewable energy generation; construction/ retrofitting of 'green buildings' and less emissions intensive manufacturing and transport.

Liquidity risks: liquidity risk exists for customers exposed to climate-related risks. This may add risk to refinance events, something we have recently observed in relation to infrastructure dependent on the resources sector.

Reputation risks: damage to our reputation as a result of funding industries seen as contributing to climate change may have a range of impacts, including adverse effects on our profitability, funding costs, increased regulatory scrutiny and availability of new business opportunities. Our ability to attract and retain customers could also be adversely affected if our reputation is damaged, in turn impacting our business, operations and performance.

RISK MANAGEMENT

Our most material climate change risks and opportunities result from our lending to business and retail customers, including credit-related losses incurred as a result of a customer being unable or unwilling to repay debt.

Under our risk management framework, our material risk category of Credit Risk incorporates the risks associated with lending to customers that could be impacted by climate change or by changes to laws, regulations, or other policies such as carbon pricing and climate change adaptation or mitigation policies. It also includes changes to the cost and level of insurance cover available to our customers. Climate change risk has been added to the Group and Institutional Risk Appetite Statements to ensure the risk is appropriately identified and assessed.

We are developing an organisational culture that encourages regular discussion and consideration of emerging climate-related risks. Our Risk team is working with our bankers, encouraging them to talk to their customers about managing the risks and opportunities associated with climate change.

We are engaging with regulators that are taking steps to ensure their regulated entities are assessing and responding to the risks posed by climate change. This year we responded to the Australian Prudential Regulation Authority's first survey on climate-related risks.

RENEWING OUR SUPPORT FOR PARIS

The transition to a net-zero carbon economy require a 'whole-of-economy' approach, with all sectors having a role to play.

This year we reviewed our approach to climate change. Our focus is on ensuring an orderly and just transition that gives careful consideration to the impacts on communities and manages our climate-related risks, while increasing our ambition to lower emissions in the energy, transport, buildings and agricultural sectors.

Our revised Climate Change Statement commits us to the following actions:

- encouraging and supporting 100 of our largest emitting customers in the energy, transport, buildings and food, beverage and agricultural sectors to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021
- encouraging customers that have coal-fired generation assets to work towards setting medium and long-term emission reduction targets up to 2050 that contribute towards achieving a 'less than 2°C target'
- no direct financing for the development of new coal-fired power stations that emit more than 0.8t CO_2/MWh
- focusing on existing customers producing coal that when used for power generation results in lower emissions, and reducing our exposure to thermal coal mining
- providing incentives for customers to reduce emissions, such as facilitating, together with government, concessional loans for corporate and agribusiness customers to buy energy-efficient equipment; and
- only financing the construction of new large-scale office buildings which achieve or exceed a NABERS 4.5 star standard (or equivalent international rating) 'as designed'.

METRICS AND TARGETS

We use a range of metrics to assess the impact of climate-related risks on our business activities and set targets in line with our strategy, in particular around engaging with customers to understand their plans to transition to a low carbon economy.

METRIC	TARGET	PROGRESS
Environmental sustainability target	Fund and facilitate at least $15 billion by 2020 for our customers' activities	$11.5 billion
Average emissions intensity of financed electricity generation	Reduce over time	Financed emissions intensity has decreased by 14% in Australia and 68% outside of Australia since 2014
Emissions from energy use in our commercial offices, branches and data centres	Reduce scope 1 and 2 emissions by 24% by 2025 and 35% by 2030	Global scope 1 and 2 emissions have decreased by 18% since 2015
Sourcing more renewable power for our Australian operations	Increase by 13% by 2020	See case study on page 35

We will also provide information on metrics relating to our credit exposure, broken down by industry and credit quality in our future disclosures.

Further detail on these disclosures, including the scenario testing, customer engagement and our revised approach to climate change, will be discussed in our 2018 Sustainability Review, available at anz.com/cs in December.

CASE STUDY

ENVIRONMENTAL SUSTAINABILITY

THE POWER OF PARTNERSHIPS

In December 2017 ANZ announced its participation in a Telstra-led collective to execute a renewable energy power purchase agreement (PPA) for the Murra Warra Wind Farm, located near Horsham in North-West Victoria. Coca Cola Amatil and the University of Melbourne also joined this collective.

An electricity supply contract between a renewables project and an energy buyer, a PPA typically has a long contract term of around six to 12 or more years. They require an upfront agreement on the cost of electricity and/or green products for the life of the contract.

As a result, PPAs can generate substantial energy cost savings while delivering new and additional renewable energy onto the grid.

"As well as reducing energy costs, the project will provide significant environmental benefits and substantial support to the local community and regional economy, " said RES Australia CEO Matt Rebbeck the PPA project developer and operator.

Stage one of the project is currently under construction and due for completion in early 2019. Once both stages are complete the wind farm will have 429 megawatts of capacity, making it larger than any wind farm currently operating in the Southern Hemisphere.

Entering into this PPA is one of the ways ANZ is supporting the transition to a low carbon economy.

INDUSTRY ASSOCIATIONS

We work in a collaborative and open way as members of associations that have similar policy interests. In 2018 our key memberships and payments to them were: Australian Banking Association $5,274,041, Business Council of Australia $93,500, New Zealand Bankers' Association $284,241 (NZD), Business New Zealand $40,250 (NZD), Financial Services Council $214,154, Association of Superannuation Funds of Australia $69,300 and Insurance Council of Australia $28,318[1].

Payments to the Australian Banking Association include the annual fees as well as expenditure related to communications activity, contributions by major banks to the establishment of a not-for-profit Debt Repayment Service, industry initiatives in response to the Royal Commission's work, and industry reform activity (such as the new Banking Code of Practice).

HOW WE REVIEW OUR ALIGNMENT WITH INDUSTRY ASSOCIATIONS

We understand our stakeholders are interested in the position we take on issues such as climate change and energy policy, and our membership of industry associations that undertake advocacy on these issues.

Some associations have broad memberships, such as the Business Council of Australia, and develop policy agendas on a wide variety of matters, such as tax, education, business regulation, climate change and energy.

We understand it is not possible for industry associations to obtain a consensus on every issue. There is sometimes disagreement amongst members about the final positions taken by industry associations. Even if we do not agree with every position taken, we will retain our membership provided we are able to have constructive dialogue within the association, and they are receptive to members' feedback regarding their approaches to lobbying or advocacy.

It is also important to note that industry associations do not represent the views of any single member. On some issues we will communicate our views directly, through submissions, media comment, speeches by senior executives at industry forums and public reports.

1. The membership of the last three will cease in March 2019

REMUNERATION OVERVIEW

The following pages provide a summary of the remuneration for the Non-Executive Directors (NEDs), Chief Executive Officer (CEO) and Disclosed Executives – Key Management Personnel (KMP). The detailed Remuneration Report is contained in the Annual Report from page 40 onwards. The report can be accessed via the ANZ website at anz.com/annualreport.

NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

There was no increase to NED fees for the 2018 year (unchanged from 2016). Year-on-year differences in total remuneration relate to changes in Committee memberships.

		Short-Term NED Benefits	Post-Employment	
	Financial Year	Fees[1] $	Super contributions[1] $	Total remuneration[2] $
CURRENT NON-EXECUTIVE DIRECTORS				
D Gonski	2018	804,831	20,169	825,000
	2017	805,276	19,724	825,000
I Atlas	2018	324,331	20,169	344,500
	2017	317,776	19,724	337,500
P Dwyer	2018	344,831	20,169	365,000
	2017	345,276	19,724	365,000
J Halton[3]	2018	277,567	20,169	297,736
	2017	241,063	18,894	259,957
J Key[4]	2018	148,546	11,996	160,542
H Lee	2018	314,831	20,169	335,000
	2017	315,276	19,724	335,000
G Liebelt	2018	345,858	20,169	366,027
	2017	343,151	19,724	362,875
J Macfarlane	2018	298,331	20,169	318,500
	2017	298,776	19,724	318,500
FORMER NON-EXECUTIVE DIRECTOR				
I Macfarlane[5]				
	2017	68,225	4,904	73,129
Total of all Non-Executive Directors	2018	2,859,126	153,179	3,012,305
	2017	2,734,819	142,142	2,876,961

1. Year-on-year differences in fees relate to changes in Committee memberships and changes to the superannuation Maximum Contribution Base.
2. Long-term benefits and share-based payments do not apply for the Non-Executive Directors. There were no non monetary benefits or termination benefits for the Non-Executive Directors in either 2017 or 2018.
3. J Halton commenced as a Non-Executive Director on 21 October 2016, so 2017 remuneration reflects a partial service year.
4. J Key commenced as a Non-Executive Director for Australia and New Zealand Banking Group Limited on 28 February 2018, so 2018 remuneration reflects a partial service year. In addition for 2018, in relation to his Non-Executive Directorship from 18 October 2017 for ANZ Bank New Zealand Limited, J Key also received a total of NZD 302,925 as a Non-Executive Director until 31 December 2017 and from 1 January 2018 as Chairman.
5. I Macfarlane retired as a NED on 16 December 2016, so 2017 remuneration reflects partial service year up to his date of retirement.

REMUNERATION AT A GLANCE

ANZ'S PURPOSE AND STRATEGY[1]

IS UNDERPINNED BY:

OUR REMUNERATION POLICY/REWARD PRINCIPLES:	Attract, motivate and keep great people	Reward our people for doing the right thing having regard to our customers and shareholders	Focus on how things are achieved as much as what is achieved	Are fair and simple to understand

WITH REMUNERATION DELIVERED TO OUR CEO AND DISCLOSED EXECUTIVES THROUGH:

OUR CORE REMUNERATION COMPONENTS[2]:	**Fixed remuneration**	**Variable remuneration delivered as**		
		Cash	Deferred shares	Performance rights
		AT RISK		

REINFORCED BY:

ALIGNING REMUNERATION AND RISK:	Assessing behaviours based on ANZ's Values and risk/compliance standards	Risk is a key input in determining variable remuneration including as a multiplier in determining the ANZIP[3] variable remuneration pool	Applying Board discretion on performance and remuneration outcomes	Being able to downward adjust deferred remuneration (including to zero)	Prohibiting the hedging of unvested equity

WHILE SUPPORTING THE ALIGNMENT OF EXECUTIVES AND SHAREHOLDERS THROUGH:

SHAREHOLDER ALIGNMENT:	Substantial shareholding requirements	Significant incentive deferral (up to four years) in ANZ equity	Use of relative and absolute Total Shareholder Return (TSR) hurdles	Use of Economic Profit as a key input in determining the variable remuneration pool

DRIVING PERFORMANCE THROUGH OBJECTIVES WITHIN THE GROUP PERFORMANCE FRAMEWORK TO DETERMINE THE VARIABLE REMUNERATION POOL:

GROUP PERFORMANCE CATEGORIES:	**Risk**	**Financial and Discipline** (50% weighting)	**Customer** (25% weighting)	**People and Reputation** (25% weighting)
	(overall adjustment)	Combined weighting 100% including both annual and longer term strategic measures		

ANZ'S 2018 PERFORMANCE OVERALL: (see sections 5.1 and 5.2 of the Remuneration Report)

Despite solid performance against the majority of metrics in the 2018 Group Performance Framework, the ANZIP variable remuneration pool for 2018 is significantly down on prior year, in recognition of the failures highlighted in the Royal Commission and their reputational impact.

2018 FIXED REMUNERATION CHANGES:

No change to the CEO's fixed remuneration for 2018.
Fixed remuneration for new appointments has been set lower than prior incumbent.
No change to NED fees for 2018 (reduction of 20% to the Chairman fee and NED member fee (for current NEDs) in 2019).

INDIVIDUAL OUTCOMES REFLECT THE PERFORMANCE OF THE GROUP, DIVISION AND INDIVIDUAL:

2018 VARIABLE REMUNERATION OUTCOMES[4]: (see sections 5.4 and 5.5 of the Remuneration Report)

CEO Variable Remuneration 75% of target which comprises:
Annual Variable Remuneration: 83% of target (56% of max); and
Long Term Variable Remuneration: 67% of target (subject to shareholder approval).

Current Disclosed Executives Variable Remuneration outcomes:

	% of target	% of max
Average:	78	53
Range:	60 – 91	40 – 60

Nov 2014 performance rights fully lapsed.

Executives received no value from this award.

1. See the 'About our Business' and 'Our Strategy' sections of the Annual Report.
2. The structure of our remuneration framework is aligned with our reward principles and has been designed to support ANZ's purpose and strategy.
3. ANZ Incentive Plan (ANZIP) is our main variable remuneration plan.
4. Variable remuneration outcomes appropriately reflect the Group's performance against the indicators in the Group performance framework, and also the individual's performance against their own targets, which are appropriately stretching.

CEO AND DISCLOSED EXECUTIVES' REMUNERATION

2018 VARIABLE REMUNERATION AWARDED

This table shows the VR awarded to the CEO and current Disclosed Executives for the year ending 30 September 2018, and what this represents as a % of their target opportunity and maximum opportunity.

The average variable remuneration awarded to the CEO and current Disclosed Executives is 78% of target (53% of maximum), which appropriately reflects ANZ's overall performance and the impact to the overall ANZIP variable remuneration pool.

Only the cash component will be received this year. The deferred shares will vest evenly over four years. The performance rights may or may not vest when tested against the performance hurdles in three years' time.

		Cash	Deferred shares or deferred share rights	Performance rights face value at threshold vesting[4]
S Elliott	VR[1] $3,150,000 (75% of target, 60% of max[2])	$875,000	$875,000	$1,400,000
M Carnegie	VR $1,600,000 (80% of target, 53% of max)	$528,000	$528,000	$544,000
K Corbally[3]	VR $499,500 (83% of target, 55% of max)	$164,835	$164,835	$169,830
A George	VR $1,075,000 (61% of target, 41% of max)	$354,750	$354,750	$365,500
D Hisco	VR $1,952,719 (83% of target, 56% of max)	$644,397	$644,397	$663,925
M Jablko	VR $1,750,000 (88% of target, 58% of max)	$577,500	$577,500	$595,000
F Ohlsson	VR $1,200,000 (60% of target, 40% of max)	$396,000	$396,000	$408,000
M Whelan	VR $2,175,000 (91% of target, 60% of max)	$717,750	$717,750	$739,500

Target opportunity

Maximum opportunity

Cash

Deferred shares or deferred share rights

Performance rights face value at threshold vesting[4]

1. VR for the CEO = AVR + LTVR (LTVR subject to shareholder approval at the 2018 Annual General Meeting).
2. % of max for the CEO = 150% of AVR target plus LTVR target (face value at threshold vesting). The maximum opportunity arrow for the CEO is not to scale, given there is no max for LTVR.
3. Remuneration disclosed from commencement in Disclosed Executive role, CRO receives deferred share rights instead of performance rights.
4. Multiply by two to convert to face value at full vesting for performance rights.

2018 ACTUAL REMUNERATION RECEIVED

This table shows the remuneration the CEO and current Disclosed Executives actually received in relation to the 2018 performance year as cash; or in the case of prior equity awards, the value which vested in 2018. The final column also shows the value of prior equity awards which lapsed in 2018 (these awards reflect the 2014 performance rights which failed to meet the performance hurdles when tested in November 2017).

Only the cash component of the 2018 VR award appears in this table, as the other components are deferred and may/may not vest in future years.

	Fixed remuneration $	Cash variable remuneration $	Total cash $	Deferred variable remuneration which vested during the year[1] $	Other deferred remuneration which vested during the year[1] $	Actual remuneration received $	Deferred variable remuneration which lapsed/ forfeited during the year[1] $
CEO AND CURRENT DISCLOSED EXECUTIVES							
S Elliott	2,100,000	875,000	**2,975,000**	874,666	-	**3,849,666**	(1,582,649)
M Carnegie[2]	1,000,000	528,000	**1,528,000**	34,610	1,481,009	**3,043,619**	-
K Corbally[3]	486,000	164,835	**650,835**	-	-	**650,835**	-
A George[4]	876,000	354,750	**1,230,750**	334,044	250,000	**1,814,794**	(153,292)
D Hisco[5]	1,170,713	644,397	**1,815,110**	864,274	-	**2,679,384**	(1,383,354)
M Jablko[6]	1,000,000	577,500	**1,577,500**	34,610	428,084	**2,040,194**	-
F Ohlsson	1,000,000	396,000	**1,396,000**	597,403	-	**1,993,403**	(404,809)
M Whelan	1,200,000	717,750	**1,917,750**	856,454	-	**2,774,204**	(395,655)

1. The point in time value of previously deferred remuneration granted as shares/share rights and/or performance rights is based on the one day VWAP of the Company's shares traded on the ASX on the date of vesting or lapsing/forfeiture multiplied by the number of shares/share rights and/or performance rights. The amount paid as deferred cash is the value disclosed. The lapsed/forfeited values relate to the performance rights we awarded in November 2014 which lapsed due to the performance hurdles not being met.
2. Other deferred remuneration for M Carnegie relates to previously disclosed compensation for bonus opportunity foregone and deferred remuneration forfeited.
3. Remuneration disclosed from commencement in Disclosed Executive role (19 March 2018).
4. A George's fixed remuneration was adjusted in May 2018 when she commenced in the expanded role of Deputy CEO and Group Executive, Wealth Australia. As disclosed in 2017, in relation to A George's role before her appointment to the Group Executive Committee, in July 2016 the Board approved a cash retention award of $500,000 with partial vesting in June 2017 ($250,000) and December 2017 ($250,000).
5. Paid in NZD and converted to AUD.
6. Other deferred remuneration for M Jablko relates to previously disclosed compensation for bonus opportunity foregone and deferred remuneration forfeited.

This table supplements, and is different to, the Statutory Remuneration table which presents the accounting expense for both vested and unvested awards in accordance with the Australian Accounting Standards.

WATSON BLINDS AND AWNINGS

We understand that running a small business is challenging. To support our customers while they focus on growing their business, we facilitate access to Employment Hero for business customers, free of charge.

Employment Hero is an online human resources (HR) platform that combines various HR functions into one centralised self-service portal, helping Australian businesses navigate the complexity, and reduce the time spent managing HR related issues.

Watson Blinds and Awnings, marking its 50th anniversary this year, is one of more than 900 customers benefiting from Employment Hero this year.

“Since the introduction of Employment Hero, we have reduced time spent on payroll data entry from eight hours to two. We have introduced new technology that enables our employees to access their information on their mobile devices. As we continue to grow our business, having a cloud payroll system will allow us to capture accurate information and process pays seamlessly”.

“In the past, our employee on-boarding process has involved lots of form filling for our employees – tax file declarations, superannuation declarations, bank account details forms, emergency contacts and hard copies of employment contracts. Employment Hero does all of this without the need for paper. In addition, it’s a more positive on-boarding experience for employees, which I’m sure will make us more appealing to the next generation of employees, the majority of whom are digitally savvy” said Raymond Watson.

Established by John Watson in Canberra, the business is now owned and operated by John’s sons Raymond and Kevin. Succession planning is underway, with the third generation Rohan, Tim and Amanda Watson, buying into the business. We are working closely with the Watson family and their accountant to help them manage a smooth succession and realise their retirement goals.

Supporting businesses such as Watson Blinds and Awnings, so they can focus on their day to day business, aligns with our commitment to helping Australian businesses grow and succeed in a changing world.

Left to right – Kevin Watson, Raymond Watson, Directors, Watson Blinds
Jarrod Fitzgerald, Senior Relationship Manager, ANZ

FIVE YEAR SUMMARY

	2018[1] $m	2017[1] $m	2016 $m	2015 $m	2014 $m
FINANCIAL PERFORMANCE CASH[2]					
Net interest income	**14,514**	14,875	15,095	14,616	13,797
Other operating income	**4,700**	4,941	5,499	5,921	5,781
Operating expenses	**(9,248)**	(8,967)	(10,439)	(9,378)	(8,760)
Profit before credit impairment and income tax	**9,966**	10,849	10,155	11,159	10,818
Credit impairment charge	**(688)**	(1,199)	(1,956)	(1,205)	(989)
Income tax expense	**(2,775)**	(2,826)	(2,299)	(2,724)	(2,700)
Non-controlling interests	**(16)**	(15)	(11)	(14)	(12)
Cash profit from continuing operations[2]	**6,487**	6,809	5,889	7,216	7,117
Cash profit/(loss) from discontinued operations	**(682)**	129	N/A	N/A	N/A
Cash profit	**5,805**	6,938	5,889	7,216	7,117
Adjustments to arrive at statutory profit[2]	**595**	(532)	(180)	277	154
Profit attributable to shareholders of the Company	**6,400**	6,406	5,709	7,493	7,271
FINANCIAL POSITION					
Assets	**942,624**	897,326	914,869	889,900	772,092
Net assets	**59,383**	59,075	57,927	57,353	49,284
Common Equity Tier 1	**11.4%**	10.6%	9.6%	9.6%	8.8%
Common Equity Tier 1 – Internationally Comparable Basel 3[3]	**16.8%**	15.8%	14.5%	13.2%	12.5%
Return on average ordinary equity (statutory)[4]	**10.9%**	11.0%	10.0%	14.5%	15.8%
Return on average assets (statutory)	**0.7%**	0.7%	0.6%	0.9%	1.0%
Cost to income ratio (cash)[2]	**51.6%**	46.1%	50.7%	45.7%	44.7%
SHAREHOLDER VALUE – ORDINARY SHARES					
Total return to shareholders (share price movement plus dividends)	**0.6%**	13.1%	9.2%	(7.5%)	5.9%
Market capitalisation	**80,979**	86,948	80,886	78,606	85,235
Dividend (cents)	**160c**	160c	160c	181c	178c
Franked portion – interim	**100%**	100%	100%	100%	100%
– final	**100%**	100%	100%	100%	100%
Share price – high (dollar)	**$30.80**	$32.95	$29.17	$37.25	$35.07
– low (dollar)	**$26.08**	$25.78	$21.86	$26.38	$28.84
– closing (dollar)	**$28.18**	$29.60	$27.63	$27.08	$30.92
SHARE INFORMATION					
(per fully paid ordinary share)					
Earnings per share (cents)	**221.6**	220.1	197.4	271.5	267.1
Dividend payout ratio (statutory)	**72.1%**	73.4%	81.9%	68.6%	67.4%
Net tangible assets per ordinary share[5]	**$18.47**	$17.66	$17.13	$16.86	$14.65
No. of fully paid ordinary shares issued (millions)	**2,874**	2,937	2,927	2,903	2,757
Dividend reinvestment plan (DRP) issue price					
– interim	**$27.76**	$28.80	$24.82	$31.93	$33.30
– final	**-**	$29.02	$28.16	$27.08	$32.02
OTHER INFORMATION					
No. of shareholders	**509,238**	522,425	545,256	546,558	498,309

1. During 2018, part of Wealth Australia and TSO and Group Centre division was classified as a discontinued operation. 2017 comparatives have been restated accordingly. 2016 to 2014 has not been restated. All ratios are presented on a Group basis inclusive of discontinued operations across 2018 to 2014.
2. Cash profit excludes non-core items included in statutory profit and is provided to assist readers in understanding the result of the ongoing business activities of the Group. Cash profit is not audited; however, the external auditor has informed the Audit Committee that the adjustments have been determined on a consistent basis across each period presented, and the adjustments for the sale impact of Shanghai Rural Commercial Bank (SRCB) in 2018 and 2017 are appropriate.
3. Internationally Comparable Methodology applied for 2015–2018 aligns with APRA's information paper entitled 'International Capital Comparison Study' (13 July 2015). Basel Internationally Comparable ratios do not include an estimate of the Basel I capital floor requirement.
4. Average ordinary equity excludes non-controlling interests and preference shares.
5. Equals shareholders' equity less preference share capital, goodwill, software and other intangible assets divided by the number of ordinary shares.

	2018	2017	2016	2015	2014
FAIR AND RESPONSIBLE BANKING					
Net Promoter Score Ranking (relative to peers)					
Australia Retail[1]	3	4	2	4	4
Australia Business and Private Banking[2]	3	4	4	4	3
Australia Institutional[3]	1	2	1	–	–
New Zealand Retail[4]	4	4	4	5	5
New Zealand Commercial and Agri[5]	5	5	5	5	5
New Zealand Institutional[6]	1	3	1	–	–
Digitally active customers					
Australia (%)[7]	61	61	60	58	55
New Zealand (%)[8]	68	65	62	59	–
Code of conduct					
Alleged breaches	1,114	1,443	1,408	1,629	1,718
Investigations resulting in termination	226	262	254	294	336
FINANCIAL WELLBEING					
Help enable social and economic participation of 1 million people by 2020 (cumulative total)[9]	**889,135**	**550,361**	**453,054**	–	–
Employees					
FTE[10]	39,924	44,896	46,554	50,152	50,328
Employee Engagement (%)[11]	73	72	74	76	73
Total Women in Leadership (%)[12]	32.0	31.1	29.9	29.5	27.9
Community					
Total community investment ($m)	136.9	131.1	89.8	74.8	75.6
Volunteer hours	124,113	113,127	113,071	108,142	101,801
Employee volunteering participation rate (%)[13]	34.6	29.4	–	–	–
ENVIRONMENTAL SUSTAINABILITY					
Fund and facilitate at least $15b by 2020 towards environmentally sustainable solutions for our customers (cumulative total)[14]	**11.5**	**6.9**	**2.5**		
Environmental footprint					
Australia (tCO_2-e)	123,056	126,881	136,751	147,499	154,922
New Zealand (tCO_2-e)	7,887	6,992	7,910	9,189	10,008
APEA (tCO_2-e)	40,069	47,120	48,908	52,843	47,347
Total (tCO_2-e)	**171,012**	**180,993**	**193,569**	**209,531**	**212,277**
Total scope 1, 2 & 3 GHG emissions (tCO_2-e)	266,906	273,216	299,224	335,085	322,820
Project finance portfolio[15]					
Renewables (%)	76	70	63	60	44
Coal (%)	10	16	19	18	33
Gas (%)	13	13	18	22	23
Project finance commitment to renewable energy ($m)	1,076	1,141	875	881	835

1. Roy Morgan Research Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'14, Sep'15, Sep'16, Sep'17 & Sep'18. Ranking based on the four major Australian banks.
2. DBM Business Financial Services Monitor. Base: Business and Private Banking (<$100m annual turnover) Main Financial Institution customers. Data based on business banking NPS only (excludes Private Bank NPS). Six month average to Sep'14, Sep'15, Sep'16, Sep'17 & Sep'18. Ranking based on the four major Australian banks.
3. Peter Lee Associates 2018 Large Corporate and Institutional Relationship Banking survey Australia.
4. Retail Market Monitor, Camorra Research, Retail: Sep'14, Sep'15, Sep'16, Sep'17 & Sep'18 (monthly).
5. Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3m – $150m annual turnover) and Agricultural (>500K annual turnover) customers. Q3'14, Q3'15, Q3'16, Q3'17 & Q3'18 (quarterly).
6. Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys New Zealand 2016–18, ranked against the Top 4 competitors (in 2016 rank based on question 'which bank would you be most likely to recommend').
7. Roy Morgan Research Single Source, proportion of ANZ customers aged 14+ conducted Internet banking using ANZ App or Website in last 4 weeks, 12 months rolling average to Sep'14, Sep'15, Sep'16, Sep'17 & Sep'18.
8. Proportion of ANZ customers who have used ANZ Internet Banking or ANZ goMoney at least once in the last 90 days. 12 months to Sep'15, Sep'16, Sep'17 & Sep'18.
9. Target commenced in FY 2016. Performance includes people helped through our initiatives to support financial wellbeing, including our financial inclusion, employment and community programs, and targeted banking products and services for small business and retail customers.
10. As disclosed in the Annual Report.
11. The 2017 engagement survey was run as a pulse survey sent to 10% of the bank's employees with a 57% response rate.
12. Measures representation at the Senior Manager, Executive and Senior Executive levels. Includes all employees regardless of leave status but not contractors (which are included in FTE).
13. Commenced reporting in 2017.
14. Target commenced in FY 2016. Performance includes funding or facilitation of initiatives that help lower carbon emissions, improve water stewardship, and minimise waste.
15. Breakdowns for 2018 and 2017 do not total to 100% due to rounding.

IMPORTANT DATES FOR SHAREHOLDERS[1]

MAY 2019

1st May	Half Year Results Announcement
14th May	Interim Dividend Ex-Date
15th May	Interim Dividend Record Date
16th May	DRP/BOP/Foreign Currency Record Date

JULY 2019

1st July	Interim Dividend Payment Date

OCTOBER 2019

31st October	Annual Results Announcement

NOVEMBER 2019

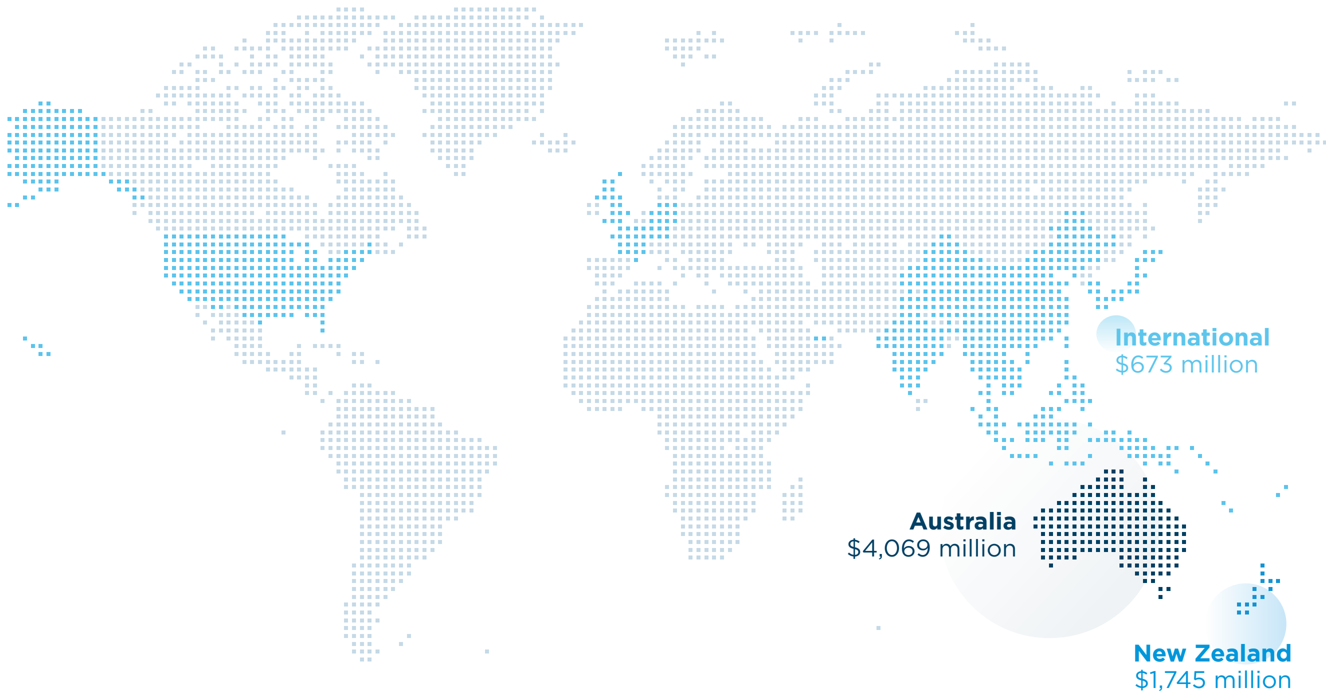
12th November	Final Dividend Ex-Date
13th November	Final Dividend Record Date
14th November	DRP/BOP/Foreign Currency Record Date

DECEMBER 2019

17th December	Annual General Meeting (Brisbane)
18th December	Final Dividend Payment Date

1. If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly.

OUR INTERNATIONAL PRESENCE AND EARNING COMPOSITION BY GEOGRAPHY[1]



- **AUSTRALIA**
- **NEW ZEALAND**
- **INTERNATIONAL**

Asia
Cambodia
China
Hong Kong
India
Indonesia
Japan
Laos
Malaysia
Myanmar
the Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam

Pacific
American Samoa
Cook Islands
Fiji
Guam
Kiribati
New Caledonia
Papua New Guinea
Samoa
Solomon Islands
Timor-Leste
Tonga
Vanuatu

Europe
France
Germany
United Kingdom

Middle East
United Arab Emirates (Dubai)

United States of America

1. On a Cash profit (continuing operations) basis. Excludes non-core items included in statutory profit and discontinued operations included in cash profit. It is provided to assist readers in understanding the result of the ongoing business activitives of the Group. For further information on adjustments between statutory and cash profit refer to page 15 of the 2018 Annual Report.

ASSEMBLE AND MAKE VENTURES

Housing affordability is a challenge faced by many people in Australia and New Zealand, particularly younger people and those on lower-incomes.

Assemble, a residential developer, has created the Assemble Model – a new 'build-to-rent' hybrid model that bridges the gap between renting and owning your home. It offers residents the security and stability of a five-year lease with the opportunity (but not the obligation) to purchase their home at the end of the lease. The purchase price is fixed from the start of the lease, giving residents a set goal to save towards and mitigating the risk of being priced out of the market during the rental period. It also protects against rental insecurity, with the rent set at a market rate and agreed up front, enabling residents to have the ability to plan-ahead while they save and settle into the local community.

According to Kris Daff, Managing Director, Assemble and MAKE Ventures, "the model aims to address the fundamental desire for the majority of Australians to own their own home – and is a direct response to multi-level government policies on housing affordability."

ANZ is financing the development and has worked with Assemble to refine their model providing advice on funding options, valuation methodology and risk management. Our Retail business has assisted Assemble to understand consumer purchasing profiles, retail mortgage lending parameters and appropriate strategies to support potential purchasers to save for their deposit prior to the end of the lease.

"We now have over 2,500 aspiring homebuyers interested in participating in Assemble's home ownership pathway and, with ANZ's support, we have a pipeline of future projects to cater for this growing customer base" said Kris.

Caryn Kakas, Senior Manager, Group Strategy, ANZ
Kris Daff, Managing Director, Assemble and MAKE Ventures

CONTACTS

REGISTERED OFFICE:

ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands VIC 3008 Australia

Telephone: +61 3 9273 5555
Facsimile: +61 3 8542 5252

Company Secretary: Simon Pordage

INVESTOR RELATIONS:

Level 10, 833 Collins Street
Docklands VIC 3008 Australia

Telephone: +61 3 8654 7682
Facsimile: +61 3 8654 8886
Email: investor.relations@anz.com
www.shareholder.anz.com

Group General Manager
Investor Relations: Jill Campbell

COMMUNICATIONS AND PUBLIC AFFAIRS:

Level 10, 833 Collins Street
Docklands VIC 3008 Australia

Telephone: +61 2 6198 5001
Email: Tony.Warren@anz.com

Group General Manager
Communications and
Public Affairs: Tony Warren

SHARE AND SECURITIES REGISTRAR:

AUSTRALIA
Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne VIC 3001

Telephone within Australia: 1800 11 33 99
International Callers: +61 3 9415 4010
Facsimile: +61 3 9473 2500
Email: anzshareregistry@computershare.com.au

Austraclear Services Limited
20 Bridge Street
Sydney NSW 2000

Telephone: +61 2 8298 8476

JAPAN
Japan Securities Depository Center, Incorporated
1-1, Nihombashi Kayabacho 2-chome,
Chuo-ku, Tokyo 103-0025 Japan

Phone: +81-3-3661-0161 (Main) /
+81-3-3661-7193 (Book-Entry Transfer Department)

LUXEMBOURG
Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

Telephone: +352 4 21 22 1

NEW ZEALAND
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142

Telephone: 0800 174 007
Facsimile: +64 9 488 8787

UNITED KINGDOM
Computershare Investor Services PLC
The Pavilions Bridgwater Road
Bristol BS99 6ZZ

Telephone: +44 870 702 0000
Facsimile: +44 870 703 6101

UNITED STATES
Citibank Shareholder Services
P.O. Box 43077 Providence
Rhode Island 02940-3077

Callers outside USA: +1-781-575-4555
Callers within USA (toll free):
+1-877-248-4237 (+1-877-CITI-ADR)

Email: citibank@shareholders-online.com
citi.com/adr

The Bank of New York Mellon
240 Greenwich St, Floor 7E
New York, NY 10286

Telephone: +1 1800 254 2826

Deutsche Bank Trust Company Americas
60 Wall Street, Mailstop NYC 60-1630
New York, NY 10005

Telephone: +1 212 250 2500

MORE INFORMATION

General Information on ANZ can be obtained from our website: anz.com. Shareholders can visit our Shareholder Centre at shareholder.anz.com. ANZ Corporate Governance: For information about ANZ's approach to Corporate Governance and to obtain copies of ANZ's Constitution, Board/Board Committee Charters, Codes of Conduct and Ethics and summaries of other ANZ policies of interest to shareholders and stakeholders, visit anz.com/governance. Australia and New Zealand Banking Group Limited ABN 11 005 357 522.

This Annual Review (Review) has been prepared for Australia and New Zealand Banking Group Limited ("the Company") together with its subsidiaries which are variously described as: "ANZ", "Group", "ANZ Group", "the Bank", "us", "we" or "our".

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

CDP
DISCLOSURE INSIGHT ACTION

WGEA
Employer of Choice for Gender Equality

ANZ

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