2020 ANNUAL REPORT

CUSTOMER STORY — ADAPTING

Growing business during a crisis

An ANZ customer for more than 50 years, fellahamilton has been in the business of Australian women's fashion since the early 1970s.

Today, the company is managed by David Hamilton (son of the eponymous founder) and his wife, Sharon Hamilton, CEO.

When the COVID-19 pandemic first hit Australia in March, times were challenging.

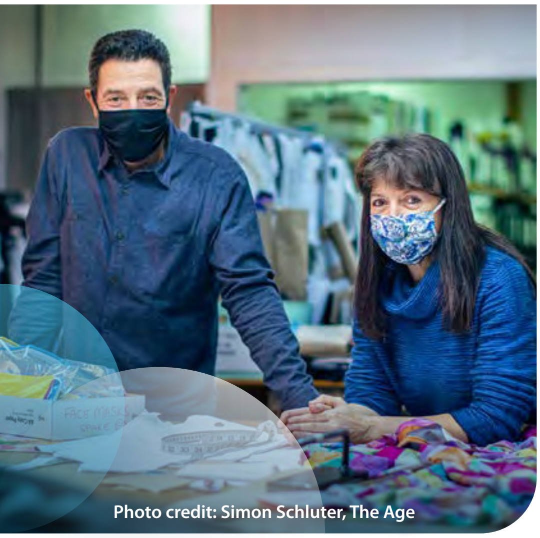


Photo credit: Simon Schluter, The Age

Within the first few weeks of lockdowns, they had to let go of employees at their Moorabbin factory and retail stores nationally were shut.

However, shortly after, a doctor friend of Sharon's asked her to make a scrub set, as there was a limited supply of Personal Protective Equipment (PPE).

Sharon recalls the moment demand for their washable, hospital-grade PPE started snowballing and a new direction for the business appeared in 'fellahealthwear'.

"I'm a pharmacist by profession, with many friends in the medical industry. After the first request, I received another, and another, and now we're making and distributing thousands of scrubs and gowns to GPs, dentists and hospitals. We've hired back all of our staff and have never been busier," says Sharon.

David credits the move into making PPE to his wife's optimistic nature and tendency to 'think outside the box'.

"Changing direction wasn't easy," says David. "It needed us to have intestinal fortitude and complete dedication to what we thought was the right move for our business."

"The road ahead is going to be tough. While we're doing well at the moment, we are uncertain about what the future holds, so we need to remain adaptable and agile in response to what may come next from the pandemic."

CONTENTS

2020 performance snapshot

60c
Dividend for 2020 per share

$3.8b
Cash profit[1]

$20.04
Net tangible assets per share[2]

132.7c
Cash earnings per share[1]

~1.8m
customer accounts remediated[5]

6.2%
Cash return on equity[1]

11.3%
Common equity Tier 1 Capital[3]

$139.5m
in community investment[4]

33.4%
of women in leadership[6]

$9.08b
funded and facilitated in sustainable solutions since 2019

>61,000
people have been reached through our financial wellbeing programs, MoneyMinded and Saver Plus[7]

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 56. **2.** Equals shareholders' equity less preference share capital, goodwill, software and other intangible assets divided by the number of ordinary shares. **3.** APRA Level 2. **4.** Figure includes forgone revenue of $105 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. **5.** Refers to Australian customer accounts in the last 12 months. **6.** 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 Full Time Equivalents (FTE)). **7.** Includes individuals who have participated in more than one program or product (for example, people who have participated in MoneyMinded as part of Saver Plus are counted twice as they are included in both the MoneyMinded and Saver Plus totals).

Our 2020 reporting suite

Integrated reporting

This report includes information on our financial and non-financial performance, providing readers with a holistic view of the Australia and New Zealand Banking Group Limited's[1] performance. In preparing pages 1 to 72, we have again drawn on aspects of the International Integrated Reporting Framework to describe how our business model, strategy, governance and risk management processes help us manage risks and opportunities in our operating environment and deliver value for our stakeholders. We outline our response to external social and environmental challenges, including how we are supporting our stakeholders through the COVID-19 pandemic, continuing to implement recommendations from the Royal Commission and strengthening our approach to climate change and human rights.

Annual Report structure

The required elements of the Directors Report, including the Operating and Financial Review (OFR) as required by ASIC Regulatory Guide 247, are covered on pages 1 to 70. Commentary on our performance overview contained on pages 54 to 71 references information reported in the Financial Report pages 111 to 233.

The Remuneration Report pages 74 to 108 and the Financial Report pages 111 to 233 have been audited by KPMG. KPMG also provides limited assurance over Environment, Social and Governance (ESG) content[2] within this Annual Report. A copy of KPMG's limited assurance report is contained in the ANZ 2020 ESG Supplement.

This report covers all ANZ operations worldwide over which, unless otherwise stated, we have control for the financial year commencing on 1 October 2019 and ending 30 September 2020. Monetary amounts in this document are reported in Australian dollars, unless otherwise stated.

Additional information

We produce a suite of reports to meet the needs and requirements of a wide range of stakeholders, including shareholders, customers, employees, regulators, non-government organisations and the community. In 2021 we intend to review our disclosures to ensure they are meeting the evolving needs of our stakeholders.

Specifically, we will consider whether there are additional reporting frameworks or metrics we could use to enhance our disclosures. In this respect we are closely watching work underway by key sustainability disclosure bodies to develop a coherent and comprehensive corporate reporting system in which existing sustainability standards and frameworks complement financial accounting principles.

Our 2020 Corporate Governance Statement discloses how we have complied with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd edition' and is available at anz.com/corporategovernance.

Our ESG Supplement complements this Annual Report, providing stakeholders with more detailed ESG disclosures, including: performance against our ESG targets and approach to our priority areas of fair and responsible banking, financial wellbeing, environmental sustainability and housing. In response to stakeholder feedback, for the first time, we are releasing our ESG Supplement at the same time as this Annual Report.

The following documents are available at anz.com/shareholder/centre:

- News Release
- Consolidated Financial Report, Dividend Announcement & Appendix 4E
- Results Presentation and Investor Discussion Pack
- Annual Review[3]
- The Company Financial Report
- Principal Risks and Uncertainties Disclosure
- APS 330 Pillar III Disclosure
- Climate-related Financial Disclosures

We are continually seeking to improve our reporting suite and welcome feedback on this report. Please address any questions, comments or suggestions to investor.relations@anz.com.

2020 ANNUAL REVIEW
anz.com/annualreport

2020 ESG SUPPLEMENT
anz.com/cs

2020 CLIMATE-RELATED FINANCIAL DISCLOSURES
anz.com/shareholder/centre

2020 CORPORATE GOVERNANCE STATEMENT
anz.com/corporategovernance

1. Group: Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group). **2.** ESG content includes the following sections: 2020 performance snapshot, What matters most, COVID-19 – protecting our customers, employees and the community, Becoming a fairer and more responsible bank, Our customers, Our people, Our community, Our approach to climate change and ESG metrics on page 72. **3.** The 2020 Annual Review is comprised of pages 1 to 72 and 241 to 242 of this Annual Report and a Remuneration Overview.

What matters most

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

We use the assessment to inform our strategy, ESG targets and external reporting.

In 2019 our materiality assessment was focused on issues arising from the Royal Commission. This year we returned to a broader focus, with an emphasis on the 'social' aspects of ESG, and specifically our support for customers, employees and the community in response to COVID-19.

The bank's response was well regarded by external stakeholders, with several commenting how the banking sector has responded to the pandemic has helped to improve community trust lost during the Royal Commission. They did note, however, that despite the positive steps taken since the Royal Commission, trust should remain a key focus and its recovery is fragile.

Both external and internal stakeholder groups identified **fairness and ethical conduct**, **financial wellbeing** and **customer experience** as priorities. Some external stakeholders also highlighted the importance of continuing to act on **climate change**, while internal stakeholders emphasised the importance of **fraud and data security**.

FAIRNESS AND ETHICAL CONDUCT: a strong corporate culture, known for ethics, values, fairness and transparency. Simple and understandable products and communications (i.e. product disclosure, including bank fees and charges) and appropriate hardship/collections policies.

FINANCIAL WELLBEING: promoting and enabling access to safe and affordable products and services, particularly lower-income and vulnerable customers. Work with cross-sector partners to help customers, employees and the broader community meet current financial commitments and needs, and improve their financial resilience.

CUSTOMER EXPERIENCE: delivering value and improved customer experience through appropriate financial products and services for all customers, small business and retail.

CLIMATE CHANGE: managing the business risks and opportunities associated with climate change. Includes the role we play in supporting our customers to transition to a low carbon economy.

FRAUD AND DATA SECURITY: policies and processes in place to prevent fraud and protect customer data and privacy. Includes customer access to personal data.

WE ASKED EXTERNAL STAKEHOLDERS:

What is one action ANZ could take to enhance its reputation as a fair and ethical organisation?

THEY SAID:

— 1 Support customers through times of hardship

— 2 Continue to resolve issues raised in the Royal Commission

— 3 Link executive remuneration and performance metrics to broader ESG considerations

— 4 Lead on sustainable finance

These insights were presented to the executive Ethics and Responsible Business Committee and the Board Ethics, Environment, Social and Governance Committee and helped to inform the development of our ESG targets, as well as our continued response to COVID-19, including our customer Statement of Intent (see page 8).

Our material ESG issues are 'mapped' to the bank's material risks on pages 52-53.

Supplementary disclosures

The full list of our material ESG issues, as well as the key steps in the materiality assessment process, is discussed in our 2020 ESG Supplement available at anz.com/cs.

Detailed information on other ways in which we have engaged with stakeholders is also included in the 2020 ESG Supplement.

Chairman's message

COVID-19 has had a profound impact on all our lives. Whether it is the devastating loss of lives, the crippling of some businesses and impact on livelihoods, limitations placed on social activities and the way we are working – 2020 will be remembered for generations.

ANZ has of course not been spared from the effects of the pandemic. Our full-year statutory profit of $3.6 billion was down 40% – levels not seen since the height of the Global Financial Crisis.

Looking through the immediate impact of COVID-19, the fundamental drivers of our business continued to perform well.

We are fortunate the actions taken by our management team over many years to simplify and improve our operations have the bank well positioned to support our customers as well as supporting economic recovery.

Despite the challenges facing the broader economy, the Board was pleased to declare a final dividend of 35 cents. This is on top of the interim dividend announced in August, taking the total payout to 60 cents per share.

Given the uncertain environment, we put aside $2.7 billion for possible future credit losses. This takes ANZ's total credit provision reserves to $5.9 billion.

We also continued to simplify the business through the year. On 31 January, we completed the previously announced sale of our OnePath Pensions and Investments business to IOOF Holdings Limited and in September we completed the sale of UDC Finance in New Zealand to Shinsei Bank Limited.

During the most recent quarter, we announced the sale of 1,300 offsite Australian ATMs to Armaguard. While we will continue to operate our 900 ATMs at our branches around Australia, this was another step in achieving our overall goal to be simpler, more efficient and better managed.

Supporting customers

For ANZ, 2020 will ultimately be defined by how we stepped up to support our customers and the community through this devastating global pandemic.

Almost overnight businesses that were once thriving enterprises were restricted from operating, families lost their main source of income and millions faced economic uncertainty, and our thoughts are with those who have been directly impacted.

I'm proud of the way our bank, under the leadership of our Chief Executive Shayne Elliott, has risen to support our customers and I can assure shareholders ANZ will continue to play a crucial role in the economic recovery of Australia and New Zealand.

David Gonski, AC

Already we have provided loan payment deferrals for more than 142,000 home loans and business loans in Australia and New Zealand. This approach has provided customers with the time they need to recover while also protecting the interests of shareholders.

While it's an impossible task to provide an accurate outlook for the future, I remain optimistic about our prospects given the positive way governments in our key markets, particularly in Australia and New Zealand, have responded to the challenges of COVID-19.

Fortunately, we already are seeing the early signs of recovery, particularly in those parts of our business less impacted by COVID-19. In Western Australia, for instance, our card data shows spending on 'dining & takeaway' was up around 18% on the previous year. Clearly there are still more challenges ahead but these early signs provide us with a level of confidence about the actions taken so far.

Executive remuneration

We know how we reward our most senior people is important for many shareholders. The Chair of our Human Resources Committee, Ilana Atlas, AO, has provided more detail in the Remuneration Report. However, I can guarantee shareholders the Board spent a great deal of time evaluating the performance of the management team and deciding how to reward them appropriately.

The Board was pleased with the performance this year and was particularly impressed with the way the bank responded to the challenges presented by COVID-19. However, given the impact the pandemic has had on our shareholders, customers and the broader community, the Board exercised its discretion by applying a 50% reduction to the variable remuneration for our executive team, including our Chief Executive.

The Board also determined there would be no fixed remuneration increases for any of its Disclosed Executives, including the Chief Executive Officer, for the coming year.

Board succession

As you may know, my time at ANZ came to an end at the finalisation of this year's result on 28 October. At that date I had been a director for more than 11 years, originally serving between 2002 and 2007, and then returning as Chair in 2014.

Serving as ANZ's Chairman will always be a highlight of my corporate career. Reflecting on my time here, I am most proud to have played a role in choosing Shayne Elliott to be our Chief Executive and to work with him to establish his talented leadership team. I know I am leaving ANZ in good shape under this strong leadership and I will be keenly monitoring ANZ's progress.

I am also delighted Paul O'Sullivan has succeeded me as Chairman. Paul is an outstanding company director who has already made a strong contribution to the Board. He has my absolute confidence.

Finally, I would like to thank shareholders for their support over the years and acknowledge the efforts of our 39,000 people who have been working hard for our customers, shareholders and the broader community.

David Gonski, AC Chairman

Message from Paul O'Sullivan

I am honoured to succeed David Gonski as the new Chairman of ANZ. The bank has a proud 185-year history and I look forward to contributing to its continued success.

While there will be much to consider in the coming year as economies recover from the COVID-19 pandemic, my focus as Chairman will be to continue the work we have been doing over many years to improve our operations and simplify the bank, particularly through digital and technological innovation.

The Board will also pay close attention to our business growth strategy in the constantly changing landscape in which we operate. Looking at how we will ensure success and improved financial performance in the long-term will be of critical importance.

Finally, I'd like to take this opportunity to acknowledge the enormous contribution David has made and thank him on behalf of all shareholders for his hard work and leadership over the last seven years as Chair.

David steered the Board through some challenging times and helped build an organisation with a strong focus on governance, accountability, improved culture and enhanced customer outcomes.

His efforts to strengthen and champion the bank's work in the area of Environment, Social and Governance (ESG), especially with respect to social and economic inclusion and climate change, is a legacy of which he should be very proud.

Paul D O'Sullivan

Shayne Elliott

CEO's message

We could never have forecast 2020, a year that started with devastating bushfires in Australia and was followed by waves of a terrible, global pandemic that continues to spread. We still cannot predict its course but we do remain confident we can deal with its impacts.

Our thoughts are with those who have suffered from these events. We need only look at some of the country towns impacted by bushfires or the empty city streets to know these crises have struck at the heart of our community.

We want our customers to know we will continue to do all we can to support them through the tough times. Fortunately we have never been in better shape to support all our stakeholders through what will be one of history's periods of great volatility.

While the Chairman's message has provided an overview of our financial performance, I would reiterate we were pleased with how the business performed in difficult trading conditions.

As a bank, we entered 2020 in robust condition. We have a strong balance sheet with record levels of capital and liquidity.

The work done over several years to simplify the bank means we now focus only on the things that matter, our people are more engaged than ever and we are able to quickly adapt to the challenges the future holds.

While COVID-19 has impacted many parts of our business, we have not sat idle. Times of crisis are when the best companies build for the future in a prudent and disciplined manner. We invested record levels to build a better bank for our customers and staff, while continuing to closely manage costs.

In Australia, we achieved strong growth in our targeted home loan segments with above system growth in the owner-occupier market, driven particularly by the refinancing market. Deposits remained strong as customers took a sensible approach to managing their household balance sheet. We also saw an accelerated shift away from the use of cash due to the pandemic and we introduced new processes to help customers move to online banking.

Times of crisis are when the best companies build for the future in a prudent and disciplined manner.

The work done over many years to simplify and refocus the Institutional business proved beneficial in a market defined by high levels of liquidity, low interest rates and geopolitical tensions. Increased volatility led to strong activity in Global Markets which again performed well and demonstrated the benefits of a diversified business. As Australia's leading international bank, we remain well positioned to assist domestic companies doing business in Asia as the global economy improves.

COVID-19 appears contained in New Zealand and we remain well positioned to benefit from its subsequent economic recovery.

While it was a tough revenue environment, given low interest rates and a focus on reducing or simplifying fees, we have maintained market leadership in our targeted segments: home loans, deposits and KiwiSaver.

Given the critical role data, insights and automation will play over the coming years, particularly as we respond to the challenges of COVID-19 and the daily uncertainty that brings, we also made changes to the executive team with the addition of Emma Gray to the new role of Group Executive Data and Automation. This will be a critical role in the continued digital transformation of ANZ.

One of the most pleasing aspects of 2020 has been how our people have responded to the challenge. We were able to successfully move 95 per cent of our non-branch employees to working productively from home where they were able to support our customers at a time of significant stress. Employee engagement is at record levels. I've been amazed at their dedication and I'm proud to call them my colleagues.

Climate change

This year we have released an updated Climate Change Statement that outlines our approach and strengthened commitments in support of a global transition to net zero carbon emissions.

We understand the impact – positive and negative – our financing has on climate change. We have been working hard on making a meaningful difference while supporting long-standing customers who are making the transition to a low carbon future. Over the last five years, we have reduced our lending to thermal coal mining by almost 70 per cent and increased our direct lending to renewables by 63 per cent.

Our 2020 Climate Change Statement focuses on three main areas.

First, we will help our customers by encouraging them to identify climate risks and opportunities, create transition plans and report publicly on their progress.

Second, we will support the transition of industries to a low carbon future so they can help grow the economy. A key element for ANZ is we will no longer directly finance new assets across the thermal coal value chain and will exit all directly financed coal-fired power stations and thermal coal mines by 2030.

Thirdly, we will reduce our own impact by managing and reducing emissions from our operations. We will do this by accelerating our emission reductions by sourcing 100 per cent of the electricity needed for our business operations from renewables by 2025.

Vale Will Bailey

I would also like to acknowledge the passing of our former Chief Executive Officer Will Bailey in August this year.

Having started as a teller in the Oakleigh branch of the old ES&A bank in 1950, Will served as CEO between 1984 and 1992. He was a mentor to many future ANZ leaders and made a significant contribution in building the ANZ we all know today.

One of Will's major legacies was modernising the bank, introducing automation and computerisation – and some technology still in use today. In fact, ANZ opened Australia's first 'electronic branch' in 1985 under his stewardship. On behalf of everyone at ANZ, I'd like to pass on our condolences to his wife Dorothy and his family and friends.

Finally, I would like to acknowledge again the terrific work of our 39,000 people across the world. From our service centres in Bangalore and Manila through to our contact centres in Australia and branches in New Zealand, they have all done a great job for customers in very difficult circumstances despite competing priorities over this long, arduous period.

Shayne Elliott, Chief Executive Officer

COVID-19 – protecting our customers, people and community

While our decisions in responding to the COVID-19 pandemic have had a short-term financial impact – on earnings, profitability and shareholder value – our focus is on the long-term. A healthy and sustainable community is in everyone's best interests.

Throughout the pandemic we have sought to balance the needs of all stakeholders. Our approach has been guided by four key principles:

Protect what matters

Adapt to the changing environment

Engage with stakeholders

Prepare for the future

These principles informed our 'Statement of Intent' (available on **anz.com**), which outlines support for customers impacted financially by the pandemic and our commitment to work with them on a solution that is respectful, fair and appropriate.

Our customers

In March we announced our initial support package for retail and business customers, offering the option of deferring loan repayments for a period of six months on a range of products, including home, personal and business loans.

We received over 137,000 applications for hardship assistance in Australia alone.

In July we updated our support package for customers continuing to experience financial difficulty due to COVID-19. Additional assistance options (depending on the customer's circumstances) included loan restructuring (for example, an interest only period) or an extension of the deferral period until 31 March 2021.

Customers with loan repayment deferrals have been proactively contacted by phone, SMS and/or email/letter to ensure they understand the impacts of their loan relief and identify if they need further support.

Our people

From early March we moved employees to work-at-home arrangements, split teams and introduced greater distance between those employees performing essential functions in the office. By late April approximately 95% of our non-branch employees had adapted to working from home.

Any employee concerned about their safety while working from home (for example, due to domestic and family violence), could elect to work in the office.

We also introduced 10 days' of paid coronavirus-related special leave, and provided a one-off payment to junior and mid-level employees as a contribution towards working from home work expenses.

To protect our people still working in, or returning to the office, we have put in place multiple controls to minimise the risk of exposure to COVID-19 in the workplace, including thermal screening; physical distancing markers; enhanced cleaning protocols; and robust incident notification, response and management processes.

Across Australia and New Zealand we have over 1.5 million home loans.

Of our ~1 million home loans in Australia, **~95,000 have received deferrals** on their loan repayments since March 2020, with ~74,000 deferred loans active at 30 September.

Of our ~529,000 home loans in New Zealand, **~24,000 have received deferrals** on their loan repayments since March 2020, with ~16,000 deferred loans active at 30 September.

Of our ~236,000 business loans in Australia, **~23,000 have received deferrals** on their loan repayments since March 2020, with ~20,000 deferred loans active at 30 September.

To support the wellbeing of our people we are providing coaching and digital resources through our employee intranet and new 'HealthyMe' app. Our Employee Assistance Program also remains available to our people and their immediate family members.

Finally, we are providing enhanced support for employees displaced from their roles due to redundancy. This has included putting in place a program for impacted employees, which provides them with unlimited coaching and workshops to help them find new careers and support their financial and emotional wellbeing.

Our community

We have worked closely with our community partners throughout the pandemic – from adapting the way we deliver our financial literacy programs to our senior executives engaging weekly with NGOs, consumer advocates and financial counsellors to ensure we are acting responsibly and responsively to real world conditions.

In Australia, we donated $1.5m to the Brotherhood of St Laurence, The Smith Family and the Financial Counselling Foundation – for education, employment, aged care and financial counselling programs targeted at disadvantaged people affected by COVID-19.

We donated a total of NZ$2 million to Women's Refuge, Age Concern New Zealand, the NZ Salvation Army, Red Cross and other local charities in the Pacific to support those most affected by the crisis.

We also directed $8.4 million of unclaimed remediation monies to our key community partners to, among other things, help expand their programs online. COVID-19 has highlighted the need for diverse and sustainable ways to deliver services to vulnerable families. One of our partners, The Smith Family, will use the funds to further digitise their programs so they can continue to support the education of around 58,000 students online.

When children moved to remote learning, many of the families supported by The Smith Family through their Learning for Life program struggled to help their children with schoolwork. This was due to a range of factors including some having low education levels themselves, limited technical confidence and skills, or having English as a second language. In addition, digital inclusion issues such as a lack of devices and internet access further affected some students. The educational support and learning programs The Smith Family provides, with our help, is now needed more than ever, as children and young people from disadvantaged backgrounds are at higher risk of falling behind due to the pandemic.

"We are incredibly grateful for the generosity and ongoing support of ANZ, who enable us to continue helping children and families in need, not just through this challenging time but into the future as well."

Dr Lisa O'Brien, Chief Executive Officer, The Smith Family

Improving the lives of vulnerable Australians during COVID-19

We have worked together with the Brotherhood of St Laurence (BSL) to adapt shared community programs so participants can continue receiving support during COVID-19.

In response to the pandemic, we transitioned Saver Plus, a matched savings and financial education program developed by ANZ and BSL, to digital delivery. This enabled over 2,000 participants to remain on the program by completing financial education online instead of attending in person workshops.

Between March and September 2020, we provided over $520,000 towards laptops and tablets, enabling digital access for over 1,100 families and individuals to support remote schooling and learning.

We were also one of the employers that continued to provide employment opportunities for refugees and asylum seekers through BSL's Given the Chance work placement program. "This has been very much appreciated by BSL, and for the participants it has provided security and stability in a time when many areas of their lives are out of control", BSL's Executive Director Conny Lenneberg says.

Supporting women in a time of crisis

Established in the 1970s, Women's Refuge is New Zealand's largest nation-wide organisation supporting women and children experiencing domestic and family violence.

During the COVID-19 lockdowns many women have needed help to get through the crisis, with the pandemic exacerbating family violence in some households.

In March 2020, we donated NZ$500,000 to the Women's Refuge, a community organisation that ANZ New Zealand has had a long-standing relationship with.

Dr Ang Jury, CEO of Women's Refuge commented on the impact the crisis was having, saying, "we've been overwhelmed with need in recent weeks. Unfortunately for some, there is not a safe place to self-isolate for long periods of time."

The funds from ANZ have meant that women and children can be provided with food, healthcare, communications services and importantly, safe lodging in motels.

"We are incredibly grateful for this donation from ANZ and these funds will help ease the financial pressure our refuges are facing during this time. We are also pleased to be able to direct a portion of the donation to future care and support for women and children," said Dr Jury.

Since 2017, ANZ has made it easier for women referred by Women's Refuge to set up their own bank account, even though they may not have ID or a permanent address.

ANZ NZ CEO Antonia Watson said: "It's important to look out for the most vulnerable in our communities during this time, to not lose sight of their needs, and make sure the people and organisations who support them are well resourced and supported."

About our business

We provide banking and financial products and services to over 8.5 million retail and business customers, and operate across 33 markets.

Our purpose and values

Our expertise, products and services make us a bank. Our people, purpose, values and culture make us ANZ.

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

Our values are the foundation of how we work – living our values every day enables us to deliver on our strategy and purpose, strengthen stakeholder relationships and earn the community's trust. All employees and contractors must comply with our Code of Conduct, which sets the expected standards of professional behaviour and guides us in applying our values.

Our values are:

Bringing our purpose to life

We are helping to respond to complex societal issues central to our customers and our business strategy. In particular, we are focusing our efforts on:

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; and

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

We are contributing to these challenges by: developing innovative and responsible financial products and services; working with our customers; harnessing the skills of our people; and supporting the communities in which we live and work.

Fundamental to our approach is a commitment to **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.

Throughout this report we illustrate how we have embedded purpose into our business strategy, including through our Environment, Social and Governance (ESG) targets and performance objectives.

Supporting sustainable development

We are committed to the United Nations Sustainable Development Goals (SDGs) and believe that business has an important role to play in their achievement. Our ESG targets support 11 of the 17 SDGs.

In 2019 we became a founding signatory to the UN Principles for Responsible Banking. Under the Principles we are required to set at least two targets that address our most significant (potential) positive and negative impacts, aligned with the SDGs and the Paris Climate Agreement. Further information on our progress towards implementing the Principles, including targets we have set, is in our 2020 ESG Supplement available at anz.com/cs.

Our vision and strategy

Our vision and strategy describe *what* we seek to achieve and *how* we will achieve it.

Our vision

Our vision is to build a bank of which we can all be proud – whether you are a customer, a shareholder or an employee – known for:

- delivering value from innovative and convenient banking services that help customers get ahead in life – improving their financial wellbeing
- building the best and most diverse team of people, regardless of where they ultimately work
- showing leadership on important issues, and doing the right thing, even when it comes at a cost
- delivering consistently strong financial results for our shareholders, with a balance between growth and return, short-and long-term results

Our strategy

Our strategy is to help improve the financial wellbeing of our customers, having the right people who listen, learn and adapt; putting the best tools and insights into their hands and; focusing on those few things that really add value to customers, and doing them right the first time.

In particular, we want to help customers:

- save for, buy and own a liveable home
- start or buy and grow their business and adopt sustainable business practices
- move capital and goods around the region and adopt sustainable business practices.

In doing so, we seek to improve the financial wellbeing of our customers, people and communities by helping them make the most of their money throughout their lives; supporting household, business and financial practices that improve environmental sustainability; and improving the availability of suitable and affordable housing options for all Australians and New Zealanders.

Strategic Imperatives

- Create a simpler, better capitalised, better balanced bank
- Build a superior experience for our people and customers in order to compete in the digital age
- Focus our efforts where we can carve out a winning position
- Drive a purpose and values-led transformation of the bank

Strategy

Improving the financial wellbeing of customers...

...looking to save for, buy and own a home

...looking to start, buy and grow a business

...looking to move capital and goods around the region

...with people who listen, learn and adapt

...with the best tools and insights

...with flexible and resilient digital infrastructure that supports great customer experience at lower cost

Creating value for our stakeholders

- Decent returns for shareholders
- Great experience for customers
- Engaged, adaptable and capable employees
- Improved financial wellbeing, housing and environmental sustainability outcomes for customers and communities

How we create value

By transforming our business – embedding a purpose and values-led culture and simplifying our products and services – we aim to create long-term value for all of our stakeholders.

Our value creation model outlines how we create value for our key stakeholders through our business activities, and identifies the inputs – or value drivers – that we rely on to enable us to deliver that value and meet our strategic objectives.

OUR OPERATING ENVIRONMENT

The risks and opportunities in our operating environment impact our ability to create value.

- Social and economic impacts of COVID-19 pandemic
- Limited credit growth
- Regulatory oversight and stakeholder scrutiny
- Technological changes
- Demographic changes
- Increasing importance of ESG
- Globalisation

OUR VALUE DRIVERS

CUSTOMERS
Trusted relationships with over 8.5 million retail, business and Institutional customers.

FINANCE
Access to capital through customer deposits, debt and equity investors and wholesale markets enables us to run our operations and execute our strategy.

PEOPLE
Employees and contractors with the key competencies and right behaviours to deliver our strategy.

RISK MANAGEMENT
Reducing the risk of doing business for our customers and the bank, with systems and processes that are less complex, less prone to error and more secure.

TECHNOLOGY AND DATA CAPABILITIES
Flexible, digital-ready infrastructure to provide great customer experience, agility, scale and control.

COMMUNITY AND RELATIONSHIPS
Strong stakeholder relationships are essential to our brand and reputation.

OUR BUSINESS ACTIVITIES

Operating across 33 markets, we provide banking and financial products and services to individual and business customers.

Through our business activities we deliver the following outputs:

- we provide transaction banking services
- we hold deposits for our customers
- we lend money to our retail, business and institutional customers
- we help customers mitigate and manage financial risks
- we support customers with trade and capital flows
- we provide wealth management products
- we provide advisory services
- we invest in our people to build a diverse and inclusive workforce
- we collaborate with partners to build capacity and improve financial wellbeing
- we pay taxes in the countries within which we operate
- we pay dividends to our shareholders

SHAREHOLDER VALUE

Deliver decent returns enabling shareholders to meet goals

132.7 cents earnings per share[1]

6.2% cash return on equity[1]

60 cents dividend per share for 2020 with an interim dividend of 25 cents and a final dividend of 35 cents, both fully franked

$20.04 net tangible assets per share[2]

CUSTOMER VALUE

Improve the financial wellbeing of our customers

Provide funding for lending, helping customers to own homes and start and grow businesses and assist businesses to transact, trade and invest across our region

Great customer experience through flexible and resilient digital infrastructure

19,839 FTE supporting our retail and commercial customers, providing $353 billion in home lending and $91billion in business lending (Australia and New Zealand)

5,291 FTE supporting our Institutional customers, providing $158 billion in lending

Custodians of $552 billion of customer deposits across the business

EMPLOYEE VALUE

Build a resilient, adaptable and inclusive workforce with a strong sense of purpose and ethics

86% employee engagement (up from 77% in 2019)

Employed 919 people from under-represented groups (since 2016)

$4.9 billion in employee salaries and benefits

Increasing the skills and capabilities of our people providing almost 970,000 hours of training

COMMUNITY VALUE

Connect with, and invest in, the communities in which we operate to support growth, deliver services and develop opportunity

Invested $139.5 million in the community[3]

$2.3 billion in taxes paid to government[4]

> 61,000 people have been reached through our financial wellbeing programs MoneyMinded and Saver Plus[5]

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 56. **2.** Equals shareholders' equity less preference share capital, goodwill, software and other intangible assets divided by the number of ordinary shares. **3.** Figure includes forgone revenue of $105 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. **4.** Total taxes borne by the Group, includes unrecovered GST/VAT, employee related taxes and other taxes. Inclusive of discontinued operations. **5.** Includes individuals who have participated in more than one program or product (for example, people who have participated in MoneyMinded as part of Saver Plus are counted twice as they are included in both the MoneyMinded and Saver Plus totals).

Our operating environment

The COVID-19 pandemic has fundamentally changed the external environment in which we operate, and we are adapting in response. A summary of the key external risks currently affecting our business and our response to them is outlined below.

RISKS	OPPORTUNITIES
Social and economic impacts of COVID-19 • Many customers are financially impacted by the pandemic, and need to adapt to a new environment	• Responding to customer circumstances, by providing financial support and information • Working cooperatively with government on policies to see our customers through the COVID-19 pandemic and into a period of growth
Limited credit growth • An economic contraction, lower business confidence and higher unemployment is limiting credit growth, and many customer loans have been deferred	• Maintaining our focus on core banking services to improve customer outcomes, together with efficient allocation of capital and resources
Regulatory oversight and stakeholder scrutiny • Challenges arising from regulatory expectations and higher community standards and expectations	• Rebuilding trust by 'doing what we say' • Working cooperatively with regulators, government and NGOs • Supporting our customers, employees and the community through the COVID-19 pandemic and ensuing recovery period
Technological changes • Increased competition from digitally enabled competitors • Increased cyber attacks and attempted fraud • Changed employment proposition due to stay-at-home restrictions	• Faster deployment of new and improved digital services, products and processes will help meet customer needs for safe and secure banking • Providing staff with appropriate technology, tools and equipment to work productively from home during the pandemic and its aftermath
Demographic changes • Demand for new home lending and some other bank products may diminish, particularly as population growth stalls as a result of the pandemic • Growing need for more affordable and accessible housing in the market	• Delivering attractive housing products and services to grow market share • Partnering with business, government and NGOs to provide innovative and practical models for the development of affordable housing
Increasing importance of ESG • Failure to meet our ESG commitments and related social expectations could lead to customer and community impacts and reduced shareholder value impacts	• Strengthening our ESG standards, policies, processes, products and services and disclosures • Growth of sustainable finance products and services
Globalisation • The COVID-19 pandemic and changing geopolitical environment has hurt global prosperity and cooperation, threatening flows of trade, investment and people. This may challenge supply chains and productivity across our geographies	• Continued strength of traditional exports, development of new markets and economic recovery provides business opportunities in Australia and the region

Banking through times of change

Much about the world has changed since ANZ started out as the Bank of Australasia in 1835.

In the 1800s and early 1900s, customers used only their 'home' branch, with tellers recording account details in a ledger book using a quill and inkwell.

By the 1920s, Burroughs ledger machines – akin to typewriters or early adding machines – were used for calculations, replacing mental arithmetic.

Then, in around the 1960s, passbook accounts were designed with 'black light' signature panels giving customers the freedom to bank outside of their home branch.

Fast forward to 2020, and we have more than three million customers using our mobile banking app to check account balances, view transactions, and send and receive money.

The COVID-19 pandemic has accelerated the shift to digital banking, with more of our customers looking to digital solutions – be it online or via their mobile phones – to enable them to do their banking from the safety of their home.

Changing the way we do things to meet the needs of our customers isn't new for ANZ.

More than 100 years ago, the Spanish Flu pandemic also led to the closure of state borders, placing restrictions on banking services.

Staff in ANZ's Tweed Heads branch in NSW came up with an innovative way to ensure money and cheques were still able to flow, using a cigar box and some rope to transport the contents across the river to the Queensland border at Coolangatta.

Now in 2020, we continue to adapt the ways in which we deliver products and services to our customers.

With the majority of non-branch staff working remotely from home for much of the year, we had to implement digital solutions for almost every aspect of customer engagement – from accepting electronic signatures on bank documents, to holding virtual customer meetings and events via phone or video calls.

Over the years, despite the challenges in our operating environment, serving customers and providing essential banking services has been our priority.

Becoming a fairer and more responsible bank

We continue to act in response to the 'spirit and letter' of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission).

Last year we developed an integrated response ('roadmap') to act on:

- the lessons we identified from our misconduct and failures to meet community standards and expectations; and
- the themes raised in our 2018 APRA Self-Assessment report across culture, governance and accountability.

While there has been significant focus this year on the impacts of COVID-19, we recognise the importance of delivering on our roadmap. Work on the roadmap has continued to deliver better outcomes for our customers, our people and other stakeholders.

We remain committed to learn from our failures and build a bank that is worthy of the trust and respect of our customers and the community.

Integrated response to the Royal Commission and the APRA Self-Assessment

Our Royal Commission and Self-Assessment Oversight Group monitors the progress with our roadmap. The Oversight Group is co-chaired by our Deputy CEO and Chief Risk Officer and provides regular updates on our progress to the Executive Committee and the Board.

Our roadmap has five focus areas: Culture; Governance and Accountability; Management of Operational Risk; Remediation; and Simplification. Executive Committee members have 'ownership' of each focus area.

Delivering on our roadmap will give us confidence that the lessons of the Royal Commission and the themes raised in our Self-Assessment report have been acted on.

Royal Commission

We made 16 commitments as part of our response to the Royal Commission, to improve the treatment of retail customers, small businesses and farmers in Australia.

- We have completed 11 commitments to date. We have taken action on distressed agricultural loans; remuneration of front line staff; the Retail Banking Remuneration Review (Sedgwick) recommendations; culture and governance; and reporting on remediation of existing failures.
- Of the remaining five commitments, four are dependent on the finalisation of related legislation, and one is ongoing as we continue to assess our culture and respond where changes are required.
- We provide public updates on our progress to implement the Royal Commission recommendations to the House of Representatives Standing Committee on Economics. Our most recent update as at 21 August 2020 is available on **anz.com.**

Many of the recommendations in the Royal Commission's final report require legislative change. We continue to engage constructively with government, regulators and industry as they respond to these.

APRA Self-Assessment

Our roadmap is a multi-year program with defined success measures and targets in place for each of the five focus areas. These are regularly reviewed and updated to ensure they remain relevant.

Governance and Accountability – The Board has committed to maintain effective oversight of management's implementation of the roadmap and receives quarterly updates.

- Our Banking Executive Accountability Regime (BEAR) outputs have assisted to clarify and strengthen accountability. BEAR implementation is aligned with our three lines of defence and embedded within our governance, control and risk management arrangements.
- We introduced a strengthened Accountability and Consequence Framework in June 2019, with expanded public disclosure of senior management consequences. The first annual effectiveness review of the Framework was completed in February 2020, with enhancements implemented.

Culture – We are working towards our aspirational culture and creating an environment where employees are motivated and 'speak up', when they see something wrong. Our Board and the executive Enterprise Culture Steering Group provide oversight.

- We promote a strong 'speak up' culture. Our most recent internal employee engagement survey showed an uplift of 5% (from 69% to 74%) in response to the question 'I can raise issues and concerns in ANZ without fear of reprisals or negative consequences'.
- We changed how we financially reward, recognise and manage the performance of our people to reduce the risk of outcomes that are not in our customers' best interests, and to support collaboration, team performance and encourage long-term thinking. Variable remuneration is now a smaller part of take-home pay.

- We are building leadership capability to have regular and better quality performance and coaching conversations, focusing on outcomes and behaviours.
- We care about our customers. Our Royal Commission commitments improve the treatment of retail customers, small businesses and farmers in Australia.
- Our Dispute Resolution Principles aim to help us be more accountable and transparent. We reviewed and updated our principles in November 2019. The principles apply to our people and our representatives when managing individual retail and small business customer complaints, disputes and litigation in Australia. The principles are available on anz.com.

  – The dedicated Indigenous telephone service we established in May 2019 has answered 6,641calls since inception, with an average speed to answer of 62 seconds as at 30 September 2020.

  – We committed to the Australian Financial Complaints Authority's (AFCA) 'look back' under its new limits, and to fully cooperate with AFCA as it resolves disputes. We established a dedicated team responsible for investigating legacy complaints, which could be lodged with AFCA until 30 June 2020. 179 legacy complaints were lodged, of which 134 have been closed. The remaining 45 cases are at various stages of the AFCA process and we remain committed to resolving these where possible.

Management of Operational Risk – We continue to invest in a simplified operating environment, improved strength of systems and processes, improved control effectiveness, and improved risk capability.

Remediation – Our customer remediation program continues. An update on our progress is included on page 21 of this report.

Simplification – We have taken strategic action to simplify our business, products and processes. For example, we completed the sale of our New Zealand asset finance business, UDC Finance, in September 2020; and we completed the sale of our Pensions and Investments business to IOOF Holdings Limited on 31 January 2020.

Strengthening our approach to human rights

We recognise our business activities can have human rights impacts. To manage these impacts we embed our expectations across our business activities and relationships via group-wide policies, training programs, and customer and supplier screening tools and policies.

This year we commenced a review to strengthen our human rights policies and processes, aligning our approach more closely with the UN Guiding Principles on Business and Human Rights. This has included a review of our minimum standards for business customer grievance mechanisms and community engagement, which we expect to complete in 2021. Our approach is being informed by a working group of external stakeholders, including NGOs, academics, trade unions, customers, industry associations and human rights consultants.[1]

Modern slavery

We are preparing our first statement in response to the Australian Modern Slavery Act.

Modern slavery is serious exploitation of people which undermines or deprives them of their freedom including forced labour, deceptive recruiting and child labour.

The Australian legislation requires us to identify, assess and manage risks in our business operations and supply chain.

We have identified three key areas in which to improve our practices:

- building awareness of modern slavery through training and education;
- policy and process improvements; and
- enhancing our due diligence.

Further detail on our approach to human rights is in our 2020 ESG Supplement available at anz.com/cs.

1. Their involvement does not infer endorsement of the outcomes of this review or other work carried out by ANZ.

Our customers

Supporting our customers through the Australian bushfires and COVID-19 pandemic has been our primary focus this year, but we have not lost sight of our longer-term priorities – to help improve the financial wellbeing of our customers and to increase access to more affordable and sustainable homes.

We are seeking to ensure our products are suited to our customers' needs and meeting expectations. We are implementing digital banking solutions designed to improve financial wellbeing, and protecting customers from those seeking to take criminal advantage of the shift to digital banking. We are listening to customers and managing complaints, taking steps to remediate when necessary and learning from our mistakes. And we are supporting innovative housing delivery models across the private, public and not-for-profit sectors to increase the availability and affordability of homes in Australia and New Zealand.

Supporting customers during difficult times

Financial relief packages were implemented quickly to support customers affected by the bushfires that devastated parts of Australia over the summer months. This included the ability to suspend loan and credit card repayments, temporary interest rate relief, and early access to term deposit funds without incurring fees.

Specialised ATMs were deployed to impacted centres, and hardship support was provided through referrals and funding to community counselling services. Proactive contact was made with small business customers in affected areas and through our insurance partner QBE, prioritisation was given to claims, including emergency payments and temporary accommodation costs.

See page 8 for information on how we are supporting our customers during the COVID-19 pandemic. For discussion on the specific supports available to customers experiencing vulnerability see our 2020 ESG Supplement available at **anz.com/cs.**

Product suitability

We are helping our customers better understand how to get more value from their products – such as by showing them how to adjust their use of a particular product, or identifying when there may be an alternative product better suited to their needs. Our Product Suitability team develops and manages a number of customer contact programs to support improved customer outcomes and enhance customers' financial wellbeing. Program results are reported quarterly to the Board.

Improving customer experience through digital innovation

We need to ensure our customers can rely on us to provide them with secure remote access to banking products and services.

Digital platforms such as mobile and internet banking make it possible for customers to serve themselves, anywhere, anytime and we are adapting the way we operate to respond to our customers' changing banking habits.

The COVID-19 pandemic has accelerated the shift to digital banking, with mobile phone banking our fastest growing channel. We have provided additional education and support for customers using digital channels for the first time this year, with 300 extra staff retrained and deployed to assist.

In Australia, the ANZ App is helping 3.2 million customers stay on top of their day-to-day banking.

2–4A.M.

51,000 LOGINS

Peak usage on the ANZ App is between 4–6pm, and even during our quietest time between 2–4am, we see an average of 51,000 logins

2–3A.M.

10,000 CUSTOMERS

Peak usage for internet banking is between 1–2pm, and during our quietest time between 2–3am, we serve almost 10,000 customers.

Over the last 12 months we have rolled out several new self-service features to the ANZ App, including the ability to open new accounts, activate a card, set or change a card PIN and temporarily block and unblock a card to protect an account from theft and fraud. To date, more than 22,000 new accounts have been opened, 760,000 debit and credit cards have been activated, 807,700 card pins have been set or changed, and 45,300 temporarily block and unblock card requests have been processed through the ANZ App.

The ANZ App won Money Magazine's Mobile Banking App of the Year 2020

HIGHLIGHT — INCREASING THE VALUE CUSTOMERS RECEIVE FROM OUR PRODUCTS

Our **Concession Account Suitability program** contacts customers in receipt of eligible Centrelink or Veterans' Affairs benefits with an offer to move to a low-cost basic bank account. To date we have contacted more than 335,000 customers (210,000 this year) with more than 14,600 taking up the offer to move to a basic account. From 19 March to 22 July the program was paused as we shifted our focus to supporting customers impacted by COVID-19.

Our **Persistent Credit Card Debt program** identifies and contacts credit card customers who are carrying persistent debt[1] on their card to help them pay their debt faster. Customers are offered financial education, and the opportunity to close their card and repay the remaining debt at a lower interest rate. To date, we have contacted 18,195 customers with 1,450 customers taking up the offer. This program was also paused while we focused on supporting customers impacted by COVID-19.

We are implementing digital solutions designed to make banking easier and improve the financial wellbeing of our customers.

In Australia, we launched the 'set a savings goal' feature in the ANZ App to help customers better manage their money and develop savings habits. Customers receive personalised in-app notifications, encouraging them to set a goal, stay on track and celebrate milestones along the way. One in 10 active App users has set a goal this year. There are now more than 240,800 active or achieved goals in the App, with 24% of these saving for a house, followed by a holiday (17%).

In New Zealand, we introduced several new self-service features to ANZ goMoney and internet banking, including fixed-rate rollovers. Customers with an existing fixed-term home loan or flexi home loan, who want to fix their rate, can now request a personalised rate for their loan facility and term (based on current market rates) without needing to call us or visit a branch. One third of all home loan fixed-rate requests are now completed digitally.

We also implemented customer alerts to mobile phones, letting customers know when they receive a deposit or have a low balance, assisting them to manage their finances.

Protecting our customers in a digital world

We have seen a significant increase in malicious emails seeking to take advantage of our customers, with cyber criminals capitalising on more internet traffic during the COVID-19 pandemic. Malicious email tactics include those that claim to have links to maps of virus outbreaks and related information, tricking people into downloading malicious software.

The threat landscape is changing at a rapid pace, and we have responded in kind, moving to leverage automation, machine learning and advanced analytics. We invest heavily in our cyber security capability, and remain in a strong position to keep our systems, data and customers safe from the increasing pace, scale and sophistication of cyber attacks.

Our threat intelligence and 24/7 Security Operations Centre analyses millions of data events every day to help keep customers, employees and the bank safe online. As malicious campaigns are identified, we implement targeted, automated capability to block them.

During a 30 day period near the start of the pandemic we blocked around 550,000 COVID-19-themed emails, and during July 2020 we blocked over 12 million malicious emails alone, an increase of more than 8 million emails compared to October 2019.

In the context of the changing threat landscape, ANZ did report a major security event to the Reserve Bank of New Zealand and the Australian Prudential Regulation Authority in the financial year 2020, as a result of a distributed denial of service[2] attack in New Zealand. While this attack was similar to what was experienced by other organisations, we were able to proactively detect the activity and mitigate the risks through preventative security controls, resulting in minimal disruption to our operations and customer services, and no impact to customer data.

HIGHLIGHT — MAKING SMALL BUSINESS LENDING EASIER

This year we launched ANZ Online Business Lending. The platform provides conditional approval for up to $200,000 in unsecured lending in as little as 20 minutes and access to funds within four days. Customers using ANZ Online Business Lending have access to fixed-and variable-term loans as well as overdraft facilities.

As the economy recovers from the impacts of COVID-19, helping small businesses to access capital in a fast and convenient way is critical.

According to Mark Hand, ANZ's Group Executive, Australia Retail and Commercial Banking, "While the current economic crisis will be devastating for some businesses, there has also been a great deal of resilience and some will be able to come out the other side even stronger. We're also starting to see new businesses being created to meet emerging customer needs.

"This sophisticated new technology is deeply integrated with ANZ's existing platforms to provide our customers with a quick, simple and secure lending experience so they can spend more time running and growing their business."

1. Where for at least the last 12 months a credit card has over 80% of the credit utilised and the customer has been paying 2–3% of the outstanding balance on average each month.
2. A distributed denial of service (DDoS) attack is an attempt to make an online service unavailable by overwhelming it with traffic.

CHALLENGE — **SCAM ASSIST**

During the COVID-19 pandemic we have seen an increase in customers falling victim to scams, particularly remote access and investment scams. Digital fraud attempts have also increased.

In addition, we have seen a number of customers trying to supplement lost earnings through investments purported to be high-yield options, such as crypto-currencies.

In 2020, our Australian Scam Assist team investigated over 5,000 individual scams impacting our Australian Retail and Commercial customers and recovered approximately $25 million on behalf of some of those impacted.

As an industry, we face significant challenges in helping our customers not fall victim to scams. We work with law enforcement agencies, collaborating on a number of operations to identify and disrupt Australian based actors, particularly via the Fintel Alliance. Efforts to break-up criminal syndicates are focused on three key actions: customer and employee education; improved detection capabilities; and ongoing support of law enforcement disruption activities.

NET PROMOTER SCORE

AUSTRALIA

Retail: ranked 3rd[1]
(up from 4th at end of 2019)

Commercial: ranked 4th[2]
(down from equal 3rd at end of 2019)

Institutional: ranked 1st[3]
(no change from 2019)

NEW ZEALAND

Retail: ranked 4th[4]
(no change from 2019)

Commercial and agricultural: ranked 5th[5]
(no change from 2019)

Institutional: ranked 1st[6]
(no change from 2019)

Measuring customer experience

One of the ways we measure the experience of our customers is through our strategic Net Promoter Score (NPS). NPS enables us to gauge whether we are meeting customer needs and expectations and how we are performing relative to peers. It is measured by asking customers how likely they are to recommend ANZ (on a 0–10 scale) and is calculated by subtracting the percentage of detractors (those who give a score of 0–6) from the percentage of promoters (those who give a 9 or 10).

While our performance relative to peers improved for our Australian Retail customers, we failed to improve relative to peers for our Australian Commercial and New Zealand Retail and Commercial customers. Our Institutional ranking remains at number one in both Australia and New Zealand.

Managing customer complaints

Internal Dispute Resolution (IDR) plays a vital role in protecting customers. Fair and robust IDR assists with recognising and fixing problems that arise, both at an individual customer level and across the business. It allows us to 'hear' where changes need to be made and serves to inform us when we are not meeting customer or community expectations.

In 2019 we commenced a program to review and improve our IDR policies, systems and practices, with program updates provided to the Board and ASIC. Capability and quality improvement initiatives support our objectives of fair, consistent and well communicated complaint outcomes to our customers.

A foundational element of the IDR program was the establishment of a Customer Resolution portfolio in early 2020, which is dedicated to working with our customers when they have a problem:

- senior executive leadership and complaint management expertise has been introduced to drive IDR uplift, along with supporting governance, data, analytics and transformation capabilities.
- the portfolio has been focused on improving the way we handle our customers' complaints in order to solve complaints earlier and improve the overall complaint resolution timeframes. Additional complaint handling staff have been also recruited to support timely complaint resolution.
- we appointed a Vulnerable Customer Lead to continue the development of the Divisional vulnerable customer strategy and provide an important link as we support our customers during the COVID-19 pandemic and other life changing events.

1. Roy Morgan Single Source, Australian population aged 14+, Main Financial Institution, six-month rolling average to September 2020. Ranking based on the four major Australian banks. **2.** DBM Business Atlas. Base: Commercial Banking (<$100 million annual turnover) Main Financial Institution customers. Six-month average to September 2020. Ranking based on the four major Australian banks. **3.** Peter Lee Associates, 2020 Large Corporate and Institutional Relationship Banking surveys, Australia. **4.** Retail Market Monitor, Camorra Research, six-month rolling average to September 2020. Ranking based on the five major New Zealand banks. **5.** Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3 million – $150 million annual turnover) and Agricultural (>$500,000 annual turnover) customers. Four-quarter rolling average to Q3 2020. **6.** Peter Lee Associates, Large Corporate and Institutional Relationship Banking surveys, New Zealand 2020, ranked against the Top 4 competitors.

Improving our IDR practices

We are continually trying to find ways in which we can encourage feedback in order to provide better experiences and fair outcomes for customers. Some of the improvements we are working on include:

- development of a new and improved complaints recording and management system
- establishment of a Systemic Issues Management function with a focus on using complaint data and advanced techniques such as machine learning and artificial intelligence to identify issues early
- continued investment in the capability of our people and the efficiency of our processes to help customers resolve their complaints as quickly as possible.

Further information on customer complaint management is in our 2020 ESG Supplement available at anz.com/cs.

Customer remediation

We are delivering on our commitment to fair, responsible and efficient customer remediation.

In an effort to fix our past mistakes as quickly as possible, we have increased remediation staffing levels significantly since 2018. Across the Group there are now over 1,200 staff working on customer remediation, with approximately half in dedicated remediation teams.

Our Australian Responsible Banking team is resolving identified fee or interest discrepancies with over 5.2 million Retail and Commercial customer accounts. Since April 2018, we have refunded approximately $223 million across approximately 2.9 million customer accounts[7].

Our pace of remediation has been steadily increasing and over the last 12 months we have remediated approximately 1.8 million customer accounts, compared to approximately 1.1 million over the 18 months to September 2019.[8]

In Australia, we have an education program to share 'lessons learnt' and to highlight to staff the impacts on customers when we fail to get it right. The program is aimed at raising awareness and fostering a culture where employees are clear on the role they play in delivering quality customer outcomes and safeguarding our customers' interests.

The Group's customer remediation activities are regularly reviewed by the Board. Directors are provided an overview of the status of remediation matters; regulator engagement; repayments and provisioning; and reviews underway to identify new matters.

Assisting potentially vulnerable customers to access their money

At the start of the COVID-19 pandemic around 7,000 of our customers only held a passbook account at ANZ. These accounts do not have the option of an ATM card or access to internet or phone banking. Customers with these accounts are typically over 70 years old with their pension income paid into this account.

We recognised that our customers may have had difficulty accessing their money in the event of a temporary branch closure, or if they wanted to self-isolate. Our bankers were able to reach over 5,000 of these customers to check in on them considering their specific vulnerability during the COVID-19 pandemic. We also sent letters with information on everyday accounts with a Visa debit card that can be used for online/phone shopping, and ATM/store withdrawals. It also includes access to internet banking and no monthly account service fees.

We developed a new process enabling customers to open an everyday account from their home entirely over the phone. We also implemented a technology change to enable passbook customers to establish a recurring transfer by phone to automatically transfer regular income, such as pension payments, from their passbook account to their new everyday account.

More than **500** of these **7,000** customers chose to open an everyday account.

Over **100** of our passbook customers set up a recurring transfer to move their pension income into their everyday account.

7. In certain instances:
- we make a payment to one of our community partners in lieu of a payment to a customer account. As at 30 September 2020 payments were made to ~238k accounts totalling $744k
- we pay the customer via cheque. As at 30 September 2020 cheques had been issued for ~521k accounts totalling ~$59m. A portion of the cheques remain unpresented
- we offer certain customers access to payment via a payment portal. As at 30 September 2020 offers to access payment via payment portal have been issued for ~10k accounts totalling ~$379k
- we transfer payments through a process for unclaimed monies (includes payments for de-registered companies). As at 30 September 2020 payments transferred via this process have been made for ~2k accounts totalling ~$1m.

8. The matter is considered complete when all customer payments have been processed. In some cases, remediation teams may continue to close out non-customer payments, documentation and governance requirements beyond this point.

Improving the availability of suitable and affordable housing

Housing-related lending is a key activity of the bank. We lend to home owners and investors, and for property development and infrastructure. We believe we can play a role in helping improve the availability and affordability of housing, including support for innovative housing delivery models across the private, public and not-for-profit sectors.

At the end of 2018 we committed to **fund and facilitate $1 billion of investment by 2023 to deliver around 3,200 more affordable, secure and sustainable homes to buy and rent in Australia**. We have exceeded this target.[1]

In addition to the $1.02 billion of investment in Australia, we have also funded and facilitated around NZ$1.35 billion to support the delivery of social and sustainable housing across New Zealand.

We have continued to build our housing supply pipeline through direct engagement with our clients (new and existing), supporting innovative models to finance new supply.

This year we have:

- jointly arranged two additional bond issuances for the Commonwealth's National Housing Finance and Investment Corporation (NHFIC), including the largest social bond for housing in Australia ($562 million)
- arranged bonds for Kāinga Ora (Housing New Zealand Corporation) to support the delivery of more social and sustainable housing (jointly NZ$1 billion; solely NZ$300 million)
- supported the first Assemble Model, designed to bridge the gap between renting and owning a home to market[2]
- invested in the development of a Specialist Disability Accommodation (SDA) pipeline
- helped build the case for institutional investment in long-term rental housing through the backing of a range of 'build-to-hold' projects.

We have committed to increase our target to fund and facilitate $10 billion of investment by 2030 to deliver more affordable, accessible and sustainable homes to buy and rent in Australia and New Zealand.

HOUSING — **DELIVERING ACCESSIBLE HOUSING OPTIONS TO MARKET**

As part of the roll-out of the National Disability Insurance Scheme (NDIS) in Australia the government has contributed funding to Specialist Disability Accommodation (SDA) to encourage investment in the development of new high-quality housing for eligible people.

Our Corporate and Institutional Health team is developing its expertise and capacity to ensure our ability to support this much needed housing supply to market. The benefits to help deliver better connection and opportunity for people in SDA are key drivers of our interest in investing in this emerging asset class.

Over the course of this year, ANZ has provided credit approved commitments in excess of $100 million to the SDA sector and closed its first transactions, partnering with our clients to deliver SDA housing and to aid them to grow a pipeline of new homes across the country.

We have also worked with our existing property clients to facilitate the inclusion of SDA as a pre-sale element in their property developments. This has allowed them to partner with developer, Summer Housing, to include disability housing in mixed developments, providing residents with access to services and supports.

Our support is broader than debt capital, with the Summer Foundation receiving a 2019/20 ANZ Community Grant to support the roll-out of their Tenancy Matching service.

"I am thrilled to be assisting people to navigate their own housing journey, courtesy of the ANZ Community Foundation, which funded a Summer Foundation project to deliver housing workshops in Tasmania for people with disability and their families," said Liz Ellis, Summer Foundation convenor.

The workshops helped participants to identify where they wanted to live and to consider their specific housing needs and preferences. They also provided guidance on the different housing models available – including SDA (through the NDIS) and affordable housing.

Summer Housing project

1. Due to the lag between financing and commencement of development, number of homes will be audited and disclosed once projects have been delivered. **2.** The Assemble Model is a new 'build-to-rent-to-own' hybrid model that bridges the gap between renting and owning a home. It offers residents a five-year lease with the option 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.

HOUSING — INVESTING IN SOCIAL AND AFFORDABLE HOUSING IN NEW ZEALAND

Following the wellbeing bonds we arranged for Housing New Zealand Corporation in 2019, this year we jointly led NZ$1 billion of bond issuances and a sole placement of NZ$300 million for Kāinga Ora – Homes and Communities, to deliver an additional 8,000 new public housing and transitional housing places. All new homes will be built to 6 Homestar, meaning they will far exceed Building Code (NZ) standards for warmth, dryness and health.

As part of Kāinga Ora's ongoing build program, already more than 3,000 public housing homes have been built with this rating around New Zealand. Not only are these new homes warm and dry, they also contribute to improved financial wellbeing of tenants, with energy savings estimated to be NZ$570 per household every year.

Kāinga Ora brings together the KiwiBuild Unit, Housing New Zealand and its development subsidiary HLC, and is designed to enable a more cohesive approach to delivering the government's priorities for housing and urban development in New Zealand.

SOLD

In the last 12 months, we have lent over **$60b**, helping more than **170,000** customers in Australia buy a home.

In the last 12 months, we have lent over **NZ$18b**, helping more than **55,000** customers in New Zealand buy a home.

LINKS TO 2020 GROUP PERFORMANCE FRAMEWORK

Despite the serious challenges faced by the banking sector and community this year, our actions over previous years to simplify and strengthen the bank provided us with the capacity to support our customers at a time of need and strengthen our long-term relationships. While the focus has been on assisting customers in need, there has also been opportunity to build new customer relationships and enable more digital services that have been especially valued in a restricted COVID-19 environment. Institutional performance in key customer satisfaction/relationship strength surveys continued to be a highlight, and a new online payments experience has been processing ~1 million payments daily and providing digital self-service for Institutional customers.

See section 4.5.3 of the Remuneration report for more details.

CUSTOMER STORY — ADAPTING

Opportunities arise in challenging times

Mount Zero Olives is a small, family-owned and operated business in the Grampians in regional Victoria, producing and processing certified organic olives, olive oil and table fruit.

They also partner with local growers to produce a range of pulses and grains. Supplying predominantly to restaurants throughout Australia, the business has been hit hard by the COVID-19 pandemic.

General Manager, Richard Seymour recalls the moment he first realised they were in for tough times.

"I have a really vivid memory of when the pin was pulled on the Melbourne Grand Prix in March and I knew we were in for a world of change."

An ANZ customer for almost two decades, Richard found himself drawing on his strong relationship with the bank, developing a roadmap to guide the business through the pandemic.

"With the help of ANZ and our business advisor, we put together a vision which saw us quickly pivot to engaging directly with customers through an online platform. In a matter of months, we've been able to grow what was around 5% of direct sales to customers, to around 35%."

Mount Zero's customers have always valued its sense of brand, the foundation of which, according to Richard, is its proud heritage as a family business that values sustainability and supports 'local'.

"This has really resonated with our customers during the pandemic, as they've been able to reach out to a business directly that was already quite tangible to them, and not just a paper wrapper on a product on a supermarket shelf. They know who we are, where we are from and what we stand for, and they've supported us for these reasons."

"As horrible as the outlook is for many small businesses due to the pandemic, it has presented an opportunity to drive change and come out stronger on the other side, and for that, we're really grateful," says Richard.

Our divisions

Australia Retail and Commercial

"This year has been an extremely tough time for our customers. We know not every business will survive but we also know there is opportunity for others. We will be working closely with our customers – no matter their situation – to understand their need and to find solutions that will help them succeed in the future."

Mark Hand, Group Executive Australia Retail and Commercial Banking

Operating environment

Between drought, bushfires and COVID-19 it has been a tough year for the economy and many of our customers.

Unprecedented levels of fiscal stimulus have so far sheltered Australia from the worst economic impacts and some areas of the economy are seeing opportunity, such as online retail, home exercise equipment and pet supplies.

Retail customers are accelerating their shift to online and mobile banking, limiting branch visits and moving away from cash, credit cards and personal loans. Instead they've been saving more, reducing debt and refinancing their mortgages.

Although Australia is yet to return to normal activity, businesses are increasingly adapting to the new environment. Many of our commercial customers have proactively managed costs, been conservative with capital, and innovated during this crisis.

While we face headwinds from the economic contraction, lower business confidence and higher unemployment, we are focused on supporting our customers, adapting to the changing environment, and preparing for a more digital future.

Strategy and focus

Our goal is to be a simpler, more efficient, well-managed business, that is the bank of choice for Australian home owners and business owners. Our priorities are to continue to fix our past mistakes, grow strategically and sustainably, reshape our business for a post-COVID world and prepare for a digitally-enabled and highly automated future. We are investing in the business through the economic cycle while continuing to reduce costs to a more sustainable level.

Fixing past mistakes and returning money owed to customers quickly remains an important focus. Since April 2018 we have remediated approximately 2.9 million customer accounts and issued refunds of approximately $223 million.

We further simplified the business, including by introducing a more targeted approach in the Financial Advice business to focus on affluent and high net worth clients, and announced the sale of 1,300 offsite ATMs to Armaguard.

Across our branch network, we invested heavily to open digital branches providing customers with new self-service options, including smart (deposit taking) ATMs and business cash deposit machines. We also restored momentum in the home loan book growing it by ~$10 billion in the year to $275 billion.

We launched our new Online Business Lending platform providing small businesses with conditional approval for up to $200,000 in unsecured lending in as little as 20 minutes, and access to funds within four days.

Performance highlights

Our response to the shifting environment has had a very real short-term financial impact – on revenue, profitability and returns. Cash profit declined by 27% in 2020 compared to the prior year. Through continued discipline, costs remain well managed, flat year on year.

Mortgage sales volumes are back to 2017 levels, and Retail and Commercial deposits are up by $12.7 billion and $13.9 billion respectively. With lower levels of demand for credit, commercial lending was flat.

In response to the pandemic we have provided assistance to our retail and commercial customers, including deferrals on home loans, personal loans, credit cards, business loans and asset finance as well as temporary overdraft increases. Around 95,000 home loans and 23,000 business loans received repayment deferrals. We also increased the size of our hardship team and, diverted branch staff to support the 65% increase in customer calls for support.

We contributed to communities through our bushfire financial relief package for customers, donated more than $1 million to support customers and communities impacted by the fires, and extended our special paid leave for employees who volunteer in emergency services.

We received a number of awards, including Money Magazine's Mobile Banking App of the Year, ANZ Canstar's Small Business Bank of the Year Award for the third consecutive year and Agribusiness Bank of the Year Award. ANZ Private Bank won a number of awards, notably ranking #1 in four categories in Euromoney's peer-voted Private Banking and Wealth Management 2020 Survey, including Best Overall.

Institutional

> "In Institutional, our global network positioned us well to move quickly to respond to the pandemic and support our valued, long-term customers. We also mobilised our digital channels to manage a sharp rise in transaction volumes, while working closely with our customers to keep them cyber-safe."
>
> Mark Whelan,
> Group Executive Institutional

Operating conditions

The external environment was challenging in 2020, particularly in the second half as COVID-19 impacted the global economy and supply chains. The pandemic led to sharply lower levels of activity in every geography and many sectors, and introduced significant uncertainty about the future for our Institutional customers. These immediate challenges were also conflated with disruptive structural change and geopolitical issues.

At the same time, these disruptions resulted in strong activity in our markets and lending businesses, which responded swiftly to market volatility and unprecedented demand for liquidity. With a presence in 33 markets globally, our diverse business was prepared to support our customers and staff in our home markets and internationally.

The pandemic has increased competition, and record low interest rates continue to narrow margins and place pressure on revenue. Slower global demand and competition led to lower trade finance volumes and revenues. In the face of these conditions, Institutional continues to sharpen its focus on the right customers in priority sectors and further invest in digital, data and automation to strengthen the business.

Strategy and focus

In 2016, Institutional laid out a strategy to build the best bank for clients moving goods and capital across the region. Our aim was to be simpler for our customers and employees, resilient through the cycle and increase return on equity. We became more targeted and focused on customers who would benefit from regional growth, had a link to our home markets, valued our network and were in industries where ANZ had strong expertise.

Four years on, this strategy is well progressed. We have reshaped the business, diversified our revenue streams with greater emphasis on lower capital-intensive products, consistently reduced operating costs, and strengthened our culture, while clearly establishing our position as the leading relationship bank in the region.

In the early days of the pandemic we were able to move quickly to support our key customers, and in the 6 months to end-March provided $16 billion[1] in additional lending globally. We maintained a disciplined approach to pricing for risk and capital management, and undertook rigorous stress testing to manage credit risk. Lending volumes declined in the second half as global capital market conditions improved, enabling customers to access debt and equity markets and repay bank debt. Credit Risk Weighted Assets ended the year broadly flat.

Through the pandemic, our digital channels came to the fore, and payment volumes increased 9.4% year on year. We supported hundreds of customers working from home by providing secure remote access via web and mobile, and helped reduce customer net losses from fraud by 62%.

We were recognised for supporting our customers, and we maintained our leading market positions across key geographies (#1 in Australia and New Zealand[2], #5 in Asia[3] for market penetration). This included #1 for overall relationship quality in Asia[3] and #1 for Net Promoter Score in Australia and New Zealand[2].

Performance highlights

Institutional continued to deliver the benefits of a simpler, more disciplined and resilient business in 2020, delivering 1% cash profit growth compared to the prior year despite tougher economic conditions. Net loans and advances declined 4% after peaking in the middle of the year, while customer deposits grew 3%.

The results demonstrated the value of customer, product and geographic diversification within the business. In a low interest rate environment, Transaction Banking and Corporate Finance revenue declined in 2020, down 15% and 1% respectively. Markets revenue increased by 49%, as customers sought to manage their financial risks amidst heightened volatility in Global Markets.

Geographically, lower profit in Australia was offset in Asia Pacific, Europe & America and New Zealand, mainly due to higher markets revenue as customers managed foreign exchange, interest rate, credit and commodity price risks.

The Division's focus on productivity contributed to another year of cost reduction, with lower full time equivalent staff, property efficiencies and reduced discretionary spend. Credit charges increased with tougher economic conditions and lower forecast economic growth, however, the credit quality of the book remains strong.

Through 2020, ANZ Institutional helped arrange the largest social bond by an Australian issuer for the National Housing Finance and Investment Corporation, as well as $72 billion in funding for the Australian Government's COVID-19 support package.

1. Institutional Gross Loans and Advances excluding FX and Markets **2.** Peter Lee Associates 2020 Large Corporate and Institutional Relationship Banking surveys, Australia & New Zealand.
3. Greenwich Associates 2019 Asian Large Corporate Banking study

New Zealand

> "As New Zealand's largest bank, we've been in a unique position to assist thousands of businesses and many more individuals through what has been a tough year for many. Despite a challenging year, I'm proud that we've been able to continue to support our customers, our communities and our people."
>
> Antonia Watson, Chief Executive Officer New Zealand

Operating conditions

Throughout the COVID-19 pandemic New Zealand's economy remained in an enviable position relative to many others.

The housing market responded to record low home loan rates, while being shielded from the economic slowdown by the mortgage payment deferral scheme and the government's wage subsidy scheme.

Surveyed business activity indicators have increased since February 2020, now at similar levels to pre-pandemic, brightening the outlook for near-term growth.

However, uncertainty, rising unemployment and winding down of income support measures will cause some discomfort, and the impact of the closed border will play a role in the economy for some time. Helpfully, and providing some offset, New Zealand's export prices are holding up, indicated by ongoing resilience in export prices relative to other commodities and strong operational models in our core industries.

The Reserve Bank of New Zealand has taken a medium-term outlook with a current focus on quantitative easing.

They confirmed increased capital requirements, originally due to start taking effect from July 2020, have been delayed by at least one year.

Business focus

We remain committed to delivering great customer experiences and outcomes.

ANZ New Zealand implemented key government-led initiatives in response to COVID-19 and a major program of reduced fees, charges and interest rates.

ANZ led the waiving of Merchant Service Fees on existing customers' contactless debit capability for a limited time and permanently reduced them after the COVID-19 lockdown.

Since the pandemic we have provided financial help to around 43,000 personal, home and business loan customers through repayment deferrals, restructures or adjustments, covering lending of around NZ$27 billion.

Data and digital initiatives included the launch of our electronic verification and use of data to identify customers who may be experiencing hardship.

We continued refining our physical presence to fewer, improved branches and reduced hours for selected regional branches, enabling an efficient and simplified operating model. ANZ New Zealand is part of an industry-led trial for banking hubs in regional areas.

We completed the sale of UDC Finance Limited to Shinsei Bank in line with our simplification strategy.

We announced the Bonus Bonds Business would close to new investment and that we intend to start winding up the scheme by the end of October 2020.

In the environmental space, ANZ provided public submissions to government, completed New Zealand's first sustainability-linked loan and arranged the country's first inflation-linked sustainability bond.

We aided farmers' decision-making through proprietary digital tools including our dairy and red meat dashboards and a geospatial tool that analyses weather, soil and contour data.

Performance highlights

Despite difficult conditions, we maintained a leading position in core banking products with ~31% share of mortgages and ~33% share of households deposits (August 2020) and ~22% share of KiwiSaver (June 2020).

Net loan and advances were flat for the year, underlying[1] net loans and advances grew by 3%, driven by home lending growth of 6%, and the housing market has remained reasonably resilient.

Customer deposits grew 9% aided by inflows from the government's wage subsidy scheme and increased system liquidity following quantitative easing measures from the RBNZ.

Revenue was impacted by interest-margin pressure from record low interest rates, simplifying and reducing fees, and a range of fee waivers initiated to support customers.

Higher credit impairment charges had a material impact on our results with a substantial increase in collective provisions, recognising the possible impacts of future economic and operating conditions.

Despite a trying year, our staff continued to play a role in their communities. Many helped to plant more than 25,000 trees across New Zealand as part of our partnership with Sustainable Coastlines, and volunteered over 6,000 hours.

Our payroll giving scheme allocated over NZ $650,000 to 60 charities, and staff donating to the ANZ New Zealand Staff Foundation grew from 24.5% to 25.9%.

ANZ donated a total of NZ$2m to Women's Refuge, Age Concern New Zealand and the Salvation Army's foodbank network to support people through COVID-19, and NZ$1m to grassroots cricket and netball clubs and initiatives nation wide.

1. Adjusting for the sale of UDC

Our people

Much of our focus this year has been on mobilising resources to support the changing needs of our customers and business during the COVID-19 pandemic.

While we have continued to develop the culture, capabilities and behaviours needed to deliver our strategy, our top priority has been to protect our people, keeping them safe and well. As discussed on pages 8–9, our Group-wide COVID-19 response plan includes supports for vulnerable employees, employees working from home and those on the frontline supporting our customers.

Mobilising our resources to meet demand

During March we began to experience a dramatic increase in calls to our dedicated hardship team in Australia. We received around four years worth of hardship applications in the space of only three months as almost 94,000[1] customers impacted by COVID-19 sought assistance.

In response, we developed COVID-19 'Talent Mobility Principles', the purpose of which was to ensure we had 'the right people, in the right locations, at the right time', to meet customer and community needs during the pandemic.

A campaign was run across Australia, New Zealand and India to help employees self-identify their skills and desire to move into critical areas of the business, such as our Customer Contact Centre. Over 1,000 hours of customised virtual training was delivered to over 700 staff across our Customer Service Operations team and branches to assist them to move temporarily to in-demand roles. We have also recruited approximately 185 new hardship consultants and provided over 23,000 hours of training to our Customer Connect (Hardship) team to ensure ongoing support for our customers on a COVID-19 assistance package.

EMPLOYEE STORY — LIFE BEYOND THE BRANCH

The 'Beyond the Branch' program was launched earlier this year and assists branch employees to move to business areas requiring additional resources to meet increased customer demand as a result of COVID-19.

We benefit from transferring our branch employees' customer focus and experience to the areas of greatest customer need – including our Customer Contact Centre, Customer Service Operations and Customer Resolution – and employees benefit from the opportunity to diversify their skillset and broaden their career.

The program involves:

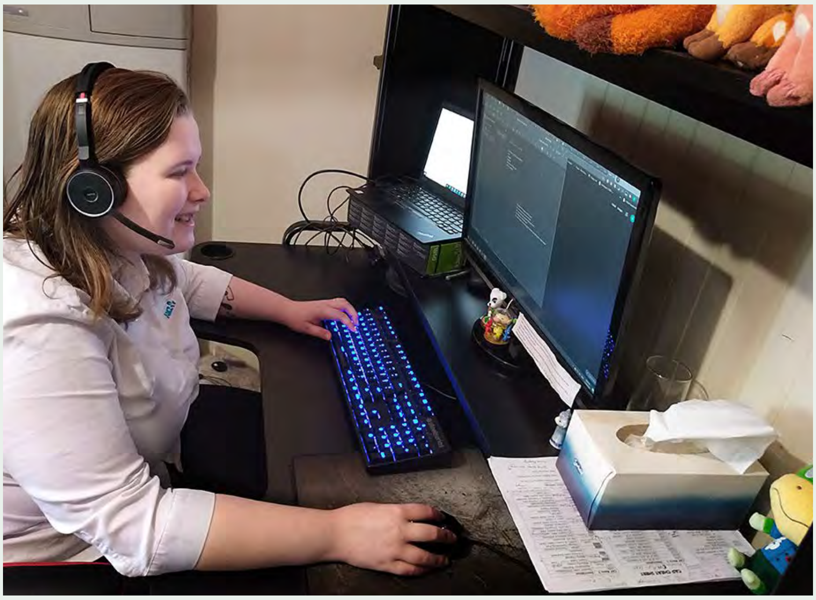
- identifying the in-demand roles that are a match for branch employees;
- distributing these roles across Australia, rather than having them based in our Melbourne head office;
- actively promoting and providing visibility of the opportunities; and
- soliciting the support of senior branch staff to advocate for the program and actively support people moving into these roles.

Many branch employees have moved into the Collections and Hardship team as part of the program. We have also set up 'hubs' in Western Australia, with Queensland and New South Wales soon to follow, so as to 'tap into' the capability of branch staff outside of Victoria.

Solarah Jupp has recently moved from a branch into the Collections and Hardship team.

"I originally applied for 'Beyond the Branch' as I believed the roles suited my skillset and I was really looking for a new challenge. Going through this experience has meant the world to me – it has broadened my career horizons far beyond what I could have thought possible in branch. I feel excited for the future and I'm looking forward to the next challenge."

As at 30 September, 197 'Beyond the Branch' roles have been filled, with roles available in every state in Australia.



1. Requests for COVID-19 assistance received between 1 March 2020 and 31 May 2020.

Employee engagement

In April, our **engagement result increased to 86%** (up from the 77% in 2019), with increases across all areas of the bank. This is a testament to the resilience of our people and their ability to adapt to the new pressures and challenges presented by COVID-19.

up 9 points

94% of employees said ANZ is supporting them during the pandemic, and 95% said senior leaders have been communicating effectively.

In response to COVID-19 we launched the '**Team Health Check'**, a new team wellbeing survey, and we continue to run regular pulse surveys to measure engagement – results have remained relatively stable since April.

Culture

The success of our strategy is dependent on embedding a culture focused on delivering great customer outcomes, making things simpler and always learning. This work is underpinned by our purpose and values.

We are taking steps to improve our culture and are enhancing how we track and measure our progress. Our Enterprise Culture Steering Group (ECSG), chaired by the CEO and whose membership includes other members of the Executive Committee, plays a critical role in guiding our efforts by helping us to understand our cultural strengths and development areas.

This year the ECSG has considered the way our organisational culture has changed during COVID-19, including the opportunities and risks created by the pandemic – for example, cross-team collaboration and a focus on execution were identified as strengths that have enabled us to deliver positive customer outcomes.

Culture assessments

Our Internal Audit group has continued to conduct culture reviews throughout the year, supporting businesses and functions to understand their culture and impact on ANZ's aspirational and risk culture.

Assessments are undertaken through a combination of quantitative and qualitative analysis, including surveys, focus groups and interviews. Since 2016, we have conducted nearly 2,000 focus groups and interviews and more than 25,000 employees have participated in culture surveys.

Once complete, a report on cultural themes, including underlying issues and related impacts, is provided to the business. The business must then develop an action plan to mitigate any identified cultural challenges. The plan is monitored and the effectiveness of the actions in shifting towards the desired culture is reviewed before it is 'closed'.

Internal Audit completed 18 culture reviews in 2020, 11 of which were re-assessments. Actions undertaken to address cultural challenges have generally been effective, particularly where leaders have taken ownership of outcomes. There are some reoccurring themes with respect to challenges, and we are seeking to tackle these through initiatives focused on leadership engagement and change programs; networking sessions to improve collaboration and role clarity across functions; and career development opportunities such as secondments and 'job shadowing'.

Accountability and Consequence Framework

In 2020, we continued to strengthen and embed the Accountability and Consequence Framework (A&CF). The Consequence Review Group (CRG), which is chaired by the CEO, supports the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF, being cognisant of its impact on the culture of ANZ. The CRG reviews material events, accountability and the application of suitable consequences where appropriate. See section 6 of the Remuneration report for more details.

Changes to remuneration

As part of the Group's Reimagining Reward program effective 1 October 2019, we made adjustments to the remuneration mix for staff, which included replacing individual variable remuneration for around 80% of employees with variable remuneration based on the overall performance of the Group. These changes respond to many of the concerns about 'bonus culture' raised in the final report of the Royal Commission, and form part of the wide-ranging reforms for 2020 regarding how we reward, recognise and manage the performance of employees.

We are implementing the recommendations from Stephen Sedgwick's 'Retail Banking Remuneration Review', which is focused on strengthening the alignment of retail bank incentives, sales practices and good customer outcomes. Recommendations ANZ is delivering independently are now 100% complete and were implemented ahead of the October 2020 deadline. We will continue to work with industry to progress the remaining recommendations. Management provides regular updates to the Board Human Resources Committee on progress.

OUR NEW WAYS OF LEADING

Building workforce capability

To help our leaders support their teams through COVID-19, we provided additional guidance aligned to two of our desired leadership behaviours (referred to as our 'New Ways of Leading'), 'Creating Shared Clarity' and 'Empowering People'. We want our people leaders to display these behaviours in order to inspire and engage their teams, helping them to deliver on the bank's strategic imperatives. When we surveyed our people in July, we saw an increase in leaders modelling all of these behaviours.

We introduced a 'Leading Through Change' program for our 7,500 people leaders in July, to help them lead with confidence and optimism during this period of ongoing and accelerated change. On completion, leaders are provided with new tools to support themselves and their teams to improve focus, adapt faster and be more productive.

We have also introduced a simpler and more flexible approach to performance management. This includes giving employees the ability to create and document meaningful performance and growth objectives in our new People+ system.

We are continuing to develop priority capabilities aligned with our strategy and aimed at 'future-proofing' our workforce – data and engineering are two key capabilities on which we are focused.

We have recruited more than 500 software and systems engineers over the course of the year. The COVID-19 pandemic has had little effect on supply of this capability in the market and critical engineering talent remains scarce. In response, we are investing in innovative recruitment strategies and have a dedicated team working on talent marketing, proactive sourcing, and continuous improvement of the recruitment approach.

We have continued to invest in the capabilities of our people through the provision of training and development programs. Almost 970,000 hours of learning were delivered in 2020, including over 530,000 hours of compliance training. Our Way of Learning (OWL), our digital social learning platform, enabled employees to access learning materials relevant to their current roles and future career aspirations while working from home. The ability to access digital content anywhere, anytime and on any device led to a 29% increase in self-directed content access across the bank.

Diversity and inclusion

We want our workforce to reflect the communities we serve and believe that leveraging the diversity of our people will drive innovation, making us a better bank for our customers.

As we come to the end of our current suite of public diversity and inclusion targets, we have been reflecting on our progress and challenges.

Our Women in Leadership objective focuses our effort on the categories with the lowest levels of female representation, being our Senior Executive, Executive and Senior Manager populations of the bank. This work is the key to closing our gender pay gap.

Both our Key Management Personnel and Group Executive Committee are now gender balanced. The representation of Women in Leadership[1] increased this year to 33.4 % (up from 32.5% as at September 2019), falling short of our target of 34.1% by the end of 2020. Our progress is monitored monthly by the CEO and the Group Execution and Performance Committee, and will remain a focus.

Over the last four years we have launched our Spectrum Program – a tailored program to support autistic individuals into the workforce – and our Return to Work Program for people who have taken a career break. We have welcomed new employee networks including Cultural Diversity & Inclusion, Faith and Mental Health & Wellbeing and been recognised as a leading employer for LGBTIQ+ inclusion, inclusion of people with disability and women. We are developing our second 'Stretch' Reconciliation Action Plan (RAP), reflecting and building on the lessons learnt from our previous RAPs.

We have promoted the participation of people from under-represented groups in our workforce, including Aboriginal and Torres Strait Islander peoples, people with disability and refugees. Challenging conditions, including most recently the COVID-19 pandemic, have impacted our goal of recruiting >1000 people from under-represented groups. We recruited 185 people from under-represented groups in 2020, bringing the total recruited since 2016 to 919.

We are currently finalising our new Diversity and Inclusion strategy and it will inform our approach and commitments for 2021 and beyond.

Our new Diversity and Inclusion Policy is available at anz.com/corporate governance.

LINKS TO 2020 GROUP PERFORMANCE FRAMEWORK

In a challenging year, significant capacity and attention was focused on managing through COVID-19 and the Australian bushfires, however, strong progress was still made on key priorities including embedding our new reward framework, building strategic and leadership capabilities, and strengthening governance, accountability and culture. Highlights include a nine point increase in our employee engagement score, reflecting our strong support for employees and clear senior leader communication during the pandemic, as well as the enablement of significant increases in our remote working capacity.

See section 4.5.3 of the Remuneration report for more details.

1. 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).

COMMUNITY STORY — FINANCIAL WELLBEING

Building financial wellbeing in the Pacific

According to participants surveyed in the 2019 MoneyMinded Impact Report, almost 50% of people in Fiji and Kiribati frequently run short of money for food and other regular expenses.

To help improve this situation ANZ has partnered with the United Nations Development Programme (UNDP) to deliver its adult financial education programs, MoneyMinded and Business Basics.

The program will be delivered to female small business owners in rural areas across Fiji, Kiribati, Solomon Islands, Tonga, and Vanuatu.

Deputy Team Leader for Inclusive Growth at the UNDP Pacific Office in Fiji, Patrick Tuimalealiifano, said the partnership is more than just balancing a budget.

"A big part of our work is on helping women in low income households to have financial security and control over their future and the future of their families.

"Building financial literacy and business acumen translates into confidence and over time we start seeing these women emerge as community leaders, entrepreneurs and successful businesswomen.

The MoneyMinded program is helping Pacific people create a positive vision for their future," he said.

ANZ Regional Executive Pacific, Tessa Price, said the partnership with UNDP enables ANZ MoneyMinded to reach deeper into rural communities and target different groups of people, particularly women.

"We've already done a lot of work with a number of different groups, including seasonal workers who receive MoneyMinded training before they travel to Australia and New Zealand. This partnership with the UNDP means we will be reaching straight to the heart of rural communities and to women who are at the heart of the household," she said.

Our community

Strong relationships with our stakeholders and the broader community is one of our key value drivers. We are supporting the communities in which we live and work to recover from the bushfires that devastated parts of Australia earlier this year, and through the COVID-19 pandemic.

We are investing in the community through our financial literacy programs, as well as through local partnerships with the not-for-profit sector, sponsorship, grants, and staff volunteering and workplace giving.

In 2020:

20.5% of our employees volunteered over **66,000 hours** to community organisations, we matched employee donations, collectively **contributing almost $3.9 million** to charitable organisations in Australia, New Zealand and Fiji **investing a total $139.5 million** in the community[1]

Financial wellbeing

Helping improve the financial wellbeing of our customers is core to our strategy.

We have in particular demonstrated a long-term commitment to helping disadvantaged people build money management skills and savings capabilities through our financial inclusion programs.

Being in control of personal and household finances generates improved long-term financial health and wellbeing, community connectedness and social participation. More broadly, it also contributes to the social and economic development of communities.

Our financial inclusion programs

Saver Plus was developed by ANZ and the Brotherhood of St Laurence in 2003, and is co-funded by ANZ and the Australian Government.

Program participants open an ANZ savings account, set a savings goal and save towards it regularly over 10 months while also attending MoneyMinded financial education sessions. On reaching their goal, savings are matched by ANZ dollar for dollar, up to $500, which must be spent on education.

Since 2003, Saver Plus has helped more than 47,770 lower-income Australians save over $24 million to support their own and their children's educational needs, with ANZ providing over $19 million in matched funds.

MoneyMinded supports adults with low levels of financial literacy and those on lower incomes across 15 markets, including Australia and New Zealand. It is delivered by community partner organisations in Australia and New Zealand, and a mix of community organisations and ANZ employees in Asia and the Pacific.

MoneyBusiness has been operating since 2005 and is designed to build the money management skills and confidence of Aboriginal and Torres Strait Islanders. Since inception, it has reached over 82,520 participants and has been delivered in over 320 communities through either Australian Government-funded service providers or ANZ's partners.

"I am in control of my life and my money for the first time since having children. Thank you to Saver Plus for being a part of that positive journey in getting my life and happiness back!"

Saver Plus participant

1. Figure includes forgone revenue of $105 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.

LINKS TO 2020 GROUP PERFORMANCE FRAMEWORK

We have continued to regain community trust following the Royal Commission, and while we know this year has been difficult for many people, we have had the opportunity prove the value we provide to the community. Our focus on our purpose and values, combined with strong governance and leadership, has enabled us to help support the community. While across the industry community sentiment scores have fluctuated during the year, in the RepTrak survey ANZ led for the majority of 2020 and was ranked second based on July to September results. We achieved an A- rating in the 2019 CDP climate change assessment, the leading score for Australian banks.

See section 4.5.3 of the Remuneration report for more details.

Supporting Australia's rural and regional communities

Since 2003, we have been helping build vibrant and sustainable rural communities through our Seeds of Renewal financial grants program, administered by the Foundation for Rural and Regional Renewal (FRRR).

The program has provided more than $5 million to help over 800 community groups. In 2020 we again donated $250,000 to enable local community programs that support the ongoing prosperity of regional Australia.

Bushfire relief – helping communities rebuild

In January 2020, we donated $1 million to support our customers and the communities affected by bushfires, including $300,000 to volunteer fire services across New South Wales, Victoria and South Australia.

We also matched a further $100,000 of employee donations to volunteer fire services, and allocated $500,000 to support local community services as well as home loan customers who lost their homes to bushfires and suffered ongoing financial hardship.

Our $50 billion sustainable finance target now includes $1 billion specifically for funding and facilitating initiatives that support customers and communities impacted by disasters. Capital may be allocated for weather related events (such as bushfires, floods and cyclones) or to build resilience against non-weather related disasters such as pandemics.

Workplace giving

Our workplace giving program enables employees in Australia to make contributions to around 30 charity partners – many of which operate in areas aligned to our priority areas of financial wellbeing, environmental sustainability and housing – through regular pre-tax payroll deductions. Donations are 'double matched' – for every dollar donated by an employee (up to $5,000 per employee in a tax year) through the program, ANZ donates two dollars.

Our employees in New Zealand and Fiji can also donate through payroll to their respective staff foundations (charitable trusts that provide small grants) and ANZ double matches donations.

Volunteering

Our Volunteer Leave Policy, which applies to permanent, regular and fixed-term employees provides for at least one day of paid volunteer leave each year.

This year we also made available extended special paid leave for employees who volunteer in emergency services to ensure they were financially supported while they served their community during the bushfire season.

Contribution to public policy

We seek to contribute constructively to public policy formation and understand the perspectives of our community's elected representatives, policymakers and regulators. We contribute to policy formation on business, economic, social and environmental issues affecting our customers and shareholders.

We are also a member of a number of industry associations that contribute to public policy debate and formation.

In 2020, our key membership payments included:

Australian Banking Association
$3,258, 203

Business Council of Australia
$93,500

New Zealand Bankers' Association
NZ $309,079

Business New Zealand
NZ $40,250

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

This year, in response to stakeholder feedback, we reviewed the alignment of ANZ's policy position on climate change with those of our industry associations. The outcomes of this review will be on **anz.com/shareholder**.

We have also committed to review our memberships of industry associations at least every three years. The results of any such review, including any material changes to our position, will be publicly disclosed.

Community organisation receives funding boost with Seeds of Renewal grant

In 2020, ANZ announced a grant of $15,000 to a NSW community organisation, 'North Coast Community College' for an Indigenous land management employment pathway project. The money contributed to strengthening economic participation and employment related activities for Aboriginal communities through the establishment of a training program run as a social enterprise.

Our approach to climate change

We support the Paris Agreement's goal of transitioning to net zero emissions by 2050 and are committed to playing our part.

We understand the impact – positive and negative – our financing has on climate change. Through our lending decisions, we support companies and projects that contribute to reducing emissions and that are resilient to a changing climate. We are confident we can do this in parallel with supporting strong economic growth.

Through our disclosures, we seek to provide investors and other stakeholders with information enabling them to assess the adequacy of our approach to climate change and our ability to manage the associated risks and opportunities.

This year we released an updated Climate Change Statement (available on **anz.com/cs**) that outlines our approach and strengthened commitments in support of a global transition to net zero emissions. We are focused on lowering emissions in key sectors, in a way that carefully considers the potential for community impacts and how we can mitigate these.

IN SUPPORTING THE 2050 GOAL, OUR APPROACH IS TO:

Help our customers by encouraging them to identify climate risks and opportunities, create transition plans and report publicly on their progress

Support transitioning industries to help grow the economy

Reduce our own impact by managing and reducing emissions from our own operations

Engaging with 100 of our largest emitting business customers on their transition plans

We have engaged with 83 of our largest emitting business customers to support them to establish, and where appropriate, strengthen existing low carbon transition plans. This engagement will inform the development of a model that can be applied across our customer base.

Within each industry our customers have different starting points. Through customer discussions and reviews of public disclosures we are developing a better understanding of our customers' preparation for, and management of, their climate-related risks and opportunities. Insights we have gained from customer conversations include:

Energy: our engagement in this sector has initially focused on customers with thermal coal operations; however, we are broadening this to include our largest oil and gas producing customers. While the impacts of COVID-19 have affected short-term demand, some customers are continuing to see strong demand for high-quality, low-cost Australian thermal coal for use in high efficiency, lower emissions (HELE) plants across Asia; their strategy is focused on developing high quality thermal coal assets and they are committed to improving their external disclosures.

Other customers have undertaken scenario analysis (aligned with recommendations of the Financial Stability Board Taskforce on Climate-related Financial Disclosures (TCFD)), revealing that some of their commodities will not perform well under a low carbon transition; in response, they are limiting expenditure on thermal coal (with most capital directed to maintenance rather than expansion), or seeking to divest those assets. Some companies are starting to set firmer targets to work with their suppliers and customers to seek to reduce the emissions associated with the use of their mining commodities, ie 'Scope 3' emissions.

Transport: a key customer in the airline sector has committed to carbon neutral growth from 2020 and halving 2005 emissions from international flights by 2050. This aligns with the goals of the international aviation sector.

Buildings: a number of customers have established and are now implementing net zero by 2030 carbon targets that will be achieved largely through improved energy efficiency and onsite solar installations.

This is the fourth year we have reported using the TCFD. For detailed information see 'ANZ 2020 Climate-related Financial Disclosures' on anz.com/annualreport

Our progress on the TCFD

	OUR PROGRESS TO DATE	FOCUS AREAS – 2021/22	BEYOND 2020 VISION
GOVERNANCE	• Board Risk Committee oversees management of climate-related risks • Board Ethics, Environment, Social and Governance Committee approves climate-related objectives, goals and targets • Ethics and Responsible Business Committee (executive management) oversees our approach to environment, social and governance (ESG) and reviews climate-related risks and opportunities	• Align with regulatory guidance on climate-related risk governance, including stress testing of selected portfolios	• An enhanced risk management framework that anticipates potential climate-related impacts, and associated regulatory requirements
STRATEGY	• Climate Change Statement (available on anz.com) reaffirms support for the Paris Agreement goals and transition to a net zero carbon economy • Managing the net zero carbon transition focuses on an orderly and just transition that gives careful consideration to the impacts on communities • Participated in a United Nations Environment Program Finance Industry (UNEP FI) working group on TCFD scenario analysis that issued recommendations and methods to assess portfolio transition and physical risks • Low carbon products and services within our Institutional business focused on climate-related opportunities • Analysis of flood-related risks for our home loan portfolio in a major regional location of Australia • Test-pilot of socio-economic indicators showing financial resilience of home loan customers with respect to flood risk	• Extending analysis of flood-related risks to incorporate bushfire and other risks relating to retail customers • Include climate risk reference in lending guidance documents for relevant industry sectors, used by our front line bankers	• ANZ business strategy more closely aligned to a resilient and sustainable economy that supports the Paris Agreement and UN Sustainable Development Goals
RISK MANAGEMENT	• Climate change risk added to Group and Institutional Risk Appetite Statements • Climate change identified as a Principal Risk and Uncertainty in our UK Disclosure and Transparency Rules (DTR) Submission • Guidelines and training provided to over 1,000 of our Institutional bankers on customers' transition plan discussions • Enhanced financial analysis and stronger credit approval terms applied to agricultural property purchases in regions of low average rainfall or measured variability • New agribusiness customers assessed for financial resilience and understanding of rainfall and climate trends in their area, and water budgets considered if irrigating	• Supporting 100 of our largest emitting customers to develop and disclose their transition plans • Customer engagement to identify customer or sector-specific transition or physical risks, focused on corporate and Institutional customers • Develop an enhanced climate risk management framework that strengthens our governance and anticipates potential climate-related impacts and associated regulatory requirements	• Further integrate assessment of climate-related risks into our Group Risk management framework • Standard discussions with business customers include climate-related risks and opportunities • Assessment of customer transition plans part of standard lending decisions and portfolio analysis
METRICS AND TARGETS	• Support 100 of our largest emitting customers to establish or strengthen low carbon transition plans by 2021, with metrics developed to track progress • New metrics to enable our progress to be tracked in reducing 'financed emissions', beginning with two key sectors: commercial property and power generation. Metrics are tailored to each sector (eg. carbon emissions per square metre of net lettable space for commercial property) and disclosed every 12 months • $50 billion target to fund and facilitate sustainable solutions by 2025 • Target to procure 100% renewable electricity for ANZ's operations by 2025 • Ongoing emissions reduction targets for ANZ energy use aligned with the Paris Agreement goals	• Complete transition plan engagement with high emitting customers and consider how to integrate into customer assessments • Set targets to reduce metrics for 'financed emissions' for key sectors towards a net zero goal by 2050 • Consider expanding new metrics for measuring impact of our progress on environmental sustainability to other key sectors	• Continue to evolve our reporting with leading practices to measure the alignment of our lending with the Paris Agreement goals • Reduce ANZ's operational emissions in line with the decarbonisation trajectory of the Paris Agreement goals

We are supporting household, business and financial practices that improve environmental sustainability. One way we do this is through encouraging and supporting 100 of our largest emitting customers to establish, and where appropriate, strengthen existing low carbon transition plans, by 2021.

CUSTOMER STORY ENVIRONMENTAL SUSTAINABILITY

Supporting Wesfarmers to transition to net zero emissions

Headquartered in Western Australia and with around 107,000 employees, Wesfarmers Limited is one of Australia's largest listed companies, with diversified operations spanning across almost 30 retail and industrial businesses.

Better known for its consumer brands such as Bunnings, Kmart and Officeworks, it also has interests in fertilisers, chemicals and in the energy sector.

In September this year, it announced an accelerated agenda to set and achieve net zero emissions for its retail operations by 2030, and its industrial businesses by 2050. This is on top of existing 2025 emissions reduction targets.

Naomi Flutter, an Executive General Manager at Wesfarmers said its climate action was driven by a commitment to contributing positively to the global goal of achieving net zero emissions by 2050.

"For us, transitioning to achieve net zero emissions from our business is about doing what's right and good for the environment, and we want to step up and contribute in a responsible way. It's also what our customers believe in and want from us, and so from that perspective it also makes good business sense."

To achieve its goals, Naomi says Wesfarmers is pulling on numerous levers to significantly reduce its emissions.

"We're investing heavily in energy efficiencies in our retail businesses through new technology, solar panels and LED lighting. And in our industrial business we're investing catalyst technologies to reduce emissions intensity."

Wesfarmers has banked with ANZ since the 1980s and we are supporting the company in its transition journey.

"We value the role ANZ plays as a key banking partner – especially with respect to the open and constructive dialogue we have with them on our transition agenda," says Naomi.

New Zealand's agribusinesses leading the way on transition planning

Greenhouse Gas Emissions (GHG) from the food and fibre sector, (and its associated waste) account for around half of New Zealand's total emissions.[1]

Synlait Milk Limited is working hard to reduce emissions in line with its commitment to the Paris Agreement goals.

According to Hamish Reid, Director of Sustainability and Brand at Synlait, "we need to act now and we need to be bold. It's both a matter of mitigating climate-related risks and at the same time, seizing opportunities to reimagine all aspects of our business and value chain."

Synlait is implementing a range of initiatives to reduce emissions and deliver long-term financial benefits.

Targets relating to climate, welfare, water and waste have been set – including an off-farm[2] 50% reduction in GHG emissions per kg of product by 2028, and an on-farm 35% reduction in GHG emissions per kg of milk solids by 2028.

Within its on-farm certification program, Lead With Pride™, educational resources and milk price incentives are being offered to its farmer suppliers to implement best practice GHG mitigation techniques. It has also recently opted for an energy and emissions efficient electrode boiler, rather than the traditional coal-fired boiler, to run its fresh milk and cream facility in Canterbury, NZ.

Synlait has been an ANZ customer since 2000, when the company's founders bought their first few Canterbury dairy farms, before then expanding into processing in 2008. In 2019, ANZ arranged and funded a NZ$50 million sustainability linked loan which has supported Synlait's sustainability agenda.

"ANZ enabled us to enter into an ESG linked loan, sending two strong signals to our stakeholders. First, that leading banks today recognise that sustainability performance results in lower risk, and second, that sustainability performance can lead to financial benefits. Having a diversity of like-minded partners accompanying us in our transition is critical for us to achieve our goals," says Hamish.

Another customer ANZ is assisting with its transition towards a low carbon future is Silver Fern Farms Limited.

Since 2018, the grass-fed red meat processing and exporting company has reduced its GHG emissions by 8%, and reduced its fossil fuel usage by 12% since 2017. It is targeting a 30% reduction on 2005 levels of the GHG emissions intensity of its operations per tonne of product before 2030.

"We've taken a number of steps to embed sustainability within our company, from being the first red meat processor to certify our carbon footprint in New Zealand, to having strong Board involvement in our sustainability agenda, to incorporating sustainability and climate reporting into our parent co-operative's external disclosures," says Justin Courtney, Head of Communications and Sustainability from Silver Fern Farms.

Silver Fern Farms uses a 'whole of farm' system approach to reduce carbon in the supply chain as a way to enhance the natural, biodiverse farming environments in New Zealand.

"In addition to our own initiatives, such as sourcing animals from farms rich in biodiversity and sourcing electricity from 100% renewable sources, we're proactively working with suppliers to better understand their carbon footprints and where the opportunities lie to reduce and optimise carbon absorption on their farms," says Justin.

The engagement with our largest emitting customers on their transition plans is a top priority for ANZ, as we seek to support them to manage the climate-related risks and opportunities. Synlait and Silver Fern Farms are just two out of the 100 customers we are engaging with on their transition plans.

1. www.mpi.govt.nz/protection-and-response/environment-and-natural-resources/emissions-trading-scheme/agriculture-and-greenhouse-gases/ 2. On-farm: Synlait's farmer suppliers (scope 3). Off-farm: Synlait's own manufacturing processes (scope 1 and 2) and non-farm scope 3 emissions.

Governance

Corporate Governance Framework

Board of 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 six principal Board Committees – the Audit Committee, the Ethics, Environment, Social and Governance Committee, the Risk Committee, the Human Resources Committee, the Digital Business and Technology Committee and the Nomination and Board Operations Committee.

Each Committee has its own charter setting out its roles and responsibilities. At management level, the Group Executive Committee 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.

For further detail on ANZ's governance framework see our 2020 Corporate Governance Statement available at anz.com/corporategovernance.

Full biography details can be found on our website at anz.com/directors and on pages 44–48 of this report.

PAUL O'SULLIVAN

Chairman, Independent Non-Executive Director

SHAYNE ELLIOTT

Chief Executive Officer, Executive Director

ILANA ATLAS, AO

Independent Non-Executive Director

PAULA DWYER

Independent Non-Executive Director

JANE HALTON, AO PSM

Independent Non-Executive Director

RT HON SIR JOHN KEY, GNZM AC

Independent Non-Executive Director

GRAEME LIEBELT

Independent Non-Executive Director

JOHN MACFARLANE

Independent Non-Executive Director

Directors' meetings

The number of Board, and Board Committee, meetings held during the year and each Directors' attendance at those meetings are set out below:

	Board		Risk Committee		Audit Committee		Human Resources Committee		Ethics, Environment, Social and Governance Committee		Digital Business and Technology Committee		Special Committee of the Board[1]		Nominations and Board Operations		Shares Committee[1]	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
PAUL O'SULLIVAN	11	11	5	5			5	5			5	5			1	1		
ILANA ATLAS, AO	14	14			8	8	6	6	5	5					1	1	1	1
PAULA DWYER	14	14	7	7	8	8	6	6							1	1		
SHAYNE ELLIOTT	14	14															2	2
DAVID GONSKI, AC[2]	14	14	7	7	8	8	6	6	5	5	6	6			1	1	3	3
JANE HALTON, AO PSM	14	14					6	6	5	5	6	6			1	1		
RT HON SIR JOHN KEY, GNZM AC	14	14	7	7					5	5	6	5			1	1		
GRAEME LIEBELT	14	14	7	7	8	8	6	6							1	1		
JOHN MACFARLANE	14	14	7	7	8	8					6	6			1	1		

Column A Indicates the number of meetings the Director was eligible to attend as a member. **Column B** Indicates the number of meetings attended. The Chairman became an ex-officio member of the Risk, Audit, Human Resources, Ethics, Environment, Social and Governance, Digital Business and Technology and Nomination and Board Operations Committees on 28 October 2020, upon David Gonski's retirement. 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 and Shares Committee as referred to in the table above include those conducted by written resolution. **2.** David Gonski retired as Chairman and as a Non-Executive Director on 28 October 2020.

Executive Committee

Below from left to right

1 —— Emma Gray
Group Executive Data and Automation
Joined the Executive Committee on 1 May 2020

2 —— Maile Carnegie
Group Executive Digital and Australia Transformation
Joined the Executive Committee on 27 June 2016.

3 —— Farhan Faruqui
Group Executive International
Joined the Executive Committee on 1 February 2016.

4 —— Gerard Florian
Group Executive Technology
Joined the Executive Committee on 30 January 2017.

5 —— Alexis George
Deputy Chief Executive Officer and Group Executive Wealth Australia
Joined the Executive Committee on 1 December 2016.

6 —— Kathryn van der Merwe
Group Executive Talent and Culture
Joined the Executive Committee on 1 May 2017.

7 —— Kevin Corbally
Group Chief Risk Officer
Joined the Executive Committee on 19 March 2018.

8 —— Mark Whelan
Group Executive Institutional
Joined the Executive Committee* on 20 October 2014.

9 —— Antonia Watson
Chief Executive Officer New Zealand
Joined the Executive Committee on 17 June 2019.

10 —— Shayne Elliott
Chief Executive Officer
(appointed CEO on 1 January 2016).
Joined the Executive Committee* on 1 June 2009.

11 —— Michelle Jablko
Chief Financial Officer
Joined the Executive Committee on 18 July 2016.

12 —— Mark Hand
Group Executive Australia Retail and Commercial Banking
Joined the Executive Committee on 15 May 2018.

*previously known as Management Board.

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

Board areas of focus

The Board and its Committees engage in key strategic, governance and oversight activities each year. The list below is not a comprehensive list of all the matters but is illustrative to provide stakeholders with an insight into some of the key matters considered by the Board during the year.

CRISIS MANAGEMENT

Over the year, Australia and the world has faced many crises, and the Board and its Committees have played an active role in providing oversight of the impact of and ANZ's response to, them, including the bushfires in Australia and the COVID-19 pandemic.

In relation to the Australian bushfires, this included reviewing ANZ's customer relief response, the impact to our customers, staff and the economy generally, ANZ's public commitments and contributions, and ANZ's next steps to support ongoing resilience for communities affected by this and future disasters. In addition to this, the Board attended a bushfire marketplace where ANZ hosted at its Melbourne Head Office small business customers and their peers who had been impacted by the devastating bushfires in Victoria where customers sold their goods and services.

In relation to the COVID-19 pandemic, the Board adopted a multi-faceted approach utilising the range of its Committees as well as discussions at the Board itself. At the onset of the pandemic, Directors received a weekly informal briefing as to developments, supplemented with more detailed discussions at Board and Committee meetings.

Key topics of those discussions included:

- the measures put in place to support our customers, customer take up of those measures, ANZ's delivery of those measures and ongoing communications with impacted customers;
- the impact of the pandemic on the economy (domestic and international, looking at both the immediate and longer-term impacts of the pandemic), on various industries, and ANZ's risk approach to them, including risk appetite settings;
- discussions regarding the impact of the pandemic on the financial performance and position of the Group, including in relation to capital requirements and the payment of dividends to shareholders;
- the impact of the pandemic on ANZ's people, and the different geographic responses undertaken in the jurisdictions ANZ operates in, the steps ANZ was taking to protect and support its people and to prepare and equip them for operating remotely, including looking at the potential cultural impacts this may have.

The Board also had numerous discussions in relation to geopolitical matters and their potential impact on ANZ's operations.

RISK, REGULATION AND REPUTATION

The Board and its Committees also continued overseeing the important work being carried out by Management to implement the lessons learnt from the Royal Commission, progress against ANZ's self-assessment roadmap, as well as ANZ's approach to improving organisational and risk culture.

In addition, the Board continued its oversight of customer remediation, highlighting the importance to the Group of redressing customers when things go wrong and providing oversight of prevention and detection activities.

The Board and its Committees also had detailed and regular updates in relation to interactions with regulators around the world, including ASIC, APRA, AUSTRAC, AFCA, RBNZ, FMA and MAS. Directors also met with key regulators during the course of the year with the purpose of maintaining constructive and two-way dialogue.

The Board and its Committees also had numerous meetings in relation to developing ANZ's Compliance Strategy, its approach to the management of non-financial risks, risk appetite settings and the triennial independent review of ANZ's approach to compliance with APRA Prudential Standard CPS 220 "Risk Management".

The Board and its Committees also discussed key environmental and social risk matters, including ANZ's approach to climate change, reviewing and approving ANZ's Climate Change Statement, reviewing ANZ's industry association alignment with climate policy and changes to Modern Slavery and Human Rights laws.

ENGAGEMENT

In addition to the informal briefings around the COVID-19 pandemic, meetings with regulators and attending the bushfire marketplace outlined above, the Directors continued their approach to meeting with customers, staff and investors, both in person and virtually.

This included having a virtual session with all of ANZ's Country Heads to discuss topical matters impacting their businesses.

A subset of Directors played an active role in attending meetings with Management throughout the year to actively engage and challenge their approach to stress testing the portfolio against severe but plausible events to inform risk appetite setting and capital planning processes.

Prior to the pandemic, the Board had established regular meetings in diverse geographic areas with a view to maximising interactions with customers, staff and other stakeholders. It is envisaged that this will continue when the environment allows it. During the financial year, the Board held physical meetings in Melbourne, Sydney and Brisbane.

STRATEGY AND THE FUTURE

The Board and its Committees continued to focus on longer-term strategic matters. Directors participated in an annual Board strategy session utilising internal and external experts to challenge and provide different points of view to assist the Board and Management in setting the strategic direction of the Group.

The Board received regular updates on the implementation of the Group's strategy from the Chief Executive Officer, and corresponding updates from Risk and Internal Audit in relation to their assessments of the risks associated with Management's approach to implementing the strategy.

The Board also received numerous updates in relation to the strategic approach to digitally transform its Australian Retail and Commercial business.

Finally, the Board carried out succession planning in respect of the Chairman, with the Board appointing Paul O'Sullivan to succeed David Gonski, following his retirement on 28 October 2020.

Directors' qualifications, experience and special responsibilities

As at the date of this report, the Board comprises seven Non-Executive Directors and one Executive Director, the Chief Executive Officer. David Gonski was Chairman and a Non-Executive Director from 2014 until his retirement in October 2020. The names of the current Directors, together with details of their qualifications, experience and special responsibilities are set out below.

- **Audit Committee**
- **Ethics, Environment, Social and Governance Committee**
- **Risk Committee**
- **Human Resources Committee**
- **Digital Business and Technology Committee**
- **Nomination and Board Operations Committee**

Paul O'Sullivan

CHAIR

MEMBER

POSITION

Chairman, Independent Non-Executive Director

QUALIFICATIONS

BA (Mod) Economics, Advanced Management Program of Harvard

RESPONSIBILITIES

Chairman since October 2020 and a Non-Executive Director since November 2019.

Paul is an ex-officio member of all Board Committees and Chair of the Ethics, Environment, Social and Governance Committee and the Nomination and Board Operations Committee.

CAREER

Paul has experience in the telecommunications and oil and gas sectors, both in Australia and overseas. He has held senior executive roles with Singapore Telecommunications (Singtel) and was previously the CEO of Optus. He has also held management roles with the Colonial Group and the Royal Dutch Shell Group in Canada, the Middle East, Australia and United Kingdom.

RELEVANT OTHER DIRECTORSHIPS

Chairman: Singtel Optus Pty Limited (from 2014, Director from 2004) and Western Sydney Airport Corporation (from 2017).

Director: Coca-Cola Amatil (from 2017), Telkomsel Indonesia (from 2010) and St Vincent's Health Australia (from 2019).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE

Former Director: Healthscope Limited (2016–2019) and National Disability Insurance Agency (2017–2020).

Age | 60 years   **Residence** | Sydney, Australia

Shayne Elliott

POSITION

Chief Executive Officer and Executive Director

QUALIFICATIONS

BCom

RESPONSIBILITIES

Chief Executive Officer and Executive Director since 1 January 2016.

CAREER

Shayne has over 30 years' experience in banking in Australia and overseas, in all aspects of the industry. Shayne joined ANZ as CEO Institutional in June 2009, and was appointed Chief Financial Officer in 2012.

Prior to joining ANZ, Shayne held senior executive roles at EFG Hermes, the largest investment bank in the Middle East, which included Chief Operating Officer. He started his career with Citibank New Zealand and worked with Citibank/Citigroup for 20 years, holding various senior positions across the UK, USA, Egypt, Australia and Hong Kong.

Shayne is a Director of the Financial Markets Foundation for Children and a member of the Australian Banking Association, the Business Council of Australia and the Australian Customs Advisory Board.

RELEVANT OTHER DIRECTORSHIPS

Director: ANZ Bank New Zealand Limited (from 2009) and the Financial Markets Foundation for Children (from 2016).

Member: Business Council of Australia (from 2016), the Australian Banking Association (from 2016, Chairman 2017-2019) and the Australian Customs Advisory Board (from 2020).

Age | 56 years   Residence | Melbourne, Australia

Ilana Atlas, AO

CHAIR

MEMBER

POSITION

Independent Non-Executive Director

QUALIFICATIONS

BJuris (Hons), LLB (Hons), LLM

RESPONSIBILITIES

Non-Executive Director since September 2014. Ilana is Chair of the Human Resources Committee and is a member of the Audit Committee, Ethics, Environment, Social and Governance Committee and the Nomination and Board Operations Committee.

CAREER

Ilana brings a strong financial services background and legal experience to the Board. Ilana was a partner at law firm Mallesons Stephen Jaques (now King & Wood Mallesons), where in addition to her practice in corporate law, she held a number of management roles in the firm including Executive Partner, People and Information, and Managing Partner. She also worked at Westpac for 10 years, where her roles included Group Secretary and General Counsel and Group Executive, People, where she was responsible for human resources, corporate affairs and sustainability. Ilana has a strong commitment to the community, in particular the arts and education.

RELEVANT OTHER DIRECTORSHIPS

Chairman: Coca-Cola Amatil Limited (from 2017, Director from 2011) and Jawun (from 2017, Director from 2014).

Director: Paul Ramsay Foundation (from 2017).

Member: Panel of Adara Partners (from 2015).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE

Former Director: OneMarket Limited (2018-2019), Westfield Corporation Limited (2014–2018), Human Rights Law Centre Ltd (2012–2017) and Treasury Corporation of New South Wales (2013–2017).

Former Fellow: Senate of the University of Sydney (2015–2019).

Age | 66 years   Residence | Sydney, Australia

Directors' qualifications, experience and special responsibilities continued

Paula Dwyer

CHAIR

MEMBER

POSITION

Independent Non-Executive Director

QUALIFICATIONS

BCom, FCA, SF Fin, FAICD

RESPONSIBILITIES

Non-Executive Director since April 2012. Paula is Chair of the Audit Committee and is a member of the Risk Committee, Human Resources Committee and Nomination and Board Operations Committee.

CAREER

Paula has extensive experience in financial markets, corporate finance, risk management and investments, having held senior executive roles at Calibre Asset Management, Ord Minnett (now J P Morgan) and at Price Waterhouse (now PricewaterhouseCoopers). Her career as a company director spans financial services, investment, insurance, healthcare, gambling and entertainment, fast moving consumer goods, property and construction and retailing sectors. Paula has a strong interest in education and medical research, having served as a member of the Geelong Grammar School Council and the Business and Economics Faculty at the University of Melbourne and as Deputy Chairman of Baker IDI.

RELEVANT OTHER DIRECTORSHIPS

Chairman: Tabcorp Holdings Limited (from 2011, Director from 2005), Kin Group Advisory Board (from 2014) and Allianz Australia Limited (from 2020, Director from 2019).

Director: Lion Pty Ltd (from 2012).

Member: Kirin International Advisory Board (from 2012) and Australian Government Takeovers Panel (from 2017).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE

Former Chairman: Healthscope Limited (2014-2019).

Age | 60 years   Residence | Melbourne, Australia

Jane Halton, AO PSM

CHAIR

MEMBER

POSITION

Independent Non-Executive Director

QUALIFICATIONS

BA (Hons) Psychology, FIPAA, Hon. FAAHMS, Hon. FACHSE, Hon. DLitt, FAIM , FAICD

RESPONSIBILITIES

Non-Executive Director since October 2016. Jane is Chair of the Digital Business and Technology Committee and is a member of the Human Resources Committee, Ethics, Environment, Social and Governance Committee and Nomination and Board Operations Committee.

CAREER

Jane's 33 year career in the public service includes the positions of Secretary of the Australian Department of Finance, Secretary of the Australian Department of Health, Secretary for the Department of Health and Ageing, and Executive Co-ordinator (Deputy Secretary) of the Department of the Prime Minister and Cabinet. She brings to the Board extensive experience in finance, insurance, risk management, information technology, human resources, health and ageing and public policy. She also has significant international experience.

Jane has contributed extensively to community health through local and international organisations including the World Health Organisation and National Aboriginal and Torres Strait Islander Health Council.

RELEVANT OTHER DIRECTORSHIPS

Chairman: Vault Systems (from 2017), Coalition for Epidemic Preparedness Innovations (Norway) (from 2018, Member from 2016) and Council on the Ageing Australia (from 2017).

Director: Clayton Utz (from 2017) and Crown Resorts Limited (from 2018).

Member: Executive Board of the Institute of Health Metrics and Evaluation at the University of Washington (from 2007) and National COVID-19 Commission Advisory Board (from 2020).

Adjunct Professor: University of Sydney and University of Canberra.

Council Member: Australian Strategic Policy Institute (from 2016).

Age | 60 years   Residence | Canberra, Australia

RT Hon Sir John Key, GNZM AC

MEMBER

POSITION
Independent Non-Executive Director

QUALIFICATIONS
BCom, DCom (Honoris Causa)

RESPONSIBILITIES
Non-Executive Director since February 2018. Sir John is a member of the Ethics, Environment, Social and Governance Committee, Risk Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

CAREER
Sir John was Prime Minister of New Zealand from 2008 to 2016, having commenced his political career in 2002. Sir John had a long career in international finance, primarily for Bankers Trust in New Zealand and Merrill Lynch in Singapore, London and Sydney. He was previously a member of the Foreign Exchange Committee of the Federal Reserve Bank of New York (from 1999 to 2001).

Sir John was made a Knight Grand Companion of the New Zealand Order of Merit in the 2017 Queen's Birthday Honours. In 2017 Sir John became a Companion of the Order of Australia for advancing the Australia-New Zealand bilateral relationship.

RELEVANT OTHER DIRECTORSHIPS
Chairman: ANZ Bank New Zealand Limited (from 2018, Director from 2017).

Director: Palo Alto Networks (from 2019).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE
Former Chairman: The International Democratic Union (2014–2018).

Former Director: Air New Zealand Limited (2017-2020).

Age | 59 years   Residence | Auckland, New Zealand

Graeme Liebelt

CHAIR

MEMBER

POSITION
Independent Non-Executive Director

QUALIFICATIONS
BEc (Hons), FAICD, FTSE, FIML

RESPONSIBILITIES
Non-Executive Director since July 2013. Graeme is Chair of the Risk Committee and is a member of the Audit Committee, Human Resources Committee and Nomination and Board Operations Committee.

CAREER
Graeme brings to the Board his experience of a 23-year executive career with Orica Limited (including a period as Chief Executive Officer), a global mining services company with operations in more than 50 countries. He has extensive international experience and a strong record of achievement as a senior executive, including in strategy development and implementation. Graeme is committed to global trade and cooperation, as well as community education.

RELEVANT OTHER DIRECTORSHIPS
Chairman: Amcor Limited (from 2013, Director from 2012)

Director: Australian Foundation Investment Company Limited (from 2012) and Carey Baptist Grammar School (from 2012).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE
Former Chairman: DuluxGroup Limited (2018–2019, Director from 2016).

Age | 66 years   Residence | Melbourne, Australia

Directors' qualifications, experience and special responsibilities continued

John Macfarlane

MEMBER

POSITION
Independent Non-Executive Director

QUALIFICATIONS
BCom, MCom (Hons)

RESPONSIBILITIES
Non-Executive Director since May 2014. John is a member of the Audit Committee, Risk Committee, Digital Business and Technology Committee and Nomination and Board Operations Committee.

CAREER
John is one of Australia's most experienced international bankers having previously served as Executive Chairman of Deutsche Bank Australia and New Zealand, and CEO of Deutsche Bank Australia. John has also worked in the USA, Japan and PNG, and brings to the Board a depth of banking experience in ANZ's key markets in Australia, New Zealand and the Asia Pacific. He is committed to community health, and is a Director of the Aikenhead Centre of Medical Discovery Limited (from 2016).

RELEVANT OTHER DIRECTORSHIPS
Director: Colmac Group Pty Ltd (from 2014), AGInvest Holdings Limited (MyFarm Limited) (from 2014, Chairman 2014–2016), Balmoral Pastoral Investments (from 2017) and L1 Long Short Fund (from 2018).

RELEVANT FORMER DIRECTORSHIPS HELD IN LAST THREE YEARS INCLUDE
Former Director: St Vincent's Institute of Medical Research (2008–2019) and Craigs Investment Partners Limited (2013-2020).

Age | 60 years   Residence | Melbourne, Australia

Company Secretaries' qualifications and experience

Currently there are two people appointed as Company Secretaries of the Company. Details of their roles are contained in the Corporate Governance Statement.

Their qualifications and experience are as follows

Ken Adams

POSITION
Group General Counsel

QUALIFICATIONS
BA, LLB, LLM

Ken joined ANZ as Group General Counsel in August 2019, having assisted ANZ with major legal issues for over 10 years. Prior to ANZ, Ken was a Partner of Freehills and later Herbert Smith Freehills for 21 years, and for 6 years was a member of the Herbert Smith Freehills Global Board. Ken is one of Australia's leading commercial lawyers with significant experience in class actions, and complex problems requiring strategic and multi-disciplinary analysis. He holds a Master of Laws from the University of Melbourne and is a co-author of *Class Actions in Australia*.

Simon Pordage

POSITION
Company Secretary

QUALIFICATIONS
LLB (Hons), FGIA, FCG (CS, CGP)

Simon joined ANZ in May 2016. He is a Chartered Secretary and Chartered Governance Practitioner and has extensive company secretarial and corporate governance experience. From 2009 to 2016 he was Company Secretary for Australian Foundation Investment Company Limited and a number of other listed investment companies. Other former roles include being Deputy Company Secretary for ANZ and Head of Board Support for Barclays PLC in the United Kingdom.

He is a formal brand ambassador for, and is a former National President and Chairman of, Governance Institute of Australia, and is a member and former Chairman of its National Legislation Review Committee. Simon is committed to the promotion and practice of good corporate governance, and regularly presents on governance issues.

Risk management

2020 has seen the external operating environment dramatically impacted by a number of events, notably the COVID-19 pandemic, the effects of which continue to unfold. The strength of the ANZ Risk Management Framework has underpinned our response to the crisis. It has provided the flexibility to adapt to the rapidly changing environment while maintaining sound risk management practices.

Our progress

This year we have continued to invest in our Risk Management Framework, processes and systems which has further strengthened our ability to respond to changes in our existing risks but also deal with new risks that have been introduced through the increasingly complex external environment, with particular focus on the areas outlined below:

COVID-19

In response to the COVID-19 pandemic, we developed a range of support measures to assist employees and customers, and to maintain safe and secure operations. The risk management function contributed to the successful execution of this support, including through:

- Enactment of our Business Continuity Plan enabling our operations to respond swiftly to the changing environment without material disruption to critical business services. This allowed us to continue operating through the pandemic by:
  - scaling of remote working capacity, enabling the majority of non-branch employees to work productively from home
  - ensuring no material impacts on critical business services
  - remaining agile and able to adapt to changing conditions in line with government restrictions.
- Continued partnering with our businesses to protect the bank by:
  - prioritising the re-rating of the Wholesale book, with re-ratings complete for 93% of our total Institutional portfolio, 74% of our total Commercial Australia portfolio, and 83% of our New Zealand Commercial & Agri portfolios; and
  - undertaking a series of industry deep dives and stress tests across our portfolios to assess potential credit outcomes.
- Investment in systems, providing:
  - enhanced data analytics to better analyse and observe customer behaviour
  - an improved collections and hardship platform that enables customers to manage their arrears online while facilitating holistic conversations with customers about their financial situation.

Culture and conduct

- We recognise that an ethical culture is a pre-determinant for us to deliver on our strategy, and that in order to prevent unfair customer outcomes we need to be able to identify and understand any behavioural misalignment in order to take corrective action. This year, to further enhance how we measure, monitor and manage conduct risk, we have explored the use of behavioural science techniques to improve compliant behaviour and will look to apply the methodology more broadly in the coming year.
- In order to align with ANZ's aspirational culture, priorities for this year have continued to focus on transforming behaviours through: focusing on 'speak-up'; continuing to strengthen our Accountability and Consequence Framework; fortifying leadership; further embedding the new remuneration, recognition and performance management framework; listening and responding to our people; and fostering an 'always learning' culture.
- Risk culture (as a critical component of our organisational culture) remains an important focus for the organisation. In addition to targeted initiatives created to enhance elements of our risk culture, our evolution to a more explicit and simple approach to the management and measurement of risk culture will allow us to more easily monitor progress towards our desired risk culture state, and assess the effectiveness of our actions.

Non-financial risk

We are continuing to improve the way in which we manage our obligations and operational risks, following the redesign and simplification of our non-financial risk framework in 2019. Our Compliance and Operational Risk Strategy provides a comprehensive, proactive and well-planned approach to improving ANZ's management of non-financial risk, guided by our purpose and contributing to the bank's strategic priority to improve the financial wellbeing of our customers.

Financial crime

Protecting the Australian banking system from criminal use is one of our most important roles. We continue to invest in our financial crime risk management program to ensure we regularly assess and manage our financial crime risks. Our program is designed to be compliant with our financial crime obligations and we report information that is useful to government authorities to disrupt financial crime. Further information is in our 2020 ESG Supplement available at anz.com/cs.

Emerging risks

> The risk landscape is continually evolving and we are therefore constantly reviewing issues to consider their materiality to the bank's operations.

Three risks that continue to evolve and that we seek to better understand are:

Geopolitical risk: We continue to closely monitor and support our businesses to manage ongoing geopolitical tensions and uncertainty.

Cybersecurity risk: Our approach to mitigating cybersecurity risk involves a range of controls relying on people, technology and process and we are continually testing our defences internally and through independent third parties. For further detail on our approach to cybersecurity risk refer to pages 19 to 20.

Climate change risk: The financial risks associated with climate change remain a key focus. Developing an enhanced risk management framework that anticipates potential climate-related impacts, and associated regulatory requirements is a priority. We have set a new ESG target to develop this enhanced framework by FY22. For further detail on our approach to climate-related financial risk refer to pages 34 to 35.

Our Risk Management Framework

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The Committee reports regularly to the Board on its activities. The key pillars of the Group's RMF include:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that the Group is prepared to accept in pursuing its strategic objectives and its operating plan; and
- the Risk Management Statement (RMS), which describes the Group's strategy for managing risks and a summary of the key elements of the RMF that give effect to that strategy. The RMS includes: a description of each material risk; and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how the Group identifies, measures, evaluates, monitors, reports and then either controls or mitigates material risks.

The Group operates a Three Lines-of-Defence Model in regard to risk management that helps embed a culture where risk is everyone's responsibility. The business – as the first line of defence – has day to day ownership of risks and controls and is accountable for identifying and managing its own risks. The Group Risk function is the second line of defence, providing a strong and independent oversight of the work undertaken to manage the risk, as well as developing and maintaining the RMF. The final line of defence is Internal Audit and includes independent assurance that evaluates the adequacy and effectiveness of both first and second line risk management approaches.

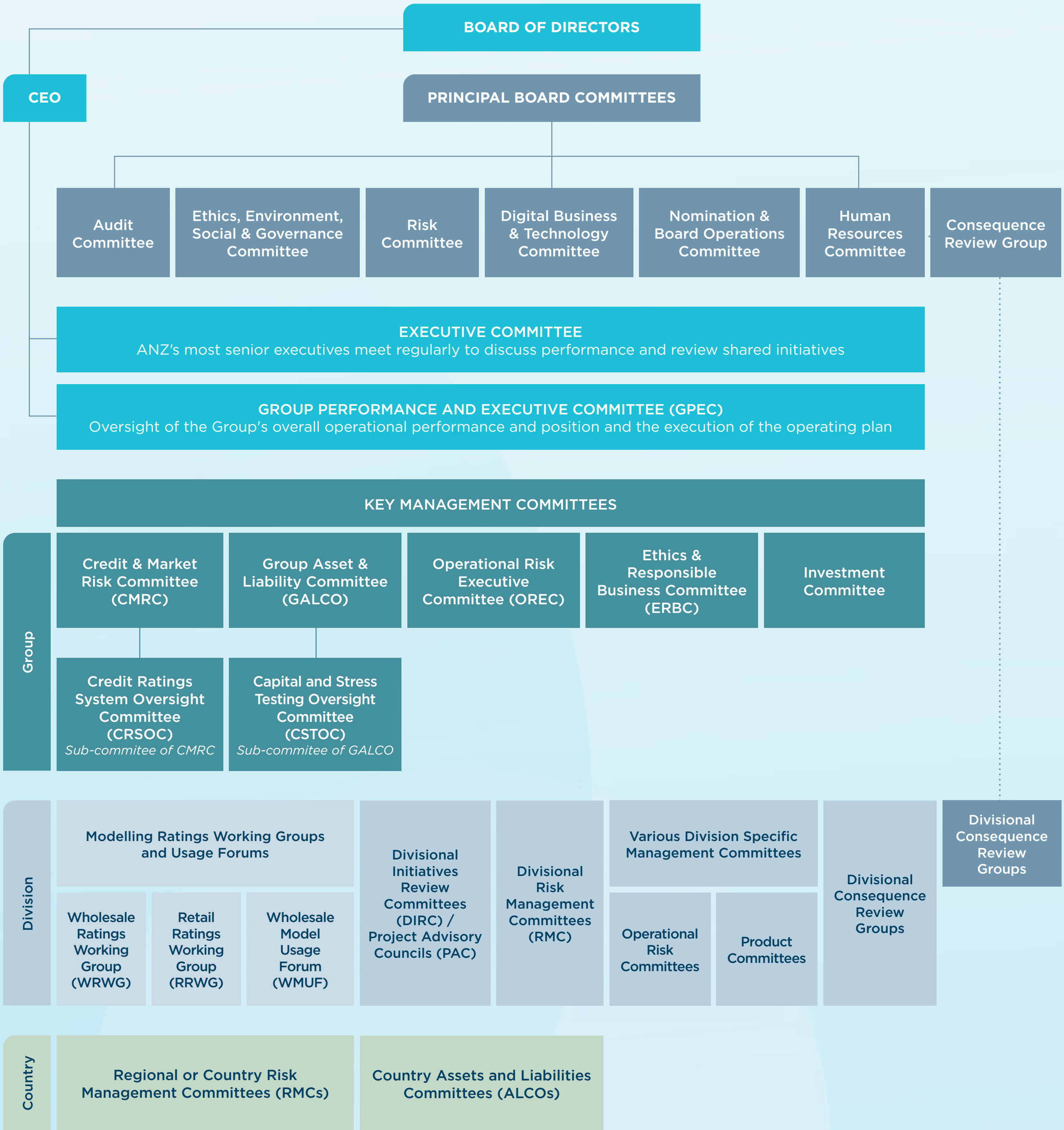
The governance and oversight of risk, while embedded in day-to-day activities, is also the focus of committees and regular forums across the bank (see diagram next page). The committees and forums discuss and monitor known and emerging risks, reviewing management plans and monitoring progress to address known issues.

> "The strength and adaptability of the bank's risk function has played a key role in helping navigate the organisation through the current changing environment."
>
> Kevin Corbally, Chief Risk Officer

LINKS TO 2020 GROUP PERFORMANCE FRAMEWORK

COVID-19 introduced a range of both new and increased risks for ANZ, our employees and our customers. Our existing strong Risk Management Framework enabled us to respond well to these risks. We have continued to develop and improve our financial and operational resilience and have maintained our focus on managing risk controls, demonstrating accountability for fixing issues in a timely and sustainable manner. Strong progress continues on risk culture maturity, evidenced in employee engagement scores, with 'Leaders accountable for risk' (87%) – up on 2019, and 'Raise issues without fear of reprisal' (74%) – also up on 2019.

See section 4.5.3 of the Remuneration report for more details.



BOARD OF DIRECTORS
CEO
PRINCIPAL BOARD COMMITTEES
Audit Committee
Ethics, Environment, Social & Governance Committee
Risk Committee
Digital Business & Technology Committee
Nomination & Board Operations Committee
Human Resources Committee
Consequence Review Group
EXECUTIVE COMMITTEE
ANZ's most senior executives meet regularly to discuss performance and review shared initiatives
GROUP PERFORMANCE AND EXECUTIVE COMMITTEE (GPEC)
Oversight of the Group's overall operational performance and position and the execution of the operating plan
KEY MANAGEMENT COMMITTEES
Group
Credit & Market Risk Committee (CMRC)
Group Asset & Liability Committee (GALCO)
Operational Risk Executive Committee (OREC)
Ethics & Responsible Business Committee (ERBC)
Investment Committee
Credit Ratings System Oversight Committee (CRSOC)
Sub-commitee of CMRC
Capital and Stress Testing Oversight Committee (CSTOC)
Sub-commitee of GALCO
Division
Modelling Ratings Working Groups and Usage Forums
Wholesale Ratings Working Group (WRWG)
Retail Ratings Working Group (RRWG)
Wholesale Model Usage Forum (WMUF)
Divisional Initiatives Review Committees (DIRC) / Project Advisory Councils (PAC)
Divisional Risk Management Committees (RMC)
Various Division Specific Management Committees
Operational Risk Committees
Product Committees
Divisional Consequence Review Groups
Divisional Consequence Review Groups
Country
Regional or Country Risk Management Committees (RMCs)
Country Assets and Liabilities Committees (ALCOs)

Key material risks

The material risks facing the group per the group's Risk Management Statement, and how these risks are managed, are summarised below. Note as part of the annual review of our Risk Management Strategy we have removed reputational risk as a key material risk. We recognise that reputational risk is largely a consequence of the impact of other material risks. Reputational consequences are therefore mitigated through the appropriate management of other material risks.

Risk type	Description	Managing the risk	Material ESG issues[1]
Capital Adequacy Risk	The risk of loss arising from the Group failing to maintain the level of capital required by prudential regulators and other key stakeholders (shareholders, debt investors, depositors, rating agencies, etc.) to support ANZ's consolidated operations and risk appetite.	We pursue an active approach to Capital Management through ongoing review, and Board approval, of the level and composition of our capital base against key policy objectives.	
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 the Group's businesses.	Key features of how we manage Compliance Risk as part of our Operational Risk and Compliance 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.	
Credit Risk	The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss Credit Risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	Our Credit Risk framework is top down, being defined by credit principles and policies. Credit policies, requirements and procedures cover all aspects of the credit life cycle — for example: transaction structuring, risk grading, initial approval, ongoing management and problem debt management, as well as specialist policy topics.	
Liquidity and Funding Risk	The risk that the Group is unable to meet its payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	Key principles in managing our Liquidity and Funding Risk include: • maintaining our ability to meet liquidity 'survival horizons' under a range of stress scenarios to meet cash flow obligations over a short-to-medium term horizon; • maintaining a strong structural funding profile; and • maintaining a portfolio of high-quality liquid assets to act as a source of liquidity in times of stress.	

Risk type	Description	Managing the risk	Material ESG issues[1]
Market Risk	The risk to the Group's earnings arising from: • changes in any interest rates, foreign exchange rates, credit spreads, volatility, and correlations; or • fluctuations in bond, commodity or equity prices.	Our risk management and control framework for Market Risk involves us quantifying the magnitude of market risk within the trading and balance sheet portfolios through independent risk measurement. This identifies the range of possible outcomes, the likely timeframe, and the likelihood of the outcome occurring. Then we allocate an appropriate amount of capital to support these activities.	
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. We also have ongoing review mechanisms to ensure Operational Risk and Compliance Framework continues to meet organisational needs and regulatory requirements.	
Strategic Risk	Risks that affect or are created by an organisation's business strategy and strategic objectives. Strategic risk might arise from making poor strategic business decisions, from the sub-standard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.	We consider and manage strategic risks through our annual strategic planning process, managed by the Executive Committee and approved by the Board. Where the strategy leads to an increase in other Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk) the risk management strategies associated with these risks form the primary controls.	
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.	Technology Risk is managed in accordance with ANZ's Operational Risk and Compliance Framework, which is consistent with the management of Operational Risk.	

Fairness and ethical conduct

Fraud and data security

Customer experience

Corporate governance

Digital innovation

For further information about the principal risks and uncertainties that the Group faces, see our "Principal Risks and Uncertainties" disclosure available at **anz.com/shareholder/centre.**

1. See page 3 for information on our material ESG issues

Performance overview

The results of the Group's operations and financial position are set out on pages 54-71. Page 11 outlines the Group's strategy and pages 10-27 describes in further detail the Group's prospects in terms of future financial position and performance. Discussion of our approach to risk management, including a summary of our key material risks is outlined on pages 49-53.

Statutory profit after tax for the year ended 30 September 2020 decreased 40% on the prior year to $3,577 million. Statutory return on equity is 5.9% and statutory earnings per share is 126.4 cents, a decrease of 40% on prior year.

GROUP PROFIT RESULTS

	2020		2019	
Income Statement	Statutory $m	Cash $m	Statutory $m	Cash $m
Net interest income	14,049	14,049	14,339	14,339
Other operating income	3,588	3,703	4,446	4,690
Operating income	17,637	17,752	18,785	19,029
Operating expenses	(9,383)	(9,383)	(9,071)	(9,071)
Profit before credit impairment and income tax	8,254	8,369	9,714	9,958
Credit impairment charge	(2,738)	(2,738)	(794)	(795)
Profit before income tax	5,516	5,631	8,920	9,163
Income tax expense	(1,840)	(1,872)	(2,609)	(2,678)
Non-controlling interests	(1)	(1)	(15)	(15)
Profit after tax from continuing operations	3,675	3,758	6,296	6,470
Profit/(Loss) after tax from discontinued operations	(98)	(98)	(343)	(309)
Profit for the year	3,577	3,660	5,953	6,161

The Group uses cash profit, a non-IFRS measure, to assess the performance of its business activities. It is an industry-wide measure which enables comparison with our peer group. We calculate cash profit by adjusting statutory profit for non-core items. In general, it represents the financial performance of our core business activities. We use cash profit internally to set targets and incentivise our Senior Executives and leaders through our remuneration plans.

Refer to page 56 for adjustments between statutory and cash profit.

Cash profit is not subject to audit by the external auditor. Our external auditor has informed the Audit Committee that adjustments between statutory and cash profit have been determined on a consistent basis across each of the periods presented.

As a result of the sale of our OnePath pensions and investment (OnePath P&I) and aligned dealer groups (ADG) businesses to IOOF Holdings Limited and our life insurance business to Zurich Financial Services Australia, the financial results of these businesses and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective (refer to page 67).

CORONAVIRUS (COVID-19)

The ongoing COVID-19 pandemic is causing major disruptions to community health and economic activity with wide-ranging impacts across many business sectors in Australia, New Zealand and globally. Additionally, many of the Group's customers have been impacted by the COVID-19 pandemic. As a result, during the year the Group launched support packages for retail and commercial customers in Australia and New Zealand, including the option of an up to six-month loan repayment deferral. The Group is continuing to work with customers impacted by COVID-19 to restructure loans and in some circumstances will provide an extension to loan repayment deferrals for a further period.

Regulators and governments have implemented a broad range of measures to promote financial stability in response to COVID-19. Those measures implemented by governments and regulators in Australia and New Zealand include financial assistance packages for homeowners and businesses, liquidity and funding initiatives to strengthen the banking system, and regulatory changes to capital requirements.

The ongoing COVID-19 pandemic has also increased the estimation uncertainty in the preparation of the financial statements. The Group has made various accounting estimates for future events in the financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2020 and that the Group believes are reasonable under the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the financial statements.

While pervasive across the financial statements, the estimation uncertainty is predominantly related to expected credit losses where the Group recognised a credit impairment charge of $2.7 billion pre-tax in the year ended 30 September 2020, the fair value measurement and recoverable amount assessments of non-financial assets where the Group recognised an impairment charge of $815 million in respect of two of the Group's Asian associate investments and an impairment charge of $77 million in respect of goodwill. For further details of these estimation uncertainties refer to the detailed notes in the financial statements. The ramifications of COVID-19 continue to be uncertain and it remains difficult to predict the impact or duration of the pandemic.

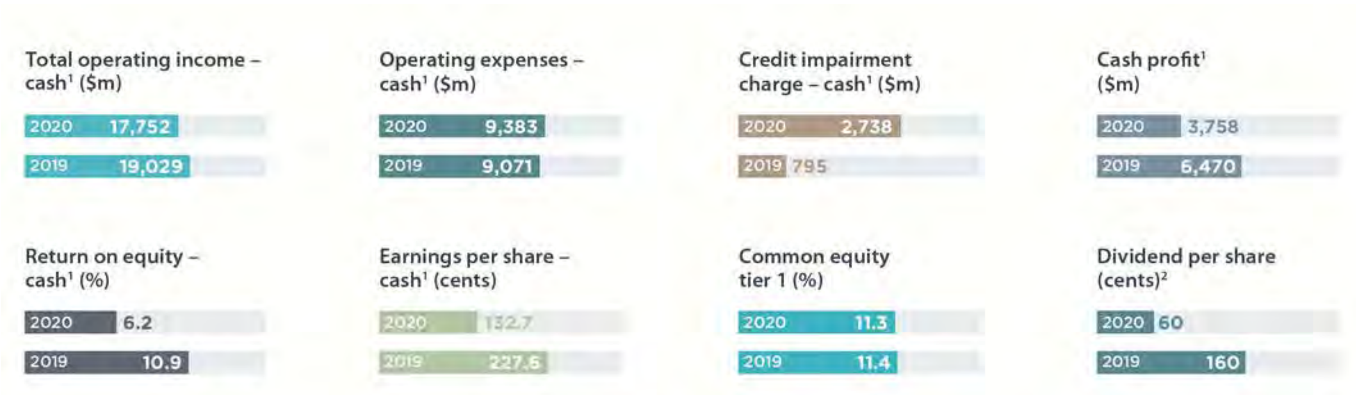
ACCOUNTING STANDARDS ADOPTED

During the September 2020 full year, the Group adopted AASB 16 *Leases* (AASB 16) and applied a modified retrospective transition approach in recognising all leases (except for leases of low value assets and short term leases) on the balance sheet based on the present value of remaining lease payments as of 1 October 2019. Consequently on 1 October 2019 the Group recognised an increase in lease liabilities of $1.7 billion, a right-of-use lease asset of $1.6 billion, an increase in deferred tax assets of $37 million and a net reduction to opening retained earnings of $88 million. For further details on key requirements and impacts of the changes refer to Note 1 of the consolidated financial statements.

The Group early adopted AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform from 1 October 2019. The standard modifies certain hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform. For further details on interest rate benchmark reform refer Note 1 of the consolidated financial statements.

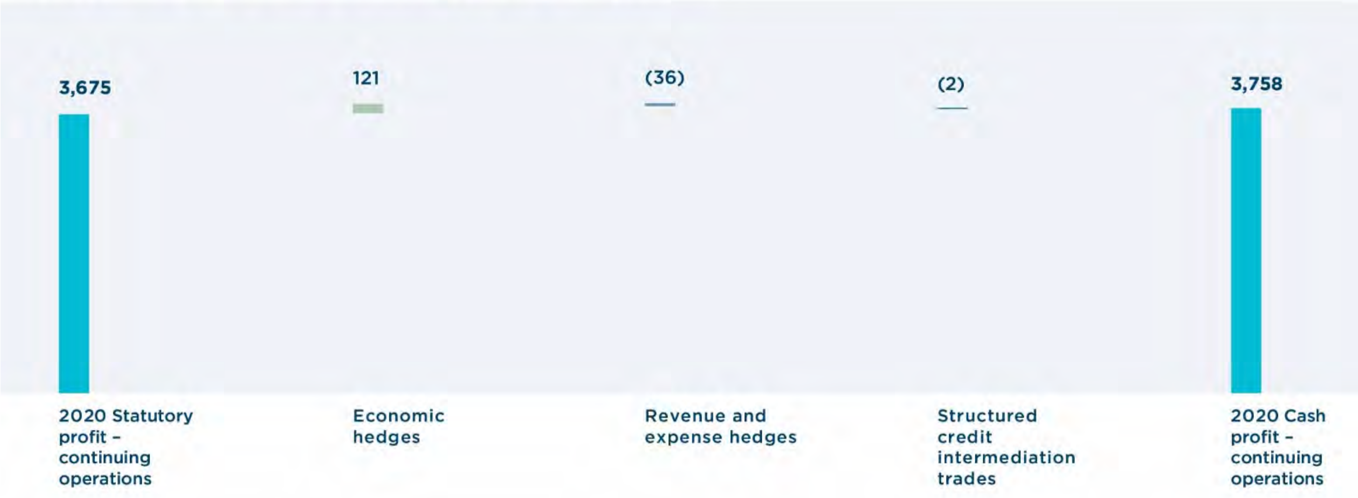
CONTINUING OPERATIONS

We believe cash profit from continuing operations is a particularly important performance measure as we continue to strategically reposition ourselves to create a simpler, better capitalised, better balanced and more agile bank. Key measures of our financial position and performance are set out below.



1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 67.
2. The Directors propose a final dividend of 35 cents fully franked for Australia tax purposes (30% tax rate) and carry New Zealand imputation credits of NZD 4 cents per ordinary shares.

ADJUSTMENTS BETWEEN STATUTORY AND CASH PROFIT[1]



Description of adjustments between continuing operations statutory profit and cash profit:

Adjustment	Reason for the adjustment
Economic hedges 2020: $121 million 2019: $118 million Revenue and expense hedges 2020: ($36) million 2019: ($19) million	The Group enters into economic hedges to manage its interest rate and foreign exchange risk which, in accordance with accounting standards, result in fair value gains and losses being recognised within the Income Statement. ANZ removes the fair value adjustments from cash profit since the profit or loss resulting from the hedge transactions will reverse over time to match with the profit or loss from the economically hedged item as part of cash profit. This includes gains and losses arising from derivatives not designated in accounting hedge relationships but which are considered to be economic hedges, including hedges of foreign currency debt issuances and foreign exchange denominated revenue and expense streams, primarily NZD and USD (and USD correlated), as well as ineffectiveness from designated accounting hedges.
Structured credit intermediation trades 2020: ($2) million 2019: ($2) million	ANZ entered into a series of structured credit intermediation trades prior to the Global Financial Crisis with eight US financial guarantors. This involved selling credit default swaps (CDSs) as protection over specific debt structures and purchasing CDS protection over the same structures. ANZ has subsequently exited its positions with six US financial guarantors. The remaining two portfolios with a $0.3 billion notional value are being monitored with a view to reducing the exposures when ANZ deems it cost effective relative to the perceived risk associated with a specific trade or counterparty.
Revaluation of policy liabilities – OnePath Life (NZ) 2020: nil 2019: $77 million	When calculating policy liabilities, the projected future cash flows on insurance contracts are discounted to reflect the present value of the obligation, with the impact of changes in the market discount rate each period being reflected in the Income Statement. ANZ includes the impact on the re-measurement of insurance contracts attributable to changes in market discount rates as an adjustment to statutory profit to remove the volatility attributable to changes in market interest rates which reverts to zero over the life of insurance contracts. With the sale completion of the OnePath Life (NZ) Ltd business this adjustment is no longer required.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 67.

GROUP CASH PROFIT PERFORMANCE

Cash profit performance and the analysis thereof has been presented on a cash profit from continuing operations basis. Discontinued operations are described on page 67.

	2020 $m	2019 $m	Movt
Net interest income	14,049	14,339	-2%
Other operating income	3,703	4,690	-21%
Operating income	17,752	19,029	-7%
Operating expenses	(9,383)	(9,071)	3%
Profit before credit impairment and income tax	8,369	9,958	-16%
Credit impairment charge	(2,738)	(795)	244%
Profit before income tax	5,631	9,163	-39%
Income tax expense	(1,872)	(2,678)	-30%
Non-controlling interests	(1)	(15)	-93%
Profit after tax from continuing operations	3,758	6,470	-42%

Cash profit from continuing operations decreased $2,712 million (42%) compared with the 2019 financial year.

- net interest income decreased $290 million (-2%) largely due to lower interest rates and competitive pressures resulting in a 13 basis point decrease in the net interest margin, partially offset by 6% growth in average interest earning assets. The lower net interest margin reflects lower earnings on capital, customers switching to principal and interest home loans in Australia and from variable to fixed loans in both Australia and New Zealand, a higher proportionate growth in the lower margin Institutional business and the impacts of growth in liquid assets due to increased system liquidity, partially offset by favourable short-term funding costs and growth in at-call deposits. The increase in average interest earning assets reflects the impact of foreign currency translation movements and growth in the Institutional banking portfolio, increases in average trading and investment securities and increases in average cash and other liquid assets.
- other operating income decreased $987 million (-21%) largely as the result of the impairment of Asian associates of $815 million, a reduction associated with divestments of $342 million, a decrease in net fee and commission income of $252 million excluding divestment impacts, a reduction in share of associates' profit of $107 million, and a $79 million decrease due to widening credit spread impacts on loans measured at fair value in Institutional. This was partially offset by higher Markets Other operating income of $598 million.
- operating expenses increased $312 million (3%) primarily due to an accelerated software amortisation charge of $197 million, lease-related items of $85 million, higher restructuring expenses of $84 million, goodwill impairments of $77 million and higher compliance spend. This was partially offset by lower customer remediation of $164 million within operating expenses, and productivity benefits.
- credit impairment charges increased $1,943 million largely due to additional collectively assessed credit impairment charges for the expected impact of COVID-19.

LARGE/NOTABLE ITEMS INCLUDED IN CASH PROFIT FROM CONTINUING OPERATIONS

Within continuing cash profit, the Group recognised a number of large/notable items. The impact of these items on a post-tax basis is as follows:

Gain/(Loss) on sale of divestments	2020 $m	2019 $m
OnePath Life NZ Ltd (OPL NZ)	-	157
ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	-	10
PNG Retail, Commercial and SME	-	1
Paymark	-	37
UDC Finance (UDC)	(34)	-
Divested business results[1]		
OnePath Life NZ Ltd (OPL NZ)	-	10
ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	-	11
PNG Retail, Commercial and SME	-	7
Paymark	-	4
UDC Finance (UDC)	57	71
Other large/notable items		
Customer remediation	(279)	(475)
Accelerated software amortisation	(138)	-
Asian associates impairments	(815)	-
Asian associate AASB 9 adjustment	(66)	-
Lease-related items	(72)	-
Royal Commission legal costs	-	(10)
Restructuring	(115)	(54)
Goodwill write-off	(77)	-

1. For business results that relate to completed divestments, comparative information has been restated for large/notable items included in the 2020 financial year.

Description of large/notable items:

Item	Description
Gain/(Loss) on sale of divestments	The 2020 financial year included a loss on sale upon completion of the sale of UDC. The 2019 financial year included a gain on sale upon completion of the sale of OPL NZ, Paymark, Cambodia JV, and PNG Retail, Commercial and SME businesses.
Divested business results	The 2020 financial year includes the divested business results of UDC (comparative information restated). The 2019 financial year also included the divested business results of the Cambodia JV, OPL NZ, PNG Retail, Commercial and SME, and Paymark.
Customer remediation	Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.
Accelerated software amortisation	Accelerated amortisation charge arising from the revised application of the Group's software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. Refer to Note 20 Goodwill and Other Intangible Assets of the consolidated financial statements for further details.
Asian associates impairments	During the 2020 financial year, the Group recognised an impairment in respect of two of the Group's investments to adjust their carrying values in line with their value-in-use calculations (refer Note 26 Investments in Associates of the consolidated financial statements).
Asian associate AASB 9 adjustment	When the Group adopted AASB 9 Financial Instruments on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the current financial year recognising a transition adjustment in retained earnings. The adjustment represents the Group's equity accounted share of the transition adjustment net of the previous transition adjustment.
Lease-related items	During the 2020 financial year, the Group recognised charges associated with the adoption of the new lease accounting standard on 1 October 2019. Comparative information has not been restated for the adoption of the new lease accounting standard.
Royal Commission legal costs	External legal costs associated with responding to the Banking Royal Commission.
Restructuring	Restructuring charges largely related to business and property changes in Australia Retail and Commercial division.
Goodwill write-off	Pacific division: The impact of COVID-19 on the economies of the Pacific has been significant and is expected to take some time to recover. Goodwill of $50 million was impaired. No further impairment was required on the carrying value of other assets in the Pacific. New Zealand division: As a result of changes in the economic environment and outlook, the Group has announced its intention to begin winding up the Bonus Bonds business in New Zealand no later than 31 October 2020. As a result, the Group wrote off the associated goodwill of $27 million.

ANALYSIS OF CASH PROFIT PERFORMANCE

Net interest income

	2020 $m	2019 $m	Movt
Net interest income[1]	14,049	14,339	-2%
Average interest earning assets[2]	862,882	813,219	6%
Average deposits and other borrowings[2]	679,336	638,380	6%
Net interest margin (%) - cash[1,2]	1.63	1.76	-13bps

1. Includes the major bank levy of -$406 million (2019: -$363 million).
2. Average balance sheet amounts include assets and liabilities of continuing operations reclassified as held for sale.

Net interest income decreased $290 million (-2%) largely due to lower interest rates and competitive pressures, partially offset by 6% growth in average interest earning assets.

Net interest margin reduced 13 bps due to the impact of central bank rate cuts on low rate deposits, earnings on capital and replicated deposits net of repricing. This was also impacted by customers switching to principal and interest home loans in Australia and from variable to fixed loans in both Australia and New Zealand, higher proportionate growth in the lower margin Institutional business, the impacts of growth in liquid assets due to increased system liquidity, partially offset by favourable short-term funding costs and growth in at-call deposits.

Average interest earning assets increased $49.7 billion (6%) reflecting growth in the Institutional banking portfolio, growth in liquid assets and trading securities in Markets, higher central bank cash balances, higher collateral and the impact of foreign currency translation movements.

Average deposits and other borrowings increased $41.0 billion (6%) driven by growth in all divisions but particularly in the Institutional and Australia Retail and Commercial divisions, and the impact of foreign currency translation movements.

GROUP NET INTEREST MARGIN FROM CONTINUING OPERATIONS (bps)

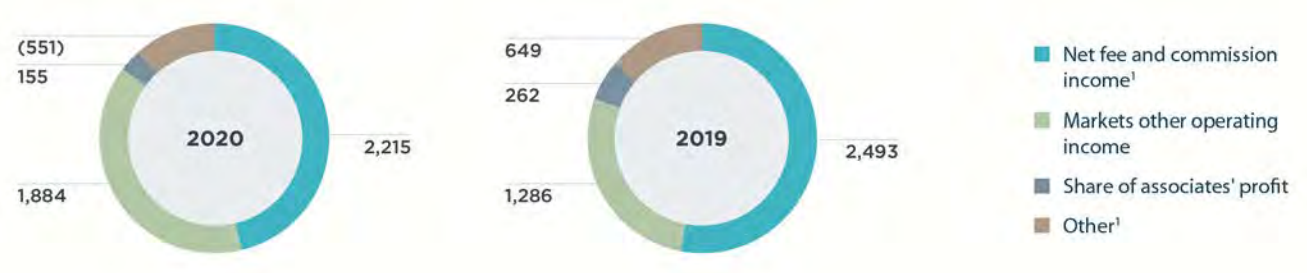
1. Market Balance Sheet activities includes the impact of discretionary liquid assets and other Balance Sheet activities.

Other operating income

	2020 $m	2019 $m	Movt
Net fee and commission income[1]	2,215	2,493	-11%
Markets other operating income	1,884	1,286	47%
Share of associates' profit	155	262	-41%
Other[1]	(551)	649	large
Total cash other operating income	3,703	4,690	-21%

	Total increase/ (decrease) $m	Movt	Explanation
Net fee and commission income[1]	(278)	-11%	Net fee and commission income decreased primarily due to lower volume related fees due to the impact of COVID-19, reduction or removal of fees, loss of income from divested businesses, partially offset by lower customer remediation impacting Net fee and commission income.
Markets other operating income	598	47%	Markets other operating income increased across Franchise Trading, Franchise Sales and Balance Sheet Trading. This was primarily due to increased customer sales flows and improved trading conditions, particularly in International, as customers sought Markets risk management products.
Share of associates' profit	(107)	-41%	Share of associates' profit decreased by $107m of which $68 million relates to the Group's equity accounted share of PT Panin's transition adjustment on its adoption of AASB 9. The equity accounted share of profits decreased by $10 million for PT Panin and $24 million for AmBank.
Other[1]	(1,200)	large	Other decreased primarily due the impairment of the Asian associates of $815 million, the impact of divested businesses of $318 million and $79 million in Institutional division related to widening credit spread impacts on loans measured at fair value.
Total cash other operating income from continuing operations	(987)	-21%	

OTHER OPERATING INCOME ($m)



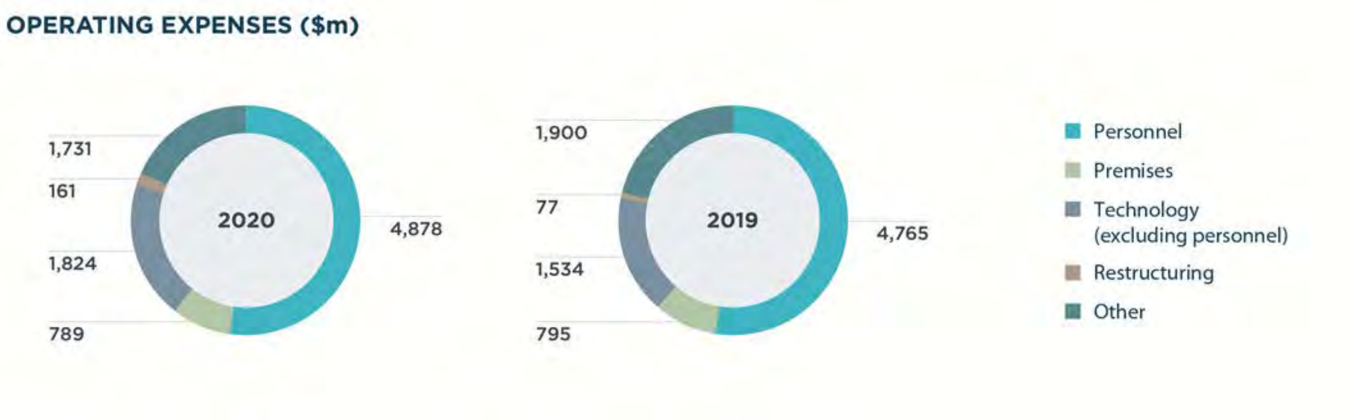
1. Excluding Markets.

Operating expenses

	2020 $m	2019 $m	Movt
Total cash operating expenses from continuing operations[2]	9,383	9,071	3%
Full time equivalent staff (FTE) from continuing operations	37,506	37,588	0%
Average full time equivalent staff (FTE) from continuing operations	37,728	37,480	1%

Operating expenses increased by $312 million (3%). Key drivers:

- personnel expenses increased $113 million (2%) largely driven by higher investment spend in the New Zealand and Australia Retail and Commercial divisions, higher customer remediation costs of $80 million, wage inflation and adverse foreign currency translation movements. This was partially offset by lower variable remuneration and lower business as usual expenses, including reduced employee leave balances.
- premises expenses decreased $6 million (-1%) largely driven by lower premises expense in our International network, partially offset by a change in accounting treatment associated with the new leasing standard (comparatives not restated).
- technology expenses (excluding personnel) increased $290 million (19%) largely as a result of accelerated amortisation of $197 million due to a change in application of the software amortisation policy, a change in accounting treatment associated with the new leasing standard (comparatives not restated), an increase in investment spend and customer remediation ($13 million).
- restructuring expenses increased $84 million largely related to business and distribution changes in the Australia Retail and Commercial division.
- other expenses decreased $169 million (-9%) largely due to lower customer remediation of $257 million and lower travel expenses, partially offset by higher investment spend and Goodwill write-offs of $77 million in Pacific and New Zealand divisions.



Credit impairment

	2020	2019	Movt
Collectively assessed credit impairment charge/(release) ($m)	1,717	17	large
Individually assessed credit impairment charge ($m)	1,021	778	large
Credit impairment charge ($m)	2,738	795	large
Gross impaired assets ($m)	2,459	2,029	21%
Credit risk weighted assets ($b)	360.0	358.1	1%
Total allowance for expected credit losses (ECL) ($m)	5,899	4,190	41%
Individually assessed as % of gross impaired assets	36.2%	40.1%	
Collectively assessed as % of credit risk weighted assets	1.39%	0.94%	

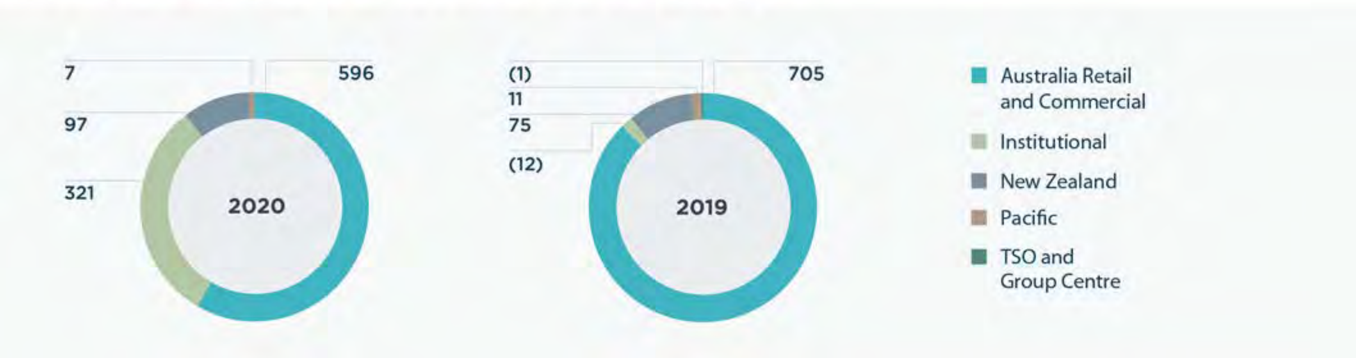
GROSS IMPAIRED ASSETS BY DIVISION ($m)

Gross impaired assets increased $430 million (21%) driven by the Institutional division ($169 million), Australia Retail and Commercial division ($166 million) and New Zealand division ($102 million). The increase in the Institutional division primarily relates to impairments on a small number of single name exposures. The Australia Retail and Commercial division increase was driven by home loans with a combination of the implementation of a more market responsive collateral valuation methodology and impairments as 90 days past due exposures increased, combined with impairments on a small number of single name exposures in the commercial portfolio. The increase in the New Zealand division is driven by impairments on a small number of single name commercial exposures.

COLLECTIVELY ASSESSED CREDIT IMPAIRMENT CHARGE ($m)

The collectively assessed credit impairment charge increased by $1,700 million primarily driven by a $1,044 million increase in the Australia Retail and Commercial division, a $363 million increase in the Institutional division and a $236 million increase in the New Zealand division. The significant increases across all divisions are due to forward-looking assessments of the impacts of the COVID-19 pandemic driven by the deterioration in the economic outlook as well as management adjustments to recognise the risk of credit quality deterioration expected to emerge as COVID-19 stimulus and support programs ease.

INDIVIDUALLY ASSESSED CREDIT IMPAIRMENT CHARGE ($m)



The individually assessed credit impairment charge increased by $243 million primarily due to a single name impairment in the Institutional division. This was partially offset by improved delinquencies in the Australia Retail portfolios combined with ongoing lower portfolio growth in the unsecured portfolio, and lower provisions in the Commercial portfolio.

TOTAL ALLOWANCE FOR EXPECTED CREDIT LOSSES ($m)

During the September 2020 year the collectively assessed allowance for expected credit losses increased by $1,632 million. This was attributable to changes in economic outlook including impact of scenario weights of $1,018 million, COVID-19 related management adjustments of $592 million, changes in risk of $61 million and a change in portfolio composition of $46 million, partially offset by reductions from foreign exchange and divestments of $85 million.

During the September 2020 year, there was a net increase in the individually assessed allowance for expected credit losses of $77 million.

COVID-19 loan assistance packages offered to customers[1]

Since March 2020, the Group has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates.

The Group does not consider that when a customer is first provided assistance, all other things being equal, that there has been a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. Additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those that have requested a deferral extension have been classified as having a SICR. The Group continues to work with our customers on arrangements in respect of their loan obligations once the assistance package has ceased.

The categories of assistance packages provided and the amounts outstanding as at 30 September 2020 are noted in the following table:

Assistance package category	Australia Geography At 30 September 2020 $m	New Zealand Geography At 30 September 2020 $m	Total At 30 September 2020 $m
Loan deferral package			
Retail	26,117	3,705	**29,822**
Commercial and other	8,989	193	**9,182**
Interest only			
Retail	126	2,287	**2,413**
Commercial and other	33	494	**527**
Term extensions			
Retail	3	611	**614**
Commercial and other	24	66	**90**
Total	35,292	7,356	**42,648**
Retail	26,246	6,603	**32,849**
Commercial and other	9,046	753	**9,799**
Total	35,292	7,356	**42,648**

1. COVID-19 loan deferral packages are available to customers if either their loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due but were up to date at 1 March 2020.

DIVISIONAL PERFORMANCE

2020	Australia Retail and Commercial	Institutional	New Zealand	Pacific	TSO and Group Centre	Group
Net interest margin	2.59%	0.76%	2.26%	3.10%	n/a	1.63%
Operating expenses to operating income	45.1%	43.9%	44.8%	106.2%	n/a	52.9%
Cash profit from continuing operations ($m)	2,337	1,854	1,017	(62)	(1,388)	3,758
Net loans and advances ($b)	339.4	157.6	116.6	1.9	1.6	617.1
Customer deposits ($b)	234.6	223.3	91.0	3.5	-	552.4
Number of FTE	14,078	5,291	5,761	1,113	11,263	37,506

2019	Australia Retail and Commercial	Institutional	New Zealand	Pacific	TSO and Group Centre	Group
Net interest margin	2.59%	0.82%	2.33%	3.75%	n/a	1.76%
Operating expenses to operating income	43.2%	50.6%	38.8%	64.7%	n/a	47.7%
Cash profit from continuing operations ($m)	3,195	1,828	1,399	59	(11)	6,470
Net loans and advances ($b)	331.9	164.5	116.7	2.1	0.1	615.3
Customer deposits ($b)	208.0	217.3	83.4	3.5	(0.4)	511.8
Number of FTE	13,903	5,468	6,121	1,086	11,010	37,588

DIVISIONAL PERFORMANCE

Australia Retail and Commercial

Lending volumes increased in the September 2020 half driven by successful home loan growth, partially offset by lower consumer demand for unsecured borrowing and increased customer repayments following fiscal and regulatory stimulus and a low interest rate environment. Net interest margin was flat as the headwinds from official cash rate decreases on low customer rate deposits and earnings on capital, unfavourable lending mix from proportionately more growth in lower margin home loans compared to higher margin unsecured lending were offset by home loan repricing benefits, lower funding costs and a favourable deposit mix impact. Other operating income decreased driven by lower credit card and international transaction volumes driven by COVID-19 impacts and fee removals. Operating expenses were flat with higher investment spend, higher restructuring expenses, additional charges for lease-related items, accelerated amortisation due to changes in application of the software policy and inflationary increases being offset by productivity benefits and lower remediation expenses. Credit impairment charges increased driven by collectively assessed credit impairment charges for the expected impact of COVID-19.

Institutional

Average lending volumes increased against the prior period. Customer deposits increased in Transaction Banking, partially offset by decreases in the other businesses. Net interest margin ex-Markets decreased mainly due to the impact of low interest rates on deposit margins. Other operating income increased due to higher Markets income, partly offset by lower volume related fee income in the transaction banking business with a subdued international trade environment. Operating expenses decreased as a result of lower personnel costs, lower discretionary spend, lower property charges and lower remediation expenses, partly offset by accelerated amortisation due to changes in application of the software policy and additional charges for lease-related items. Credit impairment charges increased due to higher collectively assessed credit impairment charge for the expected impact of COVID-19 and an increase in individually assessed credit impairment charges in Transaction Banking.

New Zealand

Lending ended flat against the prior period impacted by the sale of UDC at the end of the year. Customer deposit volumes grew across all portfolios while funds under management increased during the period. Net interest margin decreased mainly due to lower interest rates compressing deposit margins. Other operating income decreased primarily driven by fee changes and lower volume related fee income and fee waivers due to the impact of COVID-19. Operating expenses increased due to higher investment spend on compliance projects, goodwill write-off related to the Bonus Bonds business, accelerated amortisation due to changes in application of the software policy, and increased restructuring charges. Credit impairment charges increased driven by higher collectively assessed credit impairment charges for the expected impact of COVID-19.

Pacific

Operating income for the Pacific division declined from the prior year due to the impact of COVID-19. Costs were higher largely due to a goodwill write-off. Credit impairment charges increased driven by higher collectively assessed credit impairment charges for the expected impact of COVID-19.

TSO and Group Centre

The 2020 financial year included the impairment of the Asian associates and a loss on sale of UDC. The 2019 financial year included the gain on sale of OnePath Life (NZ), Paymark, Cambodia JV and PNG Retail, Commercial and SME.

DISCONTINUED OPERATIONS

The financial results of the divested Wealth Australia businesses and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

The comparative Group Income Statement and Statement of Comprehensive Income have been restated to show discontinued operations separately from continuing operations in a separate line item 'Profit/(Loss) from discontinued operations'.

- Sale to IOOF Holdings Limited (IOOF)

  On 17 October 2017, the Group announced it had agreed to sell its OnePath P&I and ADGs businesses to IOOF. The aligned dealer groups business consists of ADGs that operate under their own Australian Financial Services licences. The sale of the ADGs completed on 1 October 2018 and the OnePath P&I business completed on 31 January 2020.

- Sale to Zurich Financial Services Australia (Zurich)

  On 12 December 2017, ANZ announced that it had agreed to the sale of its life insurance business to Zurich and regulatory approval was obtained on 10 October 2018. The transaction was completed on 31 May 2019.

Included in the 'Cash loss from discontinued operations' is:

- a $18 million loss on disposal ($13 million loss after tax) was recognised in the September 2020 full year attributable to sale completion costs. The September 2019 full year included a $23 million loss ($81 million loss after tax) attributable to sale related adjustments and write-downs, the reversal of the life-to-date cash profit adjustments on the revaluation of policy liabilities sold to Zurich, partially offset by the recycling on sale completion of gains previously deferred in equity reserves; and
- customer remediation which includes provisions for expected refunds to customers and related remediation costs associated with inappropriate advice or services not provided in the pensions and investments and life insurance businesses. An amount of $126 million pre-tax, $96 million post tax was recognised in the 2020 financial year (2019: $241m pre-tax, $207 million post-tax).

Explanation of adjustments between statutory profit and cash profit

- Treasury shares adjustment

  ANZ shares held by the Group in Wealth Australia discontinued operations are deemed to be Treasury shares for accounting purposes. Dividends and realised and unrealised gains and losses from these shares are reversed as they are not permitted to be recognised as income for statutory reporting purposes. In deriving cash profit, these earnings are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares are held to support policy liabilities which are revalued through the Income Statement. With the sale completion of the life insurance business to Zurich, there are no ANZ shares held by the Group in discontinued operations

- Revaluation of policy liabilities

  When calculating policy liabilities, the projected future cash flows on insurance contracts are discounted to reflect the present value of the obligation, with the impact of changes in the market discount rate in each period being reflected in the Income Statement. ANZ includes the impact on the re-measurement of the insurance contract attributable to changes in market discount rates as an adjustment to statutory profit to remove the volatility attributable to changes in market interest rates which reverts to zero over the life of the insurance contract. With the sale completion of the life insurance business to Zurich, the 2019 financial year includes the reversal of the life-to-date cash profit adjustments on the revaluation of policy liabilities sold, reducing cash profit by $15 million from discontinued operations.

	2020 $m	2019 $m
Statutory profit/(loss) from discontinued operations	(98)	(343)
Adjustments between statutory profit and cash profit	-	34
Treasury shares adjustment	-	(11)
Revaluation of policy liabilities	-	45
Cash profit/(loss) from discontinued operations	(98)	(309)

FINANCIAL POSITION OF THE GROUP – INCLUDING DISCONTINUED OPERATIONS

Condensed balance sheet

	As at		
	2020 $b	2019 $b	Movt
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	129.7	100.3	29%
Trading and investment securities	144.3	126.9	14%
Derivative financial instruments	135.3	120.7	12%
Net loans and advances	617.1	615.3	0%
Assets held for sale	-	1.8	-100%
Other	15.9	16.1	-1%
Total assets	1,042.3	981.1	6%
Liabilities			
Settlement balances owed by ANZ / Collateral received	31.5	18.8	68%
Deposits and other borrowings	682.3	637.7	7%
Derivative financial instruments	134.7	121.0	11%
Debt issuances	119.7	129.7	-8%
Liabilities held for sale	-	2.1	-100%
Other	12.8	11.0	16%
Total liabilities	981.0	920.3	7%
Total equity	61.3	60.8	1%

- Cash/Settlement balances owed to ANZ/Collateral paid increased $29.4 billion (+29%) driven by an increase in balances with central banks, increased overnight inter-bank deposits, and an increase in short term reverse repurchase agreements, partially offset by foreign currency translation movements.
- Trading and investment securities increased $17.4 billion (+14%) primarily driven by an increase in liquid assets in Markets, partially offset by the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $14.6 billion (+12%) and $13.7 billion (+11%) respectively as interest rate and foreign exchange movements resulted in higher derivative volumes and fair values, particularly in interest rate and foreign exchange swap products.
- Net loans and advances increased $1.8 billion (+0%), driven by growth in home loans in the Australia Retail and Commercial division (+$10.1 billion) and New Zealand division (+$4.4 billion), partially offset by lower credit volumes in other products as a result of the ongoing impacts of COVID-19 in the Institutional (-$4.1 billion) and Australia Retail and Commercial (-$1.6 billion) divisions, higher credit provisions (-$1.5 billion) as a result of the ongoing impacts of COVID-19, the sale of the UDC business in New Zealand division in September 2020 (-$3.4 billion) and foreign currency translation movements.
- Deposits and other borrowings increased $44.6 billion (+7%) driven by increased customer deposits in the Australia Retail and Commercial division (+$26.6 billion), Institutional division (+$11.8 billion), and New Zealand division (+$7.8 billion) and drawdown of the RBA Term Funding Facility (TFF) (+$12 billion). This was partially offset by a reduction in certificates of deposit (-$4.0 billion), commercial paper issued (-$2.7 billion) and the impact of foreign currency translation movements.
- Debt issuances decreased $10.0 billion (-8%) driven by lower senior debt issuances. Funding was partially replaced by the RBA TFF, which is classified as Deposits and other borrowings.

Funding

	2020 $b	2019 $b
Customer liabilities	561.3	521.4
Wholesale funding	277.5	270.3
Shareholders' equity	61.3	60.8
Total funding	900.1	852.5
Net Stable Funding Ratio	124%	116%

The Group targets a diversified funding base, avoiding undue concentration by investor type, maturity, market source and currency.

$13.2 billion of term wholesale debt with a remaining term greater than one year as at 30 September 2020 was issued during the year.

In March 2020, the RBA announced a Term Funding Facility (TFF) for the banking system. The RBA is providing a three-year secured funding facility to ADIs at a fixed rate of 0.25%. APRA has determined that the TFF qualifies for inclusion in determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

ADIs can obtain initial funding of up to 3% of their existing credit outstanding to Australian households and businesses. ADIs have access to additional funding if they increase lending to small and medium-sized businesses. As at 30 September 2020, ANZ had drawn $12 billion from its initial TFF allowance of $12 billion and had drawn $0 billion from its additional TFF allowance of $6 billion.

Liquidity

	Full year average 2020	2019
Total liquid assets ($b) [1]	213.9	188.4
Liquidity Coverage Ratio (LCR) [1]	139%	140%

1. Full year average, calculated as prescribed per APRA Prudential Regulatory Standard (APS 210 Liquidity) and consistent with APS 330 requirements.

The Group holds a portfolio of high quality unencumbered liquid assets in order to protect the Group's liquidity position in a severely stressed environment, as well as to meet regulatory requirements. High Quality Liquid Assets comprise three categories, with the definitions consistent with Basel 3 LCR:

- highest-quality liquid assets (HQLA1): Cash, highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- high-quality liquid assets (HQLA2): High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- alternative liquid assets (ALA): Assets qualifying as collateral for the Committed Liquidity Facility (CLF) and other eligible securities listed by the Reserve Bank of New Zealand (RBNZ).

The Group monitors and manages the size and composition of its liquid assets portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the Board.

COVID-19 has impacted the normal operations of financial markets including funding markets, however the actions of governments globally and central banks including the RBA, RBNZ and the US Federal Reserve have provided significant liquidity support to the system and financial markets generally. ANZ's liquidity measures have remained above regulatory requirements throughout this period.

Capital management

	2020	2019	Movt
Common Equity Tier 1 (Level 2) - APRA Basel 3	11.3%	11.4%	
Credit risk weighted assets ($b)	360.0	358.1	1%
Total risk weighted assets ($b)	429.4	417.0	3%
APRA Leverage ratio	5.4%	5.6%	

APRA, under the authority of the Banking Act 1959, sets minimum regulatory requirements for banks including what is acceptable as regulatory capital and provides methods of measuring the risks incurred by the Bank.

The Group's Common Equity Tier 1 ratio was 11.3% based on APRA Basel 3 standards, exceeding APRA's minimum requirements. It decreased 2 bps as cash earnings and divestments were offset by the impact of dividends during the year.

At 30 September 2020 the Group's APRA leverage ratio was 5.4% which is above the 3.5% proposed minimum for internal ratings based approach ADI (IRB ADI) which includes ANZ.

Dividends

Our financial performance allowed us to propose that a final dividend of 35 cents be paid on each eligible fully paid ANZ ordinary share, bringing the total dividend for the year ended 30 September 2020 to 60 cents per share. This represents a dividend payout ratio of 45.3% of cash profit from continuing operations.

The proposed 2020 final dividend of 35 cents per share will be fully franked for Australian taxation purposes, and carry New Zealand imputation credits of NZD 4 cents per ordinary share. It will be paid on 16 December 2020 to owners of ordinary shares at close of business on 10 November 2020 (record date).

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2020 final dividend. For the 2020 final dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares.

Further details on dividends provided for or paid during the year ended 30 September 2020 are set out in Note 5 of the consolidated financial statements.

Shareholders Returns

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 67.

FIVE YEAR SUMMARY

		2020[1] $m	2019[1] $m	2018[1] $m	2017[1] $m	2016 $m
Financial performance - cash[2]						
Net interest income		**14,049**	14,339	14,514	14,875	15,095
Other operating income		**3,703**	4,690	4,853	4,941	5,499
Operating expenses		**(9,383)**	(9,071)	(9,401)	(8,967)	(10,439)
Profit before credit impairment and income tax		**8,369**	9,958	9,966	10,849	10,155
Credit impairment charge		**(2,738)**	(795)	(688)	(1,199)	(1,956)
Income tax expense		**(1,872)**	(2,678)	(2,775)	(2,826)	(2,299)
Non-controlling interests		**(1)**	(15)	(16)	(15)	(11)
Cash profit from continuing operations[2]		**3,758**	6,470	6,487	6,809	5,889
Cash profit/(loss) from discontinued operations		**(98)**	(309)	(682)	129	n/a
Cash profit		**3,660**	6,161	5,805	6,938	5,889
Adjustments to arrive at statutory profit[2]		**(83)**	(208)	595	(532)	(180)
Profit attributable to shareholders of the Company		**3,577**	5,953	6,400	6,406	5,709
Financial position						
Assets		**1,042,286**	981,137	943,182	897,326	914,869
Net assets		**61,297**	60,794	59,405	59,075	57,927
Common Equity Tier 1		**11.3%**	11.4%	11.4%	10.6%	9.6%
Common Equity Tier 1 – Internationally Comparable Basel 3[3]		**16.7%**	16.4%	16.8%	15.8%	14.5%
Return on average ordinary equity (statutory)[4]		**5.9%**	10.0%	10.9%	11.0%	10.0%
Return on average assets (statutory)		**0.3%**	0.6%	0.7%	0.7%	0.6%
Cost to income ratio (cash)[2]		**53.8%**	49.5%	52.0%	46.1%	50.7%
Shareholder value – ordinary shares						
Total return to shareholders (share price movement plus dividends)		**-36.9%**	9.2%	0.6%	13.1%	9.2%
Market capitalisation		**48,839**	80,842	80,979	86,948	80,886
Dividend (cents)		**60**	160	160	160	160
Franked portion	– interim	**100%**	100%	100%	100%	100%
	– final	**100%**	70%	100%	100%	100%
Share price	– high (dollars)	**$28.67**	$29.30	$30.80	$32.95	$29.17
	– low (dollars)	**$14.10**	$22.98	$26.08	$25.78	$21.86
	– closing (dollars)	**$17.22**	$28.52	$28.18	$29.60	$27.63
Share information (per fully paid ordinary share)						
Earnings per share (cents) (statutory)		**126.4**	210.0	221.6	220.1	197.4
Dividend payout ratio (statutory)		**47.6%**	76.2%	72.1%	73.4%	81.9%
Net tangible assets per ordinary share[5]		**$20.04**	$19.59	$18.47	$17.66	$17.13
No. of fully paid ordinary shares issued (millions)		**2,840**	2,835	2,874	2,937	2,927
Dividend reinvestment plan (DRP) issue price						
	– interim	**$18.06**	$27.79	$27.76	$28.80	$24.82
	– final	**-**	$25.03	$26.03	$29.02	$28.16
Other information						
No. of employees (full time equivalents)		**38,579**	39,060	39,924	44,896	46,554
No. of shareholders		**553,171**	506,847	509,238	522,425	545,256

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 has not been restated. All ratios are presented on a Group basis inclusive of discontinued operations across all periods.
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 2016–2020 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

Five year summary (continued)	2020	2019	2018	2017	2016
Fair and Responsible Banking					
Net Promoter Score Ranking (relative to peers)					
Australia Retail[1]	3	4	3	4	2
Australia Commercial[2]	4	3	3	4	4
Australia Institutional[3]	1	1	1	2	1
New Zealand Retail[4]	4	4	4	4	4
New Zealand Commercial and Agricultural[5]	5	5	5	5	5
New Zealand Institutional[6]	1	1	1	3	1
Code of conduct					
Breaches[7]	569	784	1,114	1,443	1,408
Investigations resulting in termination	93	151	226	262	254
Whistleblower reports	157	156	137	121	71
Financial Wellbeing					
Help enable social and economic participation of 1 million people by 2020 (cumulative total)[8]	1,070,930	998,474	889,135	550,361	453,054
Employees					
Employee engagement (%)[9]	86	77	73	72	74
Total Women in Leadership (%)[10]	33.4	32.5	32.0	31.1	29.9
Community					
Total community investment ($m)	139.5	142.2	136.9	131.1	89.8
Volunteer hours	66,402	134,930	124,113	113,127	113,071
Employee volunteering participation rate (%)[11]	20.5	42.4	34.6	29.4	-
Sustainable solutions AU$50 billion target[12]					
Total funded or facilitated towards:					
Environmental sustainability ($ billion)	7.57	7.60	4.65	4.51	2.37
Housing ($ billion)[13]	1.45				
Other social ($ billion)[14]	0.06				
Environmental Sustainability					
Environmental footprint					
Total scope 1 & 2 GHG emissions (tCO_2e)	134,093	156,568	171,012	180,993	193,569
Total scope 1,2 & 3 GHG emissions (tCO_2e)	203,700	250,857	266,906	273,216	299,224
Project finance portfolio[15]					
Renewables (%)	87	83	76	70	63
Coal (%)	5	9	13	16	19
Gas (%)	7	8	10	13	18
Project finance commitment to renewable energy ($m)	1,501	1,371	1,076	1,141	875
Average emissions intensity of generation financed					
Australia (tCO_2e/Mwh generated)	0.40	0.54	0.66	0.58	0.62
Outside Australia (tCO_2e/Mwh generated)	0.01	0.02	0.08	0.24	0.16

1. Roy Morgan Single Source, Australian population aged 14+, Main Financial Institution, six month rolling average to Sep'16, Sep'17, Sep'18, Sep'19 & Sep'20. Ranking based on the four major Australian banks. **2.** DBM Business Atlas. Base: Commercial (<$100 million annual turnover) Main Financial Institution customers. Six month average to Sep'16, Sep'17, Sep'18, Sep'19 & Sep'20. Ranking based on the four major Australian banks. **3.** Peter Lee Associates, 2020 Large Corporate and Institutional Relationship Banking surveys, Australia. **4.** Retail Market Monitor, Camorra Research, six month rolling average to Sep'16, Sep'17, Sep'18, Sep'19 & Sep'20. Ranking based on the five major New Zealand banks. **5.** Business Finance Monitor, TNS Kantar Research. Base: Commercial ($3 million – $150 million annual turnover) and Agricultural (>$500K annual turnover) customers. Four quarter rolling average to Q3'16, Q3'17, Q3'18, Q3'19 & Q3'20. Ranking based on the five major New Zealand commercial / agricultural banks. **6.** Peter Lee Associates Large Corporate and Institutional Relationship Banking surveys, New Zealand 2016 - 2020, ranked against the Top 4 competitors (in 2016 rank based on question 'which bank would you most likely to recommend'). **7.** Resulting in a formal consequence or the employee leaving ANZ **8.** Target commenced in 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. Refer to the 2020 ESG Supplement for methodology. **9.** The 2017 engagement survey was run as a pulse survey sent to 10% of the bank's employees with a 57% response rate. **10.** 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). **11.** Commenced reporting in 2017. **12.** 2016 –2019 figures represent annual contributions towards ANZ's 2020 $15bn sustainable solutions target, which had an environmental focus. In 2020, ANZ set a new 2025 $50bn target with an expanded focus on environmental sustainability, housing and financial wellbeing. **13.** Commenced reporting in 2020. **14.** Commenced reporting in 2020. Includes Green, Social, Sustainability Bond transactions issued by Financial Institutions that align to SDG 6, 7, 9, 11, 12 and 13 and indirectly align to Financial Wellbeing. **15.** Breakdowns for 2020, 2018 and 2017 do not total to 100% due to rounding.

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Remuneration report

Dear Shareholder,

2020 Remuneration Report – audited

In many respects this was not the year we planned it to be. However, despite the unprecedented combination of challenges from COVID-19, bushfires and ongoing industry transformation, management navigated the year extremely well and delivered the vast majority of the priorities and objectives agreed with the Board. Like many businesses, ANZ has been affected both operationally and financially.

From an operational perspective, we took swift action to ensure our people could safely and productively work at home, while still supporting customers during a period of significant stress.

Since March 2020 we have provided 142,000 home and business loan repayment deferrals in Australia and New Zealand – providing much needed relief for those who had either lost income or face uncertainty due to the pandemic.

Shareholders will be acutely aware of the financial impacts COVID-19 has had on the bank. Increased provisions for potential future credit losses (which the Board determined were appropriate), along with the impairment of two of the Group's Asian associate investments, have reduced profits and our share price has also been adversely affected.

While these provisions were appropriate given the uncertain environment, they have reduced the amount of profit we are able to pay to shareholders in the form of dividends this year.

Aside from the financial impact of COVID-19, the Group Performance Framework met the Board's expectations when considering the stretching objectives we set ourselves at the start of the year. Solid growth in our key markets, a continued simplification of our operations and maintaining our disciplined approach to expense management were key highlights.

The Board was also pleased with the way the bank responded to the challenges of COVID-19 with our plan designed to protect our people and the things that matter, adapt quickly to the new operating environment, increase engagement with important stakeholders, including Governments and regulators and prepare for the future.

In 2020 we also moved to a new approach to how we reward, recognise and manage the performance of our employees as part of the Group's Reimagining Reward program. This included basing variable remuneration on Group rather than individual performance for around 80% of employees.

Fixed remuneration

To ensure remuneration remained market competitive, the Board engaged PricewaterhouseCoopers in September 2019 to assist the Board to conduct a detailed remuneration market benchmarking review for our Chief Executive Officer and our Disclosed Executives.

Shayne Elliott's fixed remuneration was increased (effective 1 October 2019 before the COVID-19 pandemic) from $2.1 million to $2.5 million and this is reflected in this year's Remuneration Report. Shayne's Long Term Variable Remuneration was reduced by $700k, with the target decreasing from 200% to 140% of fixed remuneration. The Annual Variable Remuneration target remained unchanged at 100% of fixed remuneration.

It should be noted that Shayne has not received a fixed remuneration increase since starting as Chief Executive Officer in January 2016, and his target total remuneration remains largely consistent with previous years.

Ilana Atlas, AO, Chair – Human Resources Committee

Fixed remuneration increases were also applied to five Disclosed Executives on 1 October 2019 to improve market positioning, and one increase was made on permanent appointment. For the year commencing 1 October 2020, the Board determined there would be no fixed remuneration increases for any of the Disclosed Executives, including the Chief Executive Officer.

There were no increases to the Chairman fee or Non-Executive Director base fee for the 2020 year.

Variable remuneration outcomes

Shayne had a successful year and has ANZ well positioned to assist our customers and the community in the most challenging environment in decades, while also delivering a decent result for shareholders.

Shayne has role modelled ANZ's values and culture, demonstrated outstanding leadership as well as making strong progress in simplifying and improving our operations. Despite this good performance, the Board took into account the significant impact of COVID-19 on returns and the profitability of our business as well as the impact on the broader community, and exercised its discretion by applying a 50% reduction to his 2020 Annual Variable Remuneration outcome.

As a result, the Board awarded an Annual Variable Remuneration outcome of $1.25 million (33% of maximum opportunity) for 2020.

Long Term Variable Remuneration of $3.5 million (reduced from $4.2 million the previous year) is proposed. This reinforces Shayne's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders. This allocation of course remains subject to shareholder approval at the 2020 Annual General Meeting and performance hurdles being met.

For Disclosed Executives, the Board also exercised its discretion and applied a 50% reduction to their 2020 Variable Remuneration outcomes resulting in an average outcome of 36% of maximum opportunity. Total remuneration reduced by 15% year-on-year for 2020 Disclosed Executives who were in role for the full year 2019 and 2020.

Performance rights granted in late 2016 to the Chief Executive Officer and Disclosed Executives (excluding the Chief Risk Officer) did not meet their hurdles when tested in November 2019. Therefore, the rights were lapsed and executives received no value from these awards.

This has been a difficult year for all our stakeholders and as a Board we believe we have struck the right balance in rewarding our executives for good performance while also taking into account the broader environment.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders for adoption at the 2020 Annual General Meeting.

Ilana Atlas, AO
Chair – Human Resources Committee

Contents

1. WHO IS COVERED BY THIS REPORT

1.1 DISCLOSED EXECUTIVE AND NED CHANGES

There were several changes to our Key Management Personnel (KMP) during the 2020 year:

- Paul O'Sullivan was appointed as a Non-Executive Director (NED) from November 2019 and as Chairman from 28 October 2020 (following the retirement of Chairman, David Gonski on that date).
- All Group Executive Committee (ExCo) roles with key responsibility for the strategic direction and management of the Group, and who report directly to the Chief Executive Officer (CEO) have been included in this year's report, and so the roles of Group Executive, Talent and Culture (Kathryn van der Merwe) and Group Executive, Technology (Gerard Florian) are now included.
- Antonia Watson was permanently appointed to the Group Executive and Chief Executive Officer, New Zealand (NZ) role in December 2019 (acting since June 2019).

1.2 KEY MANAGEMENT PERSONNEL (KMP)

The KMP whose remuneration is disclosed in this year's report are:

2020 Non-Executive Directors (NEDs)	
D Gonski	Chairman (retired 28 October 2020)
I Atlas	Director
P Dwyer	Director
J Halton	Director
J Key	Director
G Liebelt	Director
J Macfarlane	Director
P O'Sullivan	Director – appointed 4 November 2019 (Chairman from 28 October 2020)

2020 Chief Executive Officer (CEO) and Disclosed Executives	
S Elliott	Chief Executive Officer and Executive Director
M Carnegie	Group Executive, Digital and Australia Transformation
K Corbally	Chief Risk Officer (CRO)
G Florian	Group Executive, Technology
A George	Deputy Chief Executive Officer (title changed effective 22 September 2020 from Deputy Chief Executive Officer and Group Executive, Wealth Australia)
M Hand	Group Executive, Australia Retail and Commercial Banking
M Jablko	Chief Financial Officer (CFO)
K van der Merwe	Group Executive, Talent and Culture (GE T&C)
A Watson	Group Executive and Chief Executive Officer, New Zealand (NZ) – appointed 18 December 2019 (Acting Group Executive and Chief Executive Officer, NZ to 17 December 2019)
M Whelan	Group Executive, Institutional

There have been no changes to KMP since the end of 2020 up to the date of signing the Directors' Report, other than Paul O'Sullivan commencing as Chairman on the retirement of David Gonski from that role.

The Remuneration Report for the Group outlines our remuneration strategy and framework and the remuneration practices that apply to KMP. This report has been prepared, and audited, as required by the Corporations Act 2001. It forms part of the Directors' Report.

2. 2020 OUTCOMES AT A GLANCE

2020 REMUNERATION CHANGES

The following remuneration changes were made at the start of the 2020 financial year following a detailed review to better align to the external market:

- On 1 October 2019 the CEO's fixed remuneration was increased and Long Term Variable Remuneration (LTVR) was reduced (see section 3.2).
- On 1 October 2019 fixed remuneration was increased for a number of Disclosed Executives (see section 4.1).
- No increase to the Chairman fee or NED base fee, and Committee fees remained unchanged except for the Digital Business and Technology Committee Chair fee in recognition of the significant increase in workload of the Committee Chair (see section 7.1).

2020 OUTCOMES

- For the 2021 financial year (i.e. year commencing 1 October 2020), the Board determined that there would be no increases to fixed remuneration for either the CEO or Disclosed Executives.
- The Board exercised their discretion and applied a 50% reduction to the Annual Variable Remuneration (AVR)/Variable Remuneration (VR) outcomes for the CEO and Disclosed Executives having regard to the impact of COVID-19 (see section 4).
  - The CEO received an AVR award of 33% of maximum opportunity.
  - Disclosed Executives' VR outcomes averaged 36% of maximum opportunity, with individual outcomes ranging from 31% to 44% of maximum opportunity.
- The CEO will be awarded LTVR of $3.5 million subject to shareholder approval at the 2020 Annual General Meeting (AGM).
- 100% of the performance rights granted in late 2016 to the CEO and Disclosed Executives (excluding the CRO) were lapsed, as the performance hurdles were not met when tested at the end of the performance period in November 2019 (see section 4.4.3).
- As part of the Group's Reimagining Reward program effective 1 October 2019, ANZ made adjustments to the remuneration mix for staff (increased fixed/reduced variable remuneration), which included replacing individual variable remuneration for around 80% of employees with variable remuneration based on the overall performance of the Group (see section 4.5.1).
- Enhancements were made to continue to strengthen and further embed ANZ's Accountability and Consequence Framework (A&CF) (see section 6).

3. OVERVIEW OF ANZ'S REMUNERATION FRAMEWORK

3.1 REMUNERATION FRAMEWORK OVERVIEW

The structure of our remuneration framework is aligned with our Reward Principles and has been designed to support ANZ's purpose and strategy.

ANZ'S PURPOSE AND STRATEGY[1]

IS UNDERPINNED BY OUR REMUNERATION POLICY WHICH INCLUDES OUR 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:

Fixed remuneration Cash salary and superannuation contributions. The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities reflecting their responsibilities, performance, qualifications, experience and location.

Variable remuneration (at risk) The CEO and Disclosed Executives are eligible to receive variable remuneration under the ANZ Incentive Plan (ANZIP), our variable remuneration plan.

CEO

Annual Variable Remuneration (AVR)

- Rewards the achievement of Group, and individual outcomes over a 12-month period
- Determination: ANZ Group Performance Framework, individual strategic objectives, ANZ values[2] and risk/compliance assessments, and Board discretion
- Maximum opportunity: 150% of fixed remuneration
- Delivery: 50% cash and 50% as ANZ shares deferred over four years, subject to malus[3]

Long Term Variable Remuneration (LTVR)

- Reinforces the CEO's focus on achieving longer term strategic objectives and creating long-term value for all stakeholders
- Face value at full vesting: 140% of fixed remuneration
- Delivery: Performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative total shareholder return (TSR) (75%), absolute TSR (25%)

DISCLOSED EXECUTIVES[4]

Variable Remuneration (VR)

- Rewarded under a single VR framework enabling us to:
  - Provide the appropriate mix of short and long-term rewards (including performance hurdles) to drive performance, and attract and retain talent;
  - Tie the full VR award to the performance of ANZ; and
  - Defer VR over the short, medium and longer term.
- Determination: ANZ Group Performance Framework, Divisional Performance Frameworks, ANZ values and risk/compliance assessments, and Board discretion
- Maximum opportunity: 402% of fixed remuneration[5]
- Delivery: 25% cash, 25% as ANZ shares deferred over four years subject to malus, and 50% as performance rights deferred for four years subject to performance hurdles and malus
- Performance hurdles: Relative TSR (75%), absolute TSR (25%)

Board discretion is applied when determining CEO and Disclosed Executive performance and remuneration outcomes, and also before any scheduled release of previously deferred remuneration (see section 5.3). All deferred variable remuneration is subject to malus adjustment.

REINFORCED BY ALIGNING REMUNERATION AND RISK:

Assessing behaviours based on ANZ's values and risk/compliance standards (including the Banking Executive Accountability Regime (BEAR))	Determining variable remuneration outcomes, with risk as a key input at a pool and individual level	Weighting remuneration toward the longer-term with a significant proportion at risk	Determining accountability and applying consequences where appropriate	Prohibiting the hedging of unvested equity

WHILE SUPPORTING THE ALIGNMENT OF EXECUTIVES AND SHAREHOLDERS THROUGH:

Substantial shareholding requirements	Significant variable remuneration deferral in ANZ equity	Use of relative and absolute TSR hurdles	Consideration of cash profit and economic profit in determining the ANZIP variable remuneration pool	Consideration of the impact to shareholders of the reduction in share price and dividends

WHILE GOVERNED BY:

The Human Resources (HR) Committee and the Board determining fixed remuneration and the variable remuneration outcomes for the CEO and each Disclosed Executive. Additionally, the CEO's LTVR outcome is also subject to shareholder approval at the AGM.

1. See the 'About our business' and 'Our vision and strategy' sections of the Annual Report. **2.** ANZ's values (**I**ntegrity, **C**ollaboration, **A**ccountability, **R**espect, **E**xcellence (ICARE)) – the foundation of how we work, supported by our Code of Conduct and our New Ways of Leading framework. **3.** Malus relates to downward adjustment of unvested remuneration. **4.** The maximum opportunity and delivery of VR differs for the CRO to that of other Disclosed Executives. See section 5 for further details. **5.** Performance rights face value at full vesting.

3.2 CHANGES TO THE CEO AND DISCLOSED EXECUTIVES' REMUNERATION FRAMEWORKS MADE IN 2020

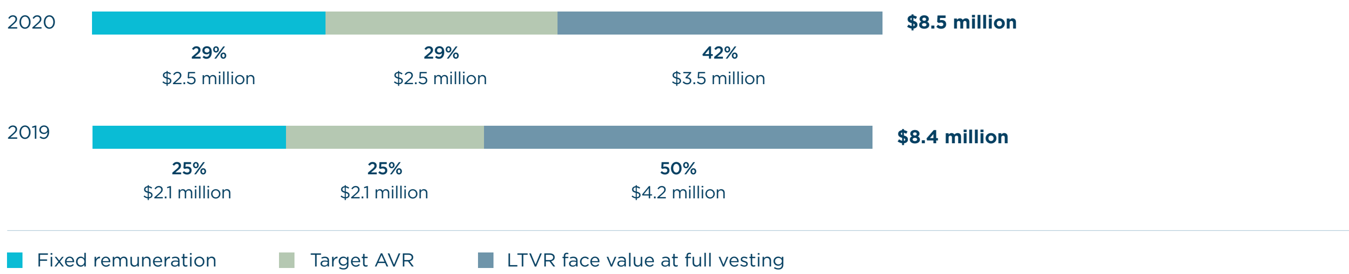
CEO

With the assistance of a detailed market benchmarking review conducted by PricewaterhouseCoopers in September 2019, the Board re-balanced the CEO's remuneration mix from 1 October 2019 to ensure both the CEO's fixed remuneration and total remuneration were market competitive at that time. There have been no changes to the delivery of AVR or LTVR for the 2020 financial year.

In summary:

- Fixed remuneration was increased from $2.1 million to $2.5 million (to better align to the external market while also recognising the skills and experience the CEO brings to the role, noting that this was the first increase since his appointment in January 2016).
- Target AVR remains unchanged at 100% of fixed remuneration.
- LTVR has reduced from 200% to 140% of fixed remuneration providing an appropriate balance between rewarding for short-term and long-term performance and ensuring total remuneration at target remains largely unchanged.
- Total remuneration at target increased from $8.4 million to $8.5 million (~1%).

CHANGE IN CEO'S REMUNERATION MIX



Disclosed Executives

No changes have been made to the remuneration framework for Disclosed Executives for 2020.

A detailed review of our remuneration frameworks was planned for 2020, however this is now expected to occur in 2021 to enable appropriate consideration of the new APRA Prudential Standard CPS 511 Remuneration and to ensure that our frameworks continue to appropriately support ANZ's purpose, strategy and Reward Principles.

4. 2020 OUTCOMES

Variable remuneration at ANZ is truly at risk and can range from zero to maximum opportunity. The HR Committee and the Board make variable remuneration outcome decisions for the CEO and Disclosed Executives following lengthy and detailed discussions and assessment, supported by comprehensive analysis of performance from a number of sources.

The tables in sections 4.1 and 4.2 supplement, and are different to, the Statutory Remuneration table (see section 9.1) which presents the accounting expense for both vested and unvested awards in accordance with Australian Accounting Standards.

4.1 YEAR-ON-YEAR REMUNERATION AWARDED

These tables show a year-on-year comparison of remuneration awarded to the CEO and Disclosed Executives for the 2018, 2019 and 2020 performance periods. Remuneration awarded includes any cash payments (e.g. fixed remuneration and cash variable remuneration) and the value of deferred shares and performance rights awarded for the year but which have not yet vested (i.e. the value was not received during the year).

Although 2020 performance was assessed as 'Met Expectations', the Board determined it was both necessary and appropriate to use its discretion to ensure the market conditions arising from COVID-19 were factored into the process, resulting in a 50% reduction to the AVR/VR outcomes for the CEO and Disclosed Executives. In determining the 50% reduction, the Board judged what was fair and reasonable having regard to the impact on shareholders, and considering expectations from customers and the community.

CEO

The 2020 LTVR shown below has not yet been awarded to the CEO, approval will be sought from shareholders at the 2020 AGM. Note the CEO's 2018 LTVR award was significantly reduced as a result of the matters raised in the Royal Commission relating to conduct issues and associated reputational damage (as previously disclosed).

YEAR-ON-YEAR REMUNERATION AWARDED – CEO

						Threshold vesting		Full vesting		AVR as % of	
	Financial year	Fixed remuneration $	AVR cash $	AVR deferred shares $	Total AVR $	LTVR performance rights $	Total remuneration awarded $	LTVR performance rights $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
CEO											
S Elliott	2020	2,500,000	625,000	625,000	1,250,000	1,750,000	5,500,000	3,500,000	7,250,000	50%	33%
	2019	2,100,000	750,000	750,000	1,500,000	2,100,000	5,700,000	4,200,000	7,800,000	71%	48%
	2018	2,100,000	875,000	875,000	1,750,000	1,400,000	5,250,000	2,800,000	6,650,000	83%	56%

Disclosed Executives

- Fixed remuneration increases were applied to five Disclosed Executives on 1 October 2019 to improve alignment to desired market positioning, and one increase was made on permanent appointment (Antonia Watson). External benchmarking conducted by PricewaterhouseCoopers in September 2019 highlighted that ANZ was paying behind the market on fixed remuneration and these increases were designed to deliver more market competitive remuneration reflecting executive's responsibilities, qualifications and experience.
- There were no fixed remuneration increases for the 2021 year commencing 1 October 2020.
- Year-on-year remuneration awarded for both Mark Hand and Antonia Watson is not directly comparable, as they were Disclosed Executives for only part of the 2019 financial year. In addition, Antonia Watson's 2020 remuneration awarded reflects her permanent appointment to the Group Executive and CEO, NZ role.
- The average 2020 VR outcome for Disclosed Executives was 36% (45% in 2019) of maximum opportunity (ranging from 31% to 44%). Despite good performance these outcomes were deemed by the Board to better reflect the impact of the current economic conditions.
- Despite the increases to fixed remuneration applied to a number of executives at the start of 2020, year-on-year total remuneration has reduced by 15%, and VR by 28% (at full vesting), for the 2020 Disclosed Executives who were in role for full year 2019 and 2020.
- Variable remuneration continues to differ both year-on-year and between different executives demonstrating the at risk nature of this element of remuneration and the variability in Group and individual performance year-on-year. See section 4.4 for details.

YEAR-ON-YEAR REMUNERATION AWARDED – DISCLOSED EXECUTIVES

					Threshold vesting		Full vesting		VR as % of	
	Financial year	Fixed remuneration $	VR cash $	VR deferred shares $	VR performance rights[1] $	Total remuneration awarded $	VR performance rights[1] $	Total remuneration awarded $	Target opport-unity	Maximum opport-unity
Current Disclosed Executives										
M Carnegie	2020	1,200,000	409,200	409,200	421,600	2,440,000	843,200	2,861,600	52%	34%
	2019	1,000,000	495,000	495,000	510,000	2,500,000	1,020,000	3,010,000	75%	50%
	2018	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
K Corbally	2020	1,100,000	429,000	429,000	442,000	2,400,000	442,000	2,400,000	66%	44%
	2019	950,000	478,500	478,500	493,000	2,400,000	493,000	2,400,000	85%	57%
	2018 (6.5 months in role)	486,000	164,835	164,835	169,830	985,500	169,830	985,500	83%	55%
G Florian	2020	1,075,000	371,250	371,250	382,500	2,200,000	765,000	2,582,500	52%	35%
A George	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	528,000	528,000	544,000	2,600,000	1,088,000	3,144,000	80%	53%
	2018 (12 months/4.5 months as Deputy CEO)	876,000	354,750	354,750	365,500	1,951,000	731,000	2,316,500	61%	41%
M Hand	2020	1,200,000	462,000	462,000	476,000	2,600,000	952,000	3,076,000	58%	39%
	2019 (9 months as Disclosed Executive)	726,000	198,000	198,000	204,000	1,326,000	408,000	1,530,000	41%	28%
M Jablko	2020	1,100,000	363,000	363,000	374,000	2,200,000	748,000	2,574,000	50%	33%
	2019	1,000,000	544,500	544,500	561,000	2,650,000	1,122,000	3,211,000	83%	55%
	2018	1,000,000	577,500	577,500	595,000	2,750,000	1,190,000	3,345,000	88%	58%
K van der Merwe	2020	850,000	330,000	330,000	340,000	1,850,000	680,000	2,190,000	59%	39%
A Watson[2]	2020	1,015,599	334,681	334,681	344,822	2,029,783	689,645	2,374,605	50%	33%
	2019 (3.5 months in role)	219,440	170,255	113,504	-	503,199	-	503,199	65%	43%
M Whelan	2020	1,200,000	363,000	363,000	374,000	2,300,000	748,000	2,674,000	46%	31%
	2019	1,200,000	874,500	874,500	901,000	3,850,000	1,802,000	4,751,000	110%	74%
	2018	1,200,000	717,750	717,750	739,500	3,375,000	1,479,000	4,114,500	91%	60%

1. Deferred share rights for the CRO. **2.** Paid in NZD and converted to AUD.

4.2 2020 ACTUAL REMUNERATION RECEIVED

This table shows the remuneration the CEO and Disclosed Executives actually received in relation to the 2020 performance year as cash, or in the case of prior equity awards, the value which vested in 2020. The final column also shows the value of prior equity awards which lapsed/were forfeited in 2020 (these awards reflect the 2016 performance rights which fully lapsed when tested against their performance hurdles in November 2019).

2020 ACTUAL REMUNERATION RECEIVED – CEO AND DISCLOSED EXECUTIVES

	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[1,2] $
CEO and Current Disclosed Executives							
S Elliott	2,500,000	625,000	**3,125,000**	597,362	-	**3,722,362**	(3,768,401)
M Carnegie	1,200,000	409,200	**1,609,200**	276,999	-	**1,886,199**	(241,617)
K Corbally	1,100,000	429,000	**1,529,000**	247,891	-	**1,776,891**	(135,003)
G Florian	1,075,000	371,250	**1,446,250**	141,723	-	**1,587,973**	-
A George	1,100,000	363,000	**1,463,000**	222,997	-	**1,685,997**	(117,474)
M Hand	1,200,000	462,000	**1,662,000**	335,786	-	**1,997,786**	(196,368)
M Jablko[3]	1,100,000	363,000	**1,463,000**	326,785	195,305	**1,985,090**	(241,617)
K van der Merwe	850,000	330,000	**1,180,000**	125,309	-	**1,305,309**	-
A Watson[4]	1,015,599	334,681	**1,350,280**	289,148	-	**1,639,428**	(90,473)
M Whelan	1,200,000	363,000	**1,563,000**	570,684	-	**2,133,684**	(1,374,281)

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 Volume Weighted Average Price (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. **2.** The lapsed/forfeited values relate to the performance rights we awarded in November/December 2016 which lapsed in November/December 2019 due to the performance hurdles not being met. **3.** Other deferred remuneration for M Jablko relates to previously disclosed compensation for deferred remuneration forfeited as a result of joining ANZ. **4.** Paid in NZD and converted to AUD.

4.3 APPLICATION OF REWARD PRINCIPLES

In considering the 2020 outcomes the HR Committee and Board reflected on the application of ANZ's Reward Principles in the current environment:

- **Reward our people for doing the right thing having regard to our customers and shareholders:** Variable remuneration should be primarily based on 'outcomes' rather than 'effort' and proportionate relative to performance. It also needs to consider the experience/expectations of all stakeholders (including shareholders, customers, employees, community and regulators). On this basis, for 2020 the Board determined to apply a 50% reduction to the outcomes for the CEO (AVR) and Disclosed Executives (VR).
- **Attract, motivate and keep great people:** The Board acknowledged the importance of fixed remuneration being market competitive to ensure retention of key talent – particularly in a more volatile and uncertain environment.
- **Focus on how things are achieved as much as what is achieved:** The Board has ensured that appropriate consideration and weight was given to performance against objectives and how that performance was achieved (i.e. in accordance with our values and purpose).
- **Be fair and simple to understand:** Variable remuneration should be fair and consistent through the cycle and have regard to external influences outside of management's control.

4.4 VARIABLE REMUNERATION – DETAIL

4.4.1 CEO performance, AVR and LTVR

Performance

With regard to AVR, the CEO is assessed 50% on the ANZ Group Performance Framework and 50% on achievement of individual strategic objectives aligned to ANZ's strategy. Both the Group Performance Framework and individual strategic objectives are agreed by the Board at the start of the financial year and are stretching.

WEIGHTING OF FINANCIAL METRICS

AVR

Financial metrics have a 35% weighting in the Group Performance Framework and therefore notionally have a 17.5% weighting in the CEO's AVR. However, the CEO's AVR is not formulaic – outcomes are moderated by the Risk and Reputation element of the Group Performance Framework and the Board's judgement on the appropriate AVR considering all aspects of performance.

LTVR

100% of the LTVR hurdles are based on TSR (both relative and absolute).

At the end of the financial year, ANZ's performance is assessed against the Group Performance Framework, and the CEO's performance is assessed against his individual strategic objectives, the ANZ values (behaviours), delivery of the BEAR obligations and ANZ's risk and compliance standards. In conducting the CEO's performance assessment, the HR Committee seeks input from the Chairman, CRO (on risk management), CFO (on financial performance), GE T&C (on talent and culture matters) and Group General Manager Internal Audit (GGM IA) (on internal audit matters). Material risk events that have either occurred or come to light in the year (provided by the CRO) are also considered together with input from both the Audit Committee and the Risk Committee of the Board.

The Board has assessed the CEO's 2020 performance as follows:

Group Performance Framework	=	Met Expectations (see section 4.5.3)
Individual strategic objectives	=	Met Expectations (see Board assessment below)
ANZ values	=	Above Expectations
Risk/compliance assessment	=	Met Expectations

The Board has exercised their discretion in determining the appropriate AVR outcome for 2020 and applied a 50% reduction which has resulted in an AVR outcome of 33% of maximum opportunity.

2020 CEO individual strategic objectives

- Lead and role model the culture and accountability required to transform ANZ
- Enhance the reputation of ANZ
- Drive the strategic direction of the organisation with a focus on growth
- Show material progress on the productivity initiatives to improve customer and staff experience while driving cost towards a materially reduced run rate by close of 2022
- Continue to build ExCo effectiveness and CEO succession
- Focus on operational excellence, including remediation and system stability, to ensure ANZ has a robust and reliable platform to support long-term growth

Board assessment of performance on individual strategic objectives: **Met Expectations**

The CEO has had a successful year, despite this being a difficult period, marked by the pandemic and other problems affecting Australia. He has been a role model for ANZ's values and culture – including risk culture, demonstrating outstanding leadership both internally and externally, particularly in providing support and caring for our customers, community and employees during COVID-19.

His crafting and leadership of ANZ's response to COVID-19 enabled the organisation to focus on what mattered most:

- **Protecting** our people, our customers and our balance sheet
- **Adapting** to the COVID-19 environment
- **Engaging** and staying connected with all of our stakeholders
- **Preparing** for the future and being ready to embrace opportunities

The CEO has maintained the strength of ANZ's leadership, infrastructure, balance sheet, and employee engagement to allow ANZ to be well positioned to assist our customers and the community in the most challenging environment in decades. He has also enhanced the reputation of ANZ, by embedding purpose and values in our decision making and through his leadership in response to COVID-19.

During the last 12 months the CEO has remained focused on driving the strategic agenda for ANZ with progress towards simplifying the business, improving our IT infrastructure and restoring momentum in our core home loans business, while re-shaping the business for the future. Growth continued to be an area of focus in 2020, however opportunities have had to be balanced against our COVID-19 response.

2020 has seen the bulk of our employees working from home (remotely) and productivity has not faltered. The CEO has focused on the safety, wellbeing and engagement of our people whilst also continuing to invest in the business and cultivating a more efficient workforce at all levels. In difficult times, he has continued productivity improvements, with strong management of expenses.

ExCo is functioning very effectively under his leadership and the addition of the Group Executive, Data and Automation role this year appropriately reflects the importance of data within ANZ.

Infrastructure stability has improved and ANZ is well on track in building a better platform for responsible well managed growth.

AVR and LTVR

At the end of the financial year, the HR Committee makes a recommendation to the Board for their approval in respect of the CEO's AVR outcome.

The CEO's AVR will vary up or down year-on-year, it is not guaranteed, and may range from zero to a maximum opportunity.

The 2020 AVR awarded to the CEO is 33% of maximum opportunity.

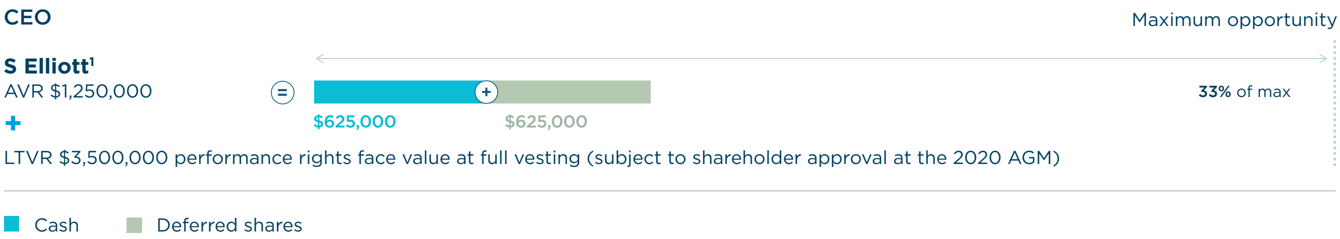
Despite having been assessed as being above expectations on the ANZ values, and having met expectations on risk/compliance assessment, individual strategic objectives and the Group Performance Framework, the Board has exercised its discretion and applied a 50% reduction to the AVR. This takes into account the current environment in light of the COVID-19 pandemic (including the decline in returns and profitability), the impact on shareholders and having regard to customer, community and regulator expectations. Accordingly, the Board determined that an AVR outcome of $1.25 million (33% of maximum opportunity) was appropriate for 2020, noting that this is 17% lower than 2019.

The CEO's proposed LTVR of $3.5 million (performance rights face value at full vesting) (reduced from $4.2 million in 2019) is subject to shareholder approval at the 2020 AGM.

2020 AVR Awarded

This table shows the AVR awarded to the CEO for the year ending 30 September 2020.

2020 AVR AWARDED – CEO



1. Variable remuneration for the CEO = AVR + LTVR.

Summary of Total Remuneration

The remuneration Shayne Elliott received in 2020 differs to the remuneration he was awarded in relation to the 2020 performance year (which may or may not vest in future years). It also differs to his statutory remuneration which reflects the accounting expense value for 2020. Awarded remuneration shown below includes the face value of the performance rights at both threshold (50%) and full (100%) vesting.

SUMMARY OF TOTAL REMUNERATION – CEO

	Total Remuneration			
	Awarded			
	Threshold vesting $	Full vesting $	Received[1] $	Statutory[2] $
2020	**5,500,000**	**7,250,000**	**3,722,362**	**5,225,308**
2019	5,700,000	7,800,000	4,093,464	5,181,339
2018	5,250,000	6,650,000	3,849,666	5,645,295

1. Includes the value of previously awarded AVR deferred shares and LTVR performance rights at the date of vesting. **2.** Includes the value of AVR and LTVR that has been expensed in the year.

The CEO's awarded remuneration based on full vesting value reduced by 7% from 2019 to 2020, despite the increase in fixed remuneration, reflecting the significant reduction in his 2020 variable remuneration awards. Note his 2018 (variable) remuneration reflected ANZ's acknowledgement of the matters raised in the Royal Commission relating to conduct issues and associated reputational damage.

The reduction in the CEO's received remuneration from 2019 to 2020 reflects the reduction in 2020 variable remuneration and the fact that the LTVR performance rights granted in December 2016 failed to vest when tested in November 2019.

Historical AVR and LTVR

This table shows the AVR as a % of maximum opportunity and LTVR vesting outcomes for the CEO over the last three years.

HISTORICAL AVR AND LTVR – CEO

	2018	2019	2020
AVR outcome (% of maximum opportunity)	56%	48%	**33%**
LTVR vesting outcome (% vested)	0%	21.8%	**0%**

4.4.2 Disclosed Executive performance and VR

Performance

At the start of each year, stretching performance objectives are set by the HR Committee in the form of Divisional Performance Frameworks for each of our Disclosed Executives, in alignment with the Group Performance Framework approved by the Board.

Similar to the Group Performance Framework, the Divisional Performance Frameworks include the key elements of Financial and Discipline, Customer, and People and Culture, with Risk and Reputation acting as a modifier[1]. The weighting of each element varies to reflect the responsibilities of each individual's role. The Financial and Discipline element weightings range from 20% to 45%.

At the end of the financial year, the performance of each Disclosed Executive[2] is assessed against their contribution to the Group Performance Framework, their Divisional Performance Framework, ANZ's values (behaviours), delivery of BEAR obligations and ANZ's risk and compliance standards.

The HR Committee seeks input from the CEO, and independent reports from Risk, Finance, Talent and Culture, and Internal Audit, and also reviews material risk event data provided by the CRO, and seeks input from both the Audit Committee and the Risk Committee of the Board.

The HR Committee reviews and recommends to the Board for approval the overall performance outcomes for each Disclosed Executive.

1. Except for the CRO who has a weighting assigned to Risk and Reputation measures.
2. Performance arrangements for the CRO are addressed additionally by the Risk Committee. Performance arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ HR Committee/ANZ NZ Board in consultation with and endorsed by the HR Committee/Board, consistent with their respective regulatory obligations.

VR

At the end of the financial year, the CEO and HR Committee determine VR recommendations for each Disclosed Executive, which are ultimately approved by the Board[3]. VR should and does vary year-on-year in line with performance – it is not guaranteed and may be adjusted up or down ranging from zero to a maximum opportunity.

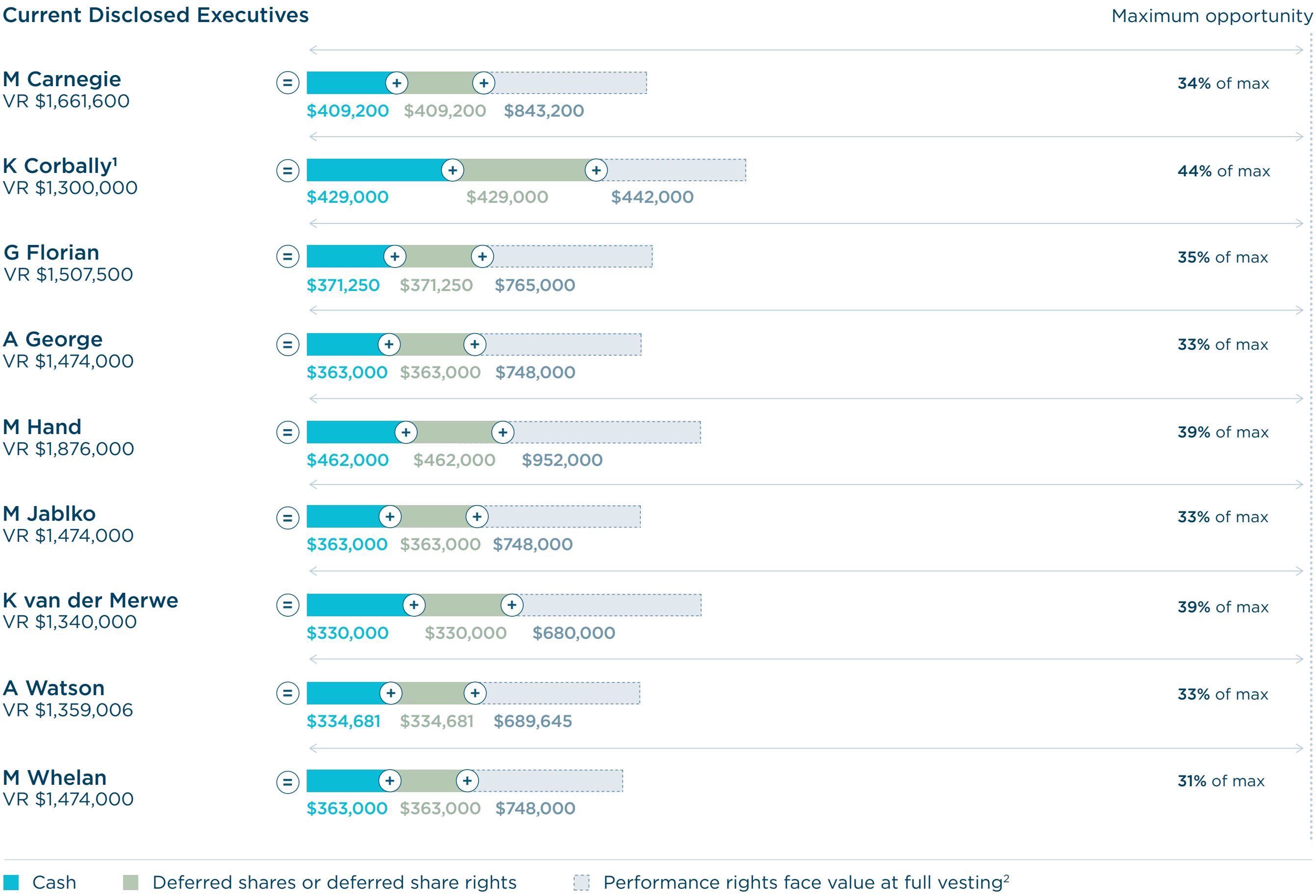
The variance in individual VR outcomes reflect the relative performance of the different areas/individuals, ensuring appropriate alignment between performance and reward. There is less individual differentiation in 2020 in recognition of the significant collaboration and team work across the Executive Committee throughout 2020 and particularly in managing ANZ's response to COVID-19. The outcomes demonstrate the at risk nature of VR, and that outcomes vary across the Disclosed Executives and also from year to year. The average 2020 VR for Disclosed Executives is 36% of maximum opportunity (ranging from 31% to 44%), reflecting the impact of the 50% reduction applied by the Board.

3. Remuneration arrangements for the Group Executive and CEO, NZ are determined and approved by the ANZ NZ Board in consultation with and endorsed by the Board, consistent with their respective regulatory obligations.

2020 VR Awarded

This table shows the combined VR awarded to Disclosed Executives for the year ending 30 September 2020.

2020 VR AWARDED – DISCLOSED EXECUTIVES



1. CRO receives deferred share rights instead of performance rights. **2.** Divide by two to convert to face value at threshold vesting for performance rights.

Historical Disclosed Executive VR

This table shows the VR as a % of maximum opportunity for the executives who were disclosed over the last three years. Although ANZ's performance has been stronger this year and the Group has been assessed by the Board as having 'Met Expectations' against the Group Performance Framework, the 50% reduction applied by the Board has resulted in a significant reduction in 2020 VR outcomes compared to prior years.

HISTORICAL DISCLOSED EXECUTIVE VR

	2018	2019	2020
VR outcome (average % of maximum opportunity)	51%	45%	36%
VR outcome (range % of maximum opportunity)	40% – 60%	0% – 74%	31% – 44%
VR performance rights vesting outcome (% vested)	0%	21.8%	0%

4.4.3 Performance rights outcomes (CEO and Disclosed Executives)

Performance rights granted to the CEO in December 2016 and Disclosed Executives (excluding the CRO) in November 2016 reached the end of their performance period in November 2019. As the performance hurdles were not met none of these performance rights vested, the rights were lapsed and executives received no value from these awards.

PERFORMANCE RIGHTS OUTCOMES

Hurdle	Grant date[1]	First date exercisable[1]	ANZ TSR over three years/ CAGR[2] TSR	Median TSR over three years/ CAGR[2] TSR target	% vested	Overall performance rights outcome
75% relative TSR – Select Financial Services (SFS) comparator group[3]	22 Nov 16	22 Nov 19	18.32%	26.21%	0%	0% vested and 100% lapsed
25% absolute CAGR[2] TSR	22 Nov 16	22 Nov 19	5.78%	9.00%	0%	

1. Grant date for the CEO was 16 December 2016, and date first exercisable was 16 December 2019. The CEO's performance period was the same as the performance period for Disclosed Executives. **2.** Compound Annual Growth Rate (CAGR). **3.** See section 5.2.3a for details of the SFS comparator group.

4.5 ANZIP VARIABLE REMUNERATION POOL AND GROUP PERFORMANCE

4.5.1 ANZIP variable remuneration

The ANZ Incentive Plan (ANZIP) is the variable remuneration plan operating across ANZ, and 2020 is the first year employees will participate in a single Group plan where individual variable remuneration for around 80% of employees has been replaced with a variable payment based on the overall performance of the Group. This change addresses many of the concerns about 'bonus culture' raised in the final report of the Royal Commission, and forms part of wide ranging reforms for 2020 as to how we reward, recognise and manage the performance of employees.

With the exception of the CEO, individual variable remuneration outcomes for all other employees including Disclosed Executives are funded under ANZIP. The Board decides the CEO's variable remuneration outcomes separately to help mitigate potential conflicts of interest. See section 8.1.3.

At the end of each financial year, the HR Committee makes a recommendation to the Board for their approval on the size of the ANZIP variable remuneration pool for that year. The Board exercise their judgement to determine the appropriate pool size – it is not a formulaic outcome.

ANZIP variable remuneration pool recommended to the Board for approval based on performance and affordability

>

Board review and approve the ANZIP variable remuneration pool

>

Business and individual allocations from ANZIP variable remuneration pool

The Board considered a range of factors in determining a fair and reasonable ANZIP pool, particularly given the unique circumstances in 2020.

01	The balance between performance in 2020, considering financial and non-financial performance, and the long-term (strengthening the bank):	• Our 2020 financial performance – in particular cash profit and economic profit, informed the pool range. Given financials were down on 2019 (due to the significant impact of the COVID-19 pandemic), the pool range was negatively impacted. • The 'Met Expectations' Group Performance Framework assessment (see 4.5.3) and the quality of the result then guided the broad positioning in the pool range.
02	The final ANZIP pool outcome also considered:	• The shareholder experience during 2020 and customer and community expectations. • Increased volatility and uncertainty in the current environment. • Our Reward Principles.

4.5.2 ANZ Group Performance Framework

The ANZ Group Performance Framework is approved by the Board at the start of each year and is designed around the following three key inputs:

01 Creating a safe bank with sound risk practices

02 Achieving our agreed annual and longer term goals

03 Realising our strategic vision

The key objective of our Group Performance Framework is to enable aligned focus across the organisation on delivering the critical outcomes that matter most in delivering on our strategy. It plays a key role to:

- message internally what matters most;
- reinforce the importance of sound management in addition to risk, customer, people and financial outcomes; and
- inform focus of effort, prioritisation and decision-making across ANZ.

The emergence of the significant economic and social impacts of the COVID-19 pandemic required a rapid response and reprioritisation of resources. We tested our business strategy and resolved it remains relevant to create long-term sustainable value for our stakeholders, notwithstanding changes caused by the impact of COVID-19.

However, our priorities, sequencing and emphasis needed to change, particularly in the short to medium-term. We also reviewed our 2020 Group performance objectives and determined that while they too remained directionally appropriate, the pandemic demanded a material shift in our focus for the second half of the year resulting in a sharpened emphasis on some key objectives and a shift of focus within others.

These in-year adjustments occurred through the lens of our purpose-led approach to managing through COVID-19 with our objectives being to:

- Protect our people, customers, shareholders and ANZ, including strengthening our operational resilience;
- Adapt to the changing environment;
- Engage even more proactively with our stakeholders; and
- Prepare for the future.

For example:

- Balancing our immediate responses and medium-term cost ambitions became even more critical, particularly in the current low interest-rate environment;
- In times of a crisis, restoring and retaining community trust is crucial, making a focus on strong governance, leadership and corporate citizenship vital in supporting our customers and the community to navigate through the pandemic;
- Our focus on providing great digital solutions was accelerated, encouraged by rapid changes in customer behaviour;
- Immediate efforts to embed positive cultural change involved enabling our people to work safely and productively, while supporting them through clear communications to engage and maintain their wellbeing and performance; and
- Our talent priorities shifted partly away from hiring and retaining strategic capabilities and towards supporting rapid internal moves to maintain operational resilience and respond to rapid changes in customer needs.

4.5.3 Assessment against the Group Performance Framework for 2020

RISK & REPUTATION		CUSTOMER		PEOPLE & CULTURE		FINANCIAL & DISCIPLINE		OVERALL
Overall Adjustment	X	**35% weight**	+	**30% weight**	+	**35% weight**	=	**Group Performance**
ASSESSMENT: Met Expectations		ASSESSMENT: Met Expectations		ASSESSMENT: Above Expectations		ASSESSMENT: Below Expectations		ASSESSMENT: Met Expectations

As managing risk appropriately is fundamental to the way ANZ operates, Risk and Reputation forms an integral part of the assessment, directly impacting the overall Group Performance Framework outcome (a modifier ranging from 0% to 110% of the Group Performance assessment).

When assessing Financial and Discipline (see section below), the Board considered a range of factors. This included an assessment of external influences outside of the control of management. In 2020, returns and profitability were significantly impacted by COVID-19 – including higher collective credit provision charges and the impairment of two of the Group's Asian associate investments. Accordingly, cash profit from continuing operations decreased 42% and Return on Equity (ROE) declined to 6.2%. This decline in profitability and returns was also considered when the Board determined the size of the ANZIP variable remuneration pool for the year. For the purpose of assessing performance against the Group Performance Framework, the extent these factors were considered outside of the control of management, have been factored into the assessment of performance.

Overall, ANZ's performance 'Met Expectations' when considering the objectives we set ourselves. While we were largely on track to achieve the targets we set before COVID-19, we also demonstrated appropriate responses to the pandemic, supporting our customers and people while remaining well-managed, including through the demonstration of strong financial discipline.

The below table outlines ANZ's focus areas in 2020 (aligned to the three key inputs), and provides a summary of performance outcomes for each of the key performance categories to inform the overall assessment for 2020. Performance against expectations is evaluated using a range of objective indicators and subjective considerations including management input on work undertaken, evidence of outcomes realised and lessons learned, and with consideration given to the operating, regulatory and competitive environment.

RISK & REPUTATION (MODIFIER 0% TO 110%)

COVID-19 introduced a range of both new and increased risks for ANZ, our employees and our customers. Our existing strong risk management framework enabled ANZ to respond well to these risks and continue to support our customers and the communities we serve. In anticipation of the potential future impact of COVID-19 on our customers we increased our forward looking expected credit loss provisions using a range of economic scenarios and we have continued to stress test our portfolio to re-assess our provisioning levels. At the same time, management demonstrated accountability for fixing issues in a sustainable manner.

Risk culture measures reached all time high levels as concerted efforts to transform our culture prepared the bank well to manage through the pandemic in a calm, measured and proactive manner. Strong leadership and citizenship have been paramount, centred on regaining the trust of the community through our commitment to fair and responsible banking.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen our financial and non-financial risk, control, governance and compliance focus in line with the risk management framework	• We have continued to develop and improve our financial and operational resilience which has helped position us well to respond to the impact of the evolving external environment including from the impacts of COVID-19, increased regulatory and compliance focus, bushfires and floods, the uncertainty from geopolitical and trade tensions and increased cyber activities. • We prepared and adapted our workforce and increased operational resilience by enabling over 95% of our workforce to work from home.			●
Focus on being well-managed and maintaining or improving across key risk control and cultural indicators	• We have maintained our focus on managing risk controls, and demonstrated accountability for fixing issues in a timely and sustainable manner. • Strong progress continues on risk culture maturity, evidenced in employee engagement scores, with 'Leaders accountable for risk' (87%) – up on 2019, and 'Raise issues without fear of reprisal' (74%) – also up on 2019.		●	
Timely delivery of the APRA Governance, Culture and Accountability (GCA) self-assessment action plan recommendations and success measures	• We have strengthened the bank's focus on non-financial risk (NFR) and progress has been made in uplifting our NFR control, governance and compliance focus, including continuing to deliver sound progress to address the themes identified by the self-assessment and lessons learned from the Royal Commission.		●	
Improve our reputation relative to industry as evaluated by all key stakeholders	• After being the first bank to make Royal Commission commitments, ANZ continues to act on these with a particular focus on supporting our most vulnerable customers in both Australia and NZ. • We remained committed to supporting our customers during the Australian bushfires and COVID-19, through loan payment deferrals and financial support whilst also remaining focused on responsible credit decision making. • Across the industry, community perception scores have fluctuated however, ANZ currently leads the major banks in the IPSOS survey measuring social media sentiment, while in the RepTrak survey ANZ led for the majority of 2020 and was second based on July to September results. An A- rating was achieved in the 2019 CDP climate change assessment, the leading score for Australian banks.			●
Risk & Reputation overall: **Met Expectations**			●	

CUSTOMER (35% WEIGHT)

We have continued to demonstrate our commitment to improve the financial wellbeing of our customers, including ensuring our most vulnerable customers and those undergoing COVID-19 related stress are aware of and can access the support we have available to them.

Despite the serious challenges faced by the sector and community this year, our actions over previous years to simplify and strengthen the bank provided us with the capacity to support our customers at a time of need and strengthen our long-term relationships. A proactive approach to reallocating resources and keeping in close contact with customers through the Australian bushfires and COVID-19 ensured we were available to listen and respond effectively. Across all our retail and commercial businesses in the region, we were also able to work quickly and comprehensively provide an appropriate series of support packages including loan deferrals and access to working capital.

While the focus has clearly been on assisting customers in need, there has also been opportunity to build new customer relationships and enable more digital services that have been especially valued in a restricted COVID-19 environment.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen relationships and maintain customer experience in our target segments	• Net Promoter Score (NPS)[1] centred on key onboarding episodes in Australia, where strong improvements have been made in retail home lending and business lending, while NZ Retail achieved all time high scores. • ANZ was ranked the #1 lead institutional bank by Peter Lee Associates[2] for the fifth year running and #1 for relationship strength for the seventh consecutive year, while a new online payments experience has been processing ~1 million payments daily and providing digital self-service for our Institutional customers. • In Australia, customer complaint resolution and home lending assessment timeframes have remained a challenge, however uplift programs are in place to improve these outcomes. Customer complaint timeframes improved from 63% to 66% resolved within five business days, while median home lending decision times increased from 6.0 days to 9.4 days as improved processes and campaigns drove an overwhelmingly strong demand from customers.		●	
Help our people to make wise customer-focused choices every day	• Launched a public campaign to improve financial wellbeing and behaviours in the community and commenced embedding financial wellbeing principles into key products and services. • Supporting our customers through the Australian bushfires and COVID-19 pandemic has been a priority, incorporating financial relief packages and making sure we have remained available to provide assistance where it has been needed. • In Australia, significant progress was made on the customer commitments and initiatives announced in 2019, including a focus on supporting vulnerable customers. In NZ, our Good Customer Outcome principles and product simplification reviews are delivering better customer experiences, including the removal or reduction of several fees, including on Visa debit, low rate products, payments and statements.		●	
Quickly and effectively remediate individual and systemic customer issues across the Group	• Approximately 1.8 million customer accounts in Australia have been refunded (against a target of 500,000 accounts), with a total of ~$161 million returned. Sound progress continues to be made in closing out large remediation streams in both Australia and NZ.		●	
Customer overall: **Met Expectations**			●	

PEOPLE & CULTURE (30% WEIGHT)

In a challenging year, significant capacity and attention was focused on managing through COVID-19 and the Australian bushfires, however strong progress was still made on key priorities including embedding our new reward framework, building strategic and leadership capabilities, and strengthening governance, accountability and culture. Our ability to make progress in the face of disruption is the product of sustained efforts to embed our purpose and aspirational culture over multiple years, including through implementing agile working practices and strong leadership behaviours.

In response to COVID-19, our core focus was protecting the safety of our people and in turn, our customers. By quickly enabling significant increases in our remote working capacity, over 95% of all employees (excluding Australian branches) were able to continue to work productively and safely from home and continue to deliver great outcomes for our customers.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Strengthen governance, accountability, actions and measurement of culture	• Continued to embed the Accountability and Consequence Framework (A&CF) including in support of our new reward model, with 12 full and 26 preliminary accountability reviews completed. • Divisions have continued to share progress and lessons learned through our culture steering groups and we have undertaken a review of our culture measurement and assessment approach.			●
Engaging our people and diversifying our workforce	• Overall engagement score increased to a record high of 86% (up from 77% in 2019), with strong results also seen in key measures, reflecting ANZ's strong support for our employees and clear senior leader communication during the pandemic. • Women in leadership increased 0.9% to 33.4% (against a 34.1% target).		●	
Improve leader capability	• Commenced rollout of a bank wide leadership capability program for all people leaders. • Key leadership survey results continued to improve, including scores for leaders role modelling our values and demonstrating effective leadership behaviours.			●
Embed Reimagining Reward, including new Performance Management approach	• Finalised and embedded changes to how we manage and reward our people to better focus on the interests of our customers, collaboration, and the long-term health of the bank. • Implemented a more dynamic approach to performance management, including a stronger emphasis on more frequent check-in conversations to review and drive performance, as well as maintain employee wellbeing during COVID-19. Some plans to embed performance changes had to be scaled back due to capacity constraints.		●	
Strengthen strategic capabilities	• In response to COVID-19, safe internal workforce movement principles were developed, and we rapidly enabled internal moves to support operational resilience and supplement areas where customer demand was highest. • Enhanced recruiting, assessment and onboarding processes, especially for graduates and high demand capabilities. Achieved targets for hiring into strategic capability areas, such as data and engineering skillsets.			●
People & Culture overall: **Above Expectations**				●

FINANCIAL & DISCIPLINE (35% WEIGHT)

Profitability and returns have been significantly impacted by the COVID-19 pandemic this year, including the impact of higher credit provision charges and the impairment of two of the Group's Asian associate investments. ANZ has been able to manage well through this challenging period given our long-term strategy to simplify the business and strengthen the balance sheet enabled us to enter the COVID-19 environment in a strong financial position. As a result, we have been able to both support our customers and enable prudent dividends to be paid to our shareholders, while absorbing a significant increase in credit reserves and without needing to raise capital. Costs have again been well managed, with expenses broadly flat despite record levels of investment to grow and simplify the business, and increased regulatory and compliance spend. Divestments during the year reduced the complexity of the Group. Ongoing work to identify and rectify customers in need of remediation led to further remediation charges, which impacted financial performance.

2020 focus areas	Performance commentary	Performance against expectations		
		Below	Met	Above
Balance appropriately between financial results, safety and soundness, and investment in the future	• On a cash continuing basis, ROE decreased to 6.2% and NPAT fell 42% due to the impacts of COVID-19 outlined above. Excluding large/notable items[3], a 1% decline in profit before provisions (PBP) was on target, noting the difficult operating environment. • Costs remained broadly flat despite record levels of investment to grow and simplify the business, and increased regulatory and compliance spend. • Capital continued to be well managed. CET1 of 11.3% has remained above regulatory minimums, while enabling dividends (albeit reduced) to be paid to our shareholders and the disciplined use of our balance sheet to support our customers. • Liquidity and funding was prudently managed in the environment, with the Liquidity Coverage Ratio (LCR) of 139% and Net Stable Funding Ratio (NSFR) of 124%, well above regulatory minimums.	●		
Progress agreed simplification plan	• We continued to reduce the complexity of our business (e.g. sale of UDC Finance to Shinsei Bank, sale of offsite ATM network to Armaguard). • Through strong cost management, we created capacity to invest into the business and remain committed to building a simpler and better bank.		●	
Prepare NZ business for Reserve Bank of New Zealand (RBNZ) outsourcing policy (BS11) and capital changes	• We are well progressed in the preparation for both the RBNZ capital changes and BS11 compliance.		●	
Financial & Discipline overall: **Below Expectations**		●		

OVERALL

	Below	Met	Above
Group Performance assessment: **Met Expectations** The impact to profitability and returns in 2020 as a result of the COVID-19 pandemic was considered when the Board determined the ANZIP outcome (see section 4.5.1). For the purpose of assessing financial performance against the Group Performance Framework, the extent these factors were considered outside of the control of management, have been considered when forming the overall assessment of performance. On balance, the Board considered an overall assessment of 'Met Expectations' fair and appropriate.		●	

1. Net Promoter Score (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. **2.** Peter Lee Associates 2020 Large Corporate and Institutional Relationship Banking surveys, Australia and NZ. **3.** Large/notable items include the impact of divestments, customer remediation, accelerated software amortisation, Royal Commission legal costs, lease-related items, restructuring and impairments.

4.5.4 ANZ performance outcomes

ANZ's financial performance 2016 – 2020

As discussed in section 4.5.1, when determining variable remuneration outcomes for Disclosed Executives and employees more broadly cash profit and economic profit are considered. The Group uses cash profit[1] as a measure of performance for the Group's ongoing business activities, as this provides a basis to assess Group and Divisional performance against earlier periods and against peer institutions. Although cash profit is not audited, the external auditor has informed the Audit Committee that recurring adjustments have been determined on a consistent basis across each period presented.

Statutory profit has decreased 40% compared to the prior financial year, while cash profit from continuing operations has decreased 42%. The decline was driven primarily by:

- Credit impairment charges of $2.7 billion pre-tax (up from $795 million in the prior financial year), which included increased credit reserves for the impacts of the ongoing COVID-19 pandemic; and
- An $815 million impairment in the valuation of two of the Group's Asian associate investments, largely due to the impact COVID-19 has had in those markets.

Excluding the movement in these two items, cash profit fell 5% from the prior financial year.

The table below provides ANZ's financial performance, including cash profit, over the last five years.

	2016	2017	2018	2019	2020
Statutory profit ($m)	5,709	6,406	6,400	5,953	**3,577**
Cash profit ($m, unaudited)	5,889	6,938	5,805	6,161	**3,660**
Cash profit – Continuing operations ($m, unaudited)[2]	5,889	6,809	6,487	6,470	**3,758**
Cash profit before provisions – Continuing operations ($m, unaudited)[2]	10,155	10,849	9,966	9,958	**8,369**
Cash ROE (%) – Continuing operations (unaudited)[2]	10.3	11.7	11.0	10.9	**6.2**
Cash EPS – Continuing operations (unaudited)[2]	202.6	232.7	223.4	227.6	**132.7**
Share price at 30 September ($) (On 1 October 2015, opening share price was $27.25)	27.63	29.60	28.18	28.52	**17.22**
Total dividend (cents per share)	160	160	160	160	**60**
Total shareholder return (12 month %)	9.2	13.1	0.6	9.2	**(36.9)**

1. Cash profit excludes non-core items included in statutory profit and is provided to assist readers understand the results of the core business activities of the Group. **2.** Cash profit from continuing operations has been presented for 2017, 2018, 2019 and 2020 (2016 has not been restated). Cash profit from continuing operations represents the Group's cash profit excluding the impact of our discontinued businesses, which consist of OnePath Pensions and Investments and aligned dealer groups, and the Group's life insurance business in Australia. The businesses were reclassified to discontinuing in 2018, and only the 2017 result was restated in the table above. During 2019, the Group adopted AASB 15 Revenue from Contracts with Customers and only 2018 has been restated.

ANZ TSR performance (1 to 10 years)

The table below compares ANZ's TSR performance against the median TSR and upper quartile TSR of the performance rights Select Financial Services (SFS) comparator group[1] over one to ten years, noting that for this table TSR is measured over a different timeframe to the performance period for our performance rights, i.e. to 30 September 2020.

- ANZ's TSR performance was slightly above the median TSR of the SFS comparator group[1] when comparing over one and three years;
- slightly below the median over five years; and
- below the median over ten years.

While ANZ's TSR performance over 10 years was lower than the median, since Shayne Elliott's tenure as CEO, ANZ's TSR has performed around the median when assessed over one, three and five years.

	Years to 30 September 2020			
	1	3[2]	5	10
ANZ (%)	**(36.9)**	**(31.8)**	**(15.7)**	**28.5**
Median TSR SFS (%)	(37.3)	(32.0)	(14.9)	40.9
Upper quartile TSR SFS (%)	(18.4)	(1.7)	13.4	111.1

1. See section 5.2.3a for details of the SFS comparator group. **2.** The outcomes for performance rights granted in November/December 2016 and tested in November 2019 are detailed in section 4.4.3.

5. EXECUTIVE REMUNERATION STRUCTURE AND DELIVERY

There are two core components of remuneration at ANZ – fixed remuneration and at risk variable remuneration.

In structuring remuneration, the Board aims to find the right balance between fixed and variable remuneration (at risk), the way it is delivered (cash versus deferred remuneration) and appropriate time frames (the short, medium and long-term).

The Board sets (and reviews annually) the CEO and Disclosed Executives' fixed remuneration based on financial services market relativities and reflecting their responsibilities, performance, qualifications, experience and location.

The way variable remuneration operates differs somewhat between the CEO and Disclosed Executives. Namely:

- The CEO's variable remuneration is comprised of AVR and LTVR (subject to shareholder approval), which provides consistency with external market practice, and LTVR reinforces his focus on achieving longer term strategic objectives and long-term stakeholder value creation.
- Disclosed Executives are subject to one combined VR plan which enables us to:
  - provide the appropriate mix of short and long-term rewards (including performance hurdles) to drive performance, and attract and retain talent;
  - tie the full VR award to the performance of ANZ; and
  - defer VR over the short, medium and longer term.

Variable remuneration seeks to differentiate for performance and is designed to focus our CEO and Disclosed Executives on stretching performance objectives supporting our business strategy, and encourage the delivery of long-term stakeholder value.

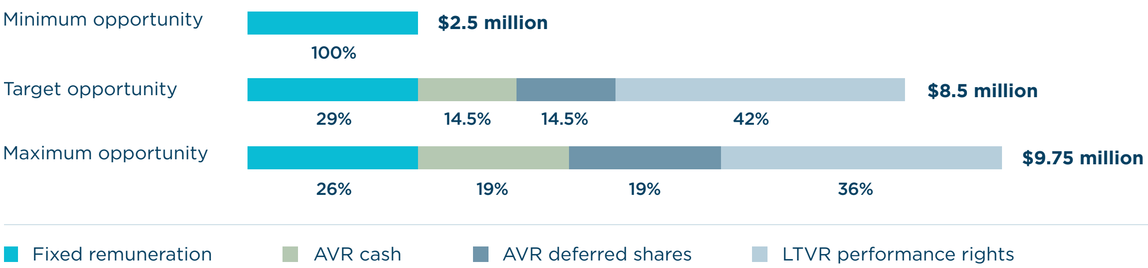
By deferring a significant portion of variable remuneration (74% of maximum opportunity for the CEO, 75% for Disclosed Executives and 67% for the CRO), we seek to ensure alignment with shareholder interests to deliver on ANZ's strategic objectives and ensure a focus on long-term value creation. Deferred variable remuneration has significant retention elements, and most importantly, can be adjusted downwards, including to zero, allowing the Board to hold executives accountable, individually or collectively, for the longer term impacts of their decisions and actions.

Board discretion is applied when determining all CEO and Disclosed Executive variable remuneration outcomes, and also before any scheduled release of previously deferred remuneration (i.e. consider malus or further deferral).

5.1 REMUNERATION MIX

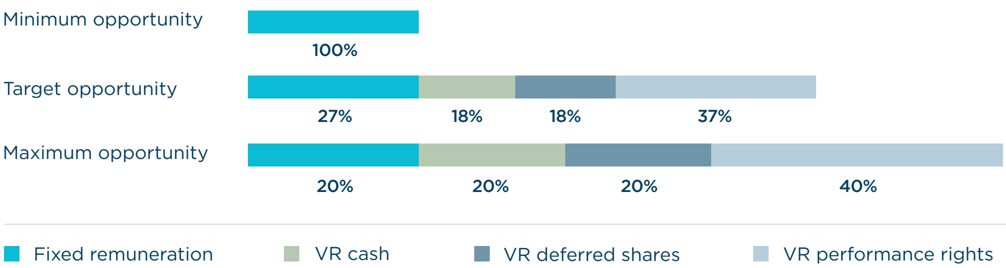
We structure the CEO and Disclosed Executives' remuneration as follows:

REMUNERATION MIX – CEO



Minimum = Fixed remuneration ($2.5 million)
Target = Fixed remuneration + target AVR (100% of fixed remuneration) + LTVR (140% of fixed remuneration (performance rights at full vesting))
Maximum = Fixed remuneration + maximum AVR (150% of fixed remuneration) + LTVR (140% of fixed remuneration (performance rights at full vesting))

REMUNERATION MIX – DISCLOSED EXECUTIVE[1]



Minimum = Fixed remuneration
Target = Fixed remuneration + target VR (268% of fixed remuneration (performance rights at full vesting))
Maximum = Fixed remuneration + maximum VR (402% of fixed remuneration (150% of target VR and performance rights at full vesting))

1. Excluding CRO.

CRO

To preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation, the CRO's remuneration arrangements differ to other Disclosed Executives.

The remuneration mix is 27% fixed remuneration and 73% VR maximum opportunity. The VR target opportunity is 180% of fixed remuneration and VR maximum opportunity is 270% of fixed remuneration. VR is delivered as 33% cash, 33% deferred shares and 34% deferred share rights (instead of performance rights).

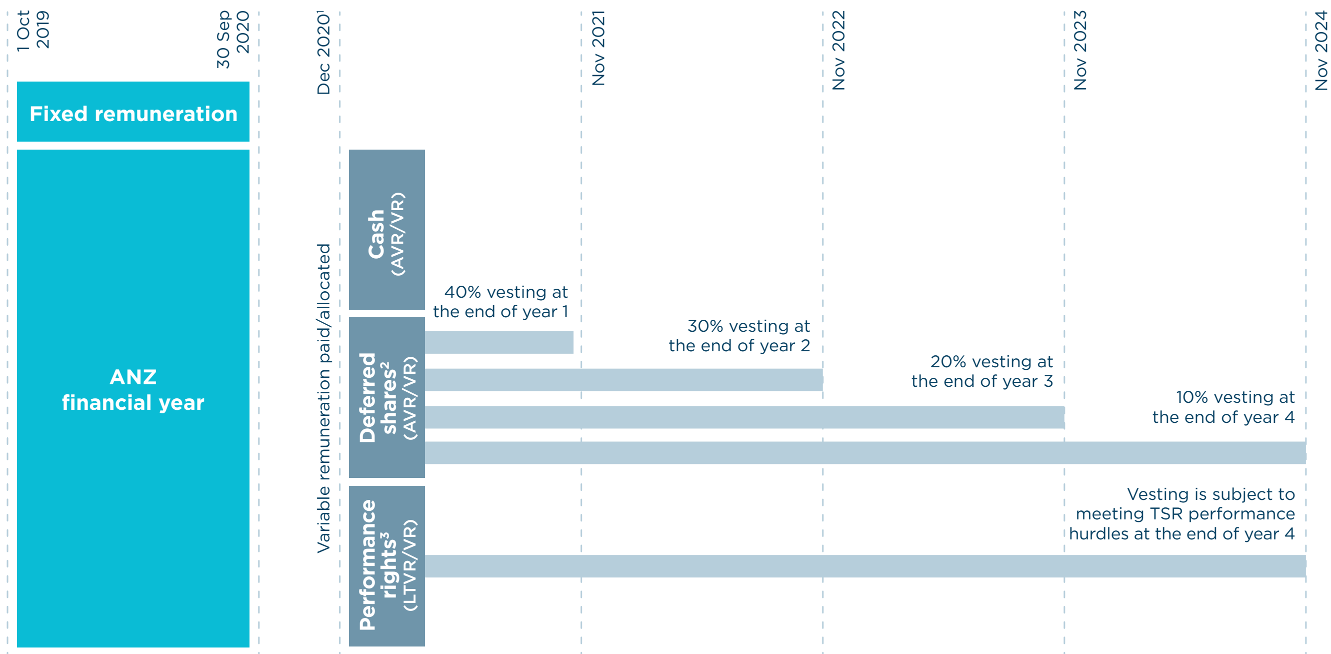
5.2 VARIABLE REMUNERATION DELIVERY

Variable remuneration for the CEO and the Disclosed Executives (excluding the CRO) is delivered partly in cash, shares deferred over four years, and performance rights deferred for four years. The performance rights are also subject to performance hurdles which determine whether they vest in four years' time.

60% of variable remuneration (AVR plus LTVR) for the CEO, 53% of VR for Disclosed Executives (other than the CRO), and 41% of VR for the CRO will be deferred for at least four years (from the date the Board approved the variable remuneration in October (and the date shareholders approve the CEO's LTVR)), noting that this complies with the BEAR minimum deferral requirement of 60% for the CEO and 40% for Disclosed Executives.

Before any scheduled release of deferred shares/deferred share rights/performance rights, the Board considers whether any malus/ downward adjustment of previously deferred remuneration (or further deferral of vesting) should be made for the CEO and Disclosed Executives. See section 5.3.

VARIABLE REMUNERATION DELIVERY – CEO AND DISCLOSED EXECUTIVES



1. Variable remuneration outcomes were approved by the Board on 21 October 2020 (noting that the CEO's performance rights are subject to shareholder approval at the 2020 AGM).
2. Deferred shares for the CRO vest as follows: 30% at the end of years 1 and 2, and 20% at the end of years 3 and 4. **3.** Deferred share rights for the CRO.

5.2.1 Cash – CEO (AVR) and Disclosed Executives (VR)

The cash component is paid to executives at the end of the annual Performance and Remuneration Review (December 2020).

5.2.2 Deferred shares – CEO (AVR) and Disclosed Executives (VR)

Deferred shares are ordinary shares, deferred over one to four years. By deferring part of an executives' remuneration over time (and it remaining subject to malus), we enable a substantial amount of their remuneration to be directly linked to delivering long-term shareholder value. We grant deferred shares in respect of performance for the 1 October to 30 September financial year in late November/early December each year.

We calculate the number of deferred shares to be granted based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For disclosure and expensing purposes, we use the one day VWAP to determine the fair value.

In some cases (generally due to regulatory or tax reasons), we may grant deferred share rights to executives instead of deferred shares. Each deferred share right entitles the holder to one ordinary share.

5.2.3a Performance rights – CEO (LTVR) and Disclosed Executives (VR) excluding the CRO

A performance right is a right to acquire one ordinary ANZ share at nil cost – as long as time and performance hurdles are met. The future value of performance rights may range from zero to an indeterminate value. The value depends on our performance against the hurdles and on the share price at the time of exercise.

The performance rights have a four-year performance period (and remain subject to malus up to the vesting date). For the 2020 grant, the performance period is from 22 November 2020 to 21 November 2024. A four-year performance period provides sufficient time for longer term performance to be reflected.

More detail relating to the 2020 performance rights is provided below.

Element	Detail
Performance rights hurdles	The performance rights have TSR performance hurdles reflecting the importance of focusing on achieving longer term strategic objectives and aligning executives' and shareholders' interests. We will apply two TSR performance hurdles for the 2020 grants of performance rights: • 75% will be measured against a relative TSR hurdle, tranche 1. • 25% will be measured against an absolute TSR hurdle, tranche 2. TSR represents the change in value of a share plus the value of reinvested dividends paid. We regard it as the most appropriate long-term measure – it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance. The combination of relative and absolute TSR hurdles provides balance to the plan by: • Relative: rewarding executives for performance that exceeds that of comparator companies; and • Absolute: ensuring there is a continued focus on providing positive growth – even when the market is declining. The two hurdles measure separate aspects of performance: • the relative TSR hurdle measures our TSR compared to that of the Select Financial Services (SFS) comparator group, made up of core local and global competitors. This comparator group is chosen to broadly reflect the geographies and business segments in which ANZ competes for revenue; and • the absolute Compound Annual Growth Rate (CAGR) TSR hurdle provides executives with a more direct line of sight to the level of shareholder return to be achieved. It also provides a tighter correlation between the executives' rewards and the shareholders' financial outcomes. We will measure ANZ's TSR against each hurdle at the end of the four-year performance period to determine whether each tranche of performance rights become exercisable. We measure each tranche independently from the other – for example one tranche may vest fully or partially but the other tranche may not vest.
Relative TSR hurdle for the November/ December 2020 grant	The relative TSR hurdle is an external hurdle that measures our TSR against that of the SFS comparator group over four years. The SFS comparator group (unchanged from prior years) is made up of: Bank of Queensland Limited; Bendigo and Adelaide Bank Limited; Commonwealth Bank of Australia Limited; DBS Bank Limited; Macquarie Group Limited; National Australia Bank Limited; Standard Chartered PLC; Suncorp Group Limited; and Westpac Banking Corporation.

If our TSR when compared to the TSR of the comparator group >	then the percentage of performance rights that vest
is less than the 50th percentile	is nil
reaches at least the 50th percentile, but is less than the 75th percentile	is 50% plus 2% for every one percentile increase above the 50th percentile
reaches or exceeds the 75th percentile	is 100%

Element	Detail
Absolute TSR hurdle for the November/ December 2020 grant	The absolute CAGR TSR hurdle is an internal hurdle as to whether ANZ achieves or exceeds a threshold level of growth the Board sets at the start of the performance period. The Board reviews and approves the absolute TSR targets each year for that year's award. When reviewing the targets, the Board references ANZ's assessed Cost of Capital. The Cost of Capital is determined using methodologies including the Capital Asset Pricing Model (CAPM). There has been no change to the absolute CAGR TSR targets for 2020.

If the absolute CAGR of our TSR >	then the percentage of performance rights that vest
is less than 8.5%	is nil
is 8.5%	is 50%
reaches at least 8.5%, but is less than 12.75%	is progressively increased on a pro-rata, straight-line, basis from 50% to 100%
reaches or exceeds 12.75%	is 100%

Calculating TSR performance	When calculating performance against TSR, we: • reduce the impact of share price volatility – by using an averaging calculation over a 90-trading day period for start and end values; • ensure an independent measurement – by engaging the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate ANZ's performance against the TSR hurdles; and • test the performance against the relevant hurdle once only at the end of the four-year performance period – the rights lapse if the performance hurdle is not met – there is no retesting.
Calculating the number of performance rights	The number of performance rights we grant is calculated using a face value basis – i.e. the full share price. Face value at full vesting is split into two tranches. Each tranche value is then divided by the market price (five trading day VWAP of ANZ shares at the start of the performance period) to determine the number of performance rights we award in each tranche. Performance rights are allocated in late November/early December for Disclosed Executives and December for the CEO (subject to shareholder approval).
Expensing performance rights	ANZ engages PricewaterhouseCoopers to independently determine the fair value of performance rights, which is only used for expensing purposes. They consider factors including: the performance conditions, share price volatility, life of the instrument, dividend yield, and share price at grant date.

5.2.3b Deferred share rights – CRO (VR)

The CRO receives deferred share rights instead of performance rights to preserve the independence of the role and to minimise any conflicts of interest in carrying out the risk control function across the organisation.

The CRO's deferred share rights are subject to a time-based vesting hurdle of four years. The value the Board uses to determine the number of deferred share rights to be allocated to the CRO is the face value of the Company's shares traded on the ASX at the time of grant (five trading day VWAP).

5.3 MALUS (DOWNWARD ADJUSTMENT OF PREVIOUSLY DEFERRED REMUNERATION) – BOARD DISCRETION

All deferred remuneration we award to an employee is subject to ANZ's on-going and absolute discretion to adjust this downward (malus) (including to zero) at any time.

ANZ may exercise this discretion, for example, where:

- there is a need to protect the financial soundness of ANZ or to meet regulatory requirements or there has been a material failure of risk management or controls within ANZ;
- the employee has acted fraudulently or dishonestly, failed to act with due care, skill and diligence, or failed to comply with ANZ policies (including the Code of Conduct), processes or directions;
- the employee is responsible or accountable, directly or indirectly, by virtue of their role or seniority for an occurrence/event which has had an adverse impact on ANZ;
- there has been misconduct and the employee was involved directly or indirectly, failed to take adequate steps, could be considered responsible due to their seniority, or the decision to award or grant the deferred remuneration was made on the basis of misinformation.

Further, where the CEO and/or Disclosed Executives of ANZ have failed to comply with their accountability obligations under the BEAR, their deferred remuneration will be reduced by an amount that is proportionate to the failure, as required by the BEAR.

An employee's deferred remuneration is also subject to ANZ's on-going and absolute discretion to further defer the vesting. Where ANZ exercises this discretion, the vesting date is postponed and will not vest unless and until ANZ determines it should vest.

Before any scheduled vesting of deferred remuneration, the Board (for the CEO, Disclosed Executives and other specified roles) and/or the Consequence Review Group (CRG) (for other employees) considers whether malus/downward adjustment or further deferral should be applied. See section 6 for details.

6. ACCOUNTABILITY AND CONSEQUENCE FRAMEWORK

In 2020, we continued to strengthen and embed the Accountability and Consequence Framework (A&CF).

The HR Committee and Board determine accountability and consequences for the CEO and Disclosed Executives, including the application of malus to previously deferred remuneration.

The CRO presented a report to the HR Committee of the Board on the most material risk events for 2020, and input was also sought from the Audit and Risk Committees of the Board. All of this information was taken into consideration by the HR Committee and the Board when considering the performance of the Group, and determining the performance and remuneration outcomes for our Group Executives including the CEO and the 2020 ANZIP variable remuneration pool for all employees.

Adjustments were made to 2020 individual variable remuneration outcomes to reflect accountability for relevant matters.

No malus was applied to the previously deferred remuneration of the CEO and Disclosed Executives during 2020.

The Consequence Review Group (CRG) supports the Board in monitoring the implementation and ongoing effectiveness of ANZ's A&CF, being cognisant of its impact on the culture of ANZ. The CRG is chaired by the CEO and members include the CRO, CFO and GE T&C. The CRG reviews material events, accountability and the application of suitable consequences where appropriate.

When determining consequences consideration will be given to the level of accountability, and the severity of the issue, including customer impacts. Consequences may include, for example, one or more of the following: counselling, formal warnings, impacts to in year performance and remuneration outcomes or application of malus to previously deferred remuneration and ultimately termination of employment for the most serious issues.

Our ongoing focus on accountability, consequences and driving a strong risk culture supports our customer commitment that when things go wrong, we fix them quickly and hold executives, current (and former where we can), to account where appropriate. We are also focused on ensuring that we learn from the cause of the event, and mitigate the risk of future recurrences and continuously seek to strengthen our risk culture.

We review the effectiveness of the A&CF every year and implement enhancements to further strengthen the framework based on regulatory and internal stakeholder input.

We also examined the impact of the A&CF on our 'speak up' culture. Across all measures reviewed, including our annual My Voice survey, and percentage of self-disclosed audit issues and internal audit cultural review data, we found that our speak-up culture had strengthened in 2020 compared to 2019. This gives us confidence that the implementation of the A&CF is consistent with our speak-up culture. We continue to raise employee awareness of, and promote the various ways that employees can speak up including through initiatives such as the annual Whistleblower Awareness Week.

In 2020 across the Group, there were 1,448 Code of Conduct cases managed resulting in 199 employees being terminated for breaches of our Code of Conduct, or who otherwise left the bank after an investigation had been initiated. A further 370 employees received a formal disciplinary outcome, with managers required to apply impacts to their performance and remuneration outcomes as part of the annual review process.

At the senior leadership level, 34 current or former senior leaders (senior executives, executives and senior managers) had consequences applied in 2020 for Code of Conduct breaches or findings of accountability for a relevant event, or otherwise left the bank after an investigation had been initiated. The 34 employees represent 1.4% of our 2,443 senior leaders. The consequences applied included warnings, impacts to performance and/or remuneration outcomes and cessation of employment.

Senior leader consequences in 2020[1]

Formal warnings[2]	19
No longer employed	7
Performance impacts[3]	18

1. Individuals are included under all categories that are relevant meaning one individual may be reflected in multiple categories. **2.** As part of the annual Performance and Remuneration Review process, performance and remuneration consequences are applied in line with our A&CF. **3.** Performance rating impacts are as at end of October 2020. Remuneration impacts will also be applied.

There are also performance and remuneration consequences for employees who are non-compliant with the mandatory learning requirements by over 30 days, with these employees being deemed ineligible to participate in the year-end remuneration review process (unless genuinely exceptional circumstances exist). In 2020, less than 0.4% of employees had a mandatory learning non-compliance flag applied to their profiles as a result of becoming overdue for 30 days on their mandatory learning requirements. The remaining 99.6% of our employees completed their mandatory learning requirements within the required period.

7. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

7.1 REMUNERATION STRUCTURE

The HR Committee reviewed NED fees for 2020 and determined not to increase Chairman, NED or Committee fees except for the Digital Business and Technology Committee Chair fee (which increased from $35,000 to $45,000) in recognition of the significant increase in workload of the Committee Chair.

NEDs receive a base fee for being a Director of the Board, and additional fees for either chairing, or being a member of a Board Committee. The Chairman of the Board does not receive additional fees for serving on a Board Committee.

In setting Board and Committee fees, the Board considers: general industry practice, ASX Corporate Governance Principles and Recommendations, the responsibilities and risks attached to the NED role, the time commitment expected of NEDs on Group and Company matters, and fees paid to NEDs of comparable companies.

ANZ compares NED fees to a comparator group of Australian listed companies with a similar market capitalisation, with particular focus on the major financial services institutions. This is considered an appropriate group, given similarity in size and complexity, nature of work and time commitment by NEDs.

To maintain NED independence and impartiality:

- NED fees are not linked to the performance of the Group; and
- NEDs are not eligible to participate in any of the Group's variable remuneration arrangements.

The current aggregate fee pool for NEDs of $4 million was approved by shareholders at the 2012 AGM. The annual total of NEDs' fees, including superannuation contributions, is within this agreed limit.

This table shows the NED fee policy structure for 2020.

2020 NED FEE POLICY STRUCTURE

	Board[1, 2]	Audit Committee	Risk Committee	HR Committee	Digital Business & Technology Committee	Ethics, Environment, Social & Governance Committee
Chair fee	$825,000	$65,000	$62,000	$57,000	$45,000	$35,000
Member fee	$240,000	$32,500	$31,000	$29,000	$15,000	$15,000

1. Including superannuation. **2.** The Chairman of the Board does not receive additional fees for serving on a Board Committee. The Chairman of the Board and NEDs do not receive a fee for serving on the Nomination and Board Operations Committee.

NED shareholding guidelines

We expect our NEDs to hold ANZ shares. NEDs are required:

- to accumulate shares – over a five-year period from their appointment – to the value of 100% (200% for the Chairman) of the NED member fee; and
- to maintain this shareholding while they are a Director of ANZ.

Based on the ANZ share price as at 30 September 2020, all NEDs who have served five years met the holding requirement. NEDs appointed within the last five years have either met or are building towards their shareholding requirement.

7.2 2020 STATUTORY REMUNERATION – NEDS

2020 STATUTORY REMUNERATION – NEDS

	Financial year	Short-term NED benefits Fees[1] $	Short-term NED benefits Non monetary benefits $	Post-employment Super contributions[1] $	Total remuneration[2] $
Current Non-Executive Directors					
D Gonski[1]	**2020**	**803,824**	**-**	**21,176**	**825,000**
	2019	639,351	-	20,649	660,000
I Atlas[1]	**2020**	**323,324**	**-**	**21,176**	**344,500**
	2019	275,851	-	20,649	296,500
P Dwyer[1]	**2020**	**354,326**	**-**	**10,674**	**365,000**
	2019	296,351	-	20,649	317,000
J Halton[1]	**2020**	**307,824**	**-**	**21,176**	**329,000**
	2019	246,058	-	20,649	266,707
J Key[1, 3]	**2020**	**279,824**	**-**	**21,176**	**301,000**
	2019	229,131	-	20,649	249,780
G Liebelt[1]	**2020**	**342,324**	**-**	**21,176**	**363,500**
	2019	294,851	-	20,649	315,500
J Macfarlane[1]	**2020**	**297,324**	**-**	**21,176**	**318,500**
	2019	249,851	-	20,649	270,500
P O'Sullivan[4]	**2020**	**243,331**	**-**	**19,207**	**262,538**
Total of all Non-Executive Directors	**2020**	**2,952,101**	**-**	**156,937**	**3,109,038**
	2019	2,231,444	-	144,543	2,375,987

1. Year-on-year differences in fees relate to the 20% reduction to the Chairman fee and the NED member fees in 2019 (as a consequence of a decision taken by the Directors that their fees should reflect shared accountability for the failures highlighted by the Royal Commission), changes in Committee memberships and changes to the superannuation Maximum Contribution Base. From 1 January 2020 to 30 June 2020, P Dwyer elected to receive all payments in fees and therefore did not receive superannuation contributions during this period. **2.** Long-term benefits and share-based payments do not apply for the NEDs. **3.** In addition to the fees shown above that J Key received as a NED for Australia and New Zealand Banking Group Limited (ANZBGL), as Chairman for ANZ Bank New Zealand Limited J Key also received a total of NZD 391,000 in 2020 and NZD 382,950 in 2019. **4.** P O'Sullivan commenced as a NED on 4 November 2019, so 2020 remuneration reflects a partial service year.

8. REMUNERATION GOVERNANCE

8.1 THE HUMAN RESOURCES (HR) COMMITTEE

8.1.1 Role of the HR Committee

The HR Committee supports the Board on remuneration and other HR matters. It reviews the remuneration policies and practices of the Group, and monitors market practice and regulatory and compliance requirements in Australia and overseas.

During the year the HR Committee met on six occasions[1] and reviewed and approved, or made recommendations to the Board on matters including:

- remuneration for the CEO and other key executives (broader than those disclosed in the Remuneration Report) covered by the ANZBGL Remuneration Policy, and fees for the NEDs;
- reward structure changes (including the Reimagining Reward initiative);
- ANZ's response to the industry-wide Retail Remuneration Review by Stephen Sedgwick AO;
- updates on APRA's draft Prudential Standard CPS 511 Remuneration, the BEAR Thematic Review, Treasury's Financial Accountability Regime (FAR), and ASIC's review of governance practices in the exercise of board discretion on executive variable pay;
- the ANZ Group Performance Framework (annual objectives setting and assessment) and annual variable remuneration spend;
- performance and reward outcomes for key senior executives, including the consideration of material risk events that have either occurred or came to light in the year, and malus/downward adjustment;
- key senior executive appointments and terminations;
- the effectiveness of the ANZBGL Remuneration Policy;
- succession plans for key senior executives;
- culture and governance including updates on the strengthened Accountability and Consequence Framework (A&CF); and
- diversity, inclusion, and employee engagement.

More details about the role of the HR Committee, including its Charter, can be found on our website. Go to anz.com > Our company > Strong governance framework > ANZ Human Resources Committee Charter.

1. A subset of the HR Committee also met on a number of occasions during the year to discuss regulatory developments and 2020 outcomes.

8.1.2 Link between remuneration and risk

The HR Committee has a strong focus on the relationship between business performance, risk management and remuneration, aligned with our business strategy. The chairs of the Risk and Audit Committees are members of the HR Committee and the full Board is in attendance for specific HR Committee meetings.

To further reflect the importance of the link between remuneration and risk:

- the Board had three NEDs (in addition to the Chairman) in 2020 who served on both the HR Committee and the Risk Committee;
- the HR Committee has free and unfettered access to risk and financial control personnel (the CRO and CFO attend HR Committee meetings for specific agenda items);
- the CRO provides an independent report to the HR Committee on material risk events to help inform considerations of performance and remuneration, and accountability and consequences at the Group, Divisional and individual level; and
- the chairs of the Audit and Risk Committees are asked to provide input to the HR Committee to ensure appropriate consideration of all relevant risk and internal audit issues.

8.1.3 Conflict of interest

To help mitigate potential conflicts of interest:

- management are not in attendance when their own performance or remuneration is being discussed by the HR Committee or Board;
- the CEO's AVR is funded and determined separately from the ANZIP pool;
- the CRO's remuneration arrangements differ to other Disclosed Executives to preserve the independence of the role; and
- the HR Committee seeks input from a number of sources to inform their consideration of performance and remuneration outcomes for the CEO and Disclosed Executives including:
  - independent reports from Risk, Finance, Talent and Culture and Internal Audit;
  - material risk event data provided by the CRO;
  - input from both the Audit Committee and the Risk Committee of the Board.

8.1.4 External advisors provided information but not recommendations

The HR Committee can engage independent external advisors as needed.

Throughout the year, the HR Committee and management received information from the following external providers: Aon, Ashurst, EY, Mercer Consulting (Australia) Pty Ltd and PricewaterhouseCoopers. This information related to market data, market practices, legislative requirements and the interpretation of governance and regulatory requirements.

During the year, ANZ did not receive any remuneration recommendations from external consultants about the remuneration of KMP.

ANZ employs in-house remuneration professionals who provide recommendations to the HR Committee and the Board. The Board made its decisions independently, using the information provided and with careful regard to ANZ's strategic objectives, purpose and values, risk appetite and the ANZBGL Remuneration Policy and Principles.

8.2 INTERNAL GOVERNANCE

8.2.1 Hedging prohibition

All deferred equity must remain at risk until it has fully vested. Accordingly, executives and their associated persons must not enter into any schemes that specifically protect the unvested value of equity allocated. If they do so, then they forfeit the relevant equity.

8.2.2 CEO and Disclosed Executives' shareholding guidelines

We expect the CEO and each Disclosed Executive to, over a five-year period:

- accumulate ANZ shares to the value of 200% of their fixed remuneration; and
- maintain this shareholding level while they are an executive of ANZ.

For this purpose, shareholdings include all vested and unvested equity that is not subject to performance hurdles.

CEO

While the CEO is still within his five-year accumulation period his shareholdings are above the holding guideline and we note that he has not sold any ANZ shares since his commencement as CEO.

Disclosed Executives

All but one Disclosed Executive are still within their five-year accumulation period and are building their holdings. One Disclosed Executive has passed the five-year period and their shareholding (based on 30 September 2020 share price) was below the holding guideline. The impact of COVID-19 on ANZ's share price has resulted in the overall value of the executive's holding reducing and the Board has exercised its discretion and is not requiring the executive to purchase additional shares at this time.

8.2.3 CEO and Disclosed Executives' contract terms and equity treatment

The details of the contract terms and also the equity treatment on termination (in accordance with the Conditions of Grant) relating to the CEO and Disclosed Executives are below. Although they are similar, they vary in some cases to suit different circumstances.

Type of contract	Permanent ongoing employment contract.
Notice on resignation	• 12 months by CEO; • 6 months by Disclosed Executives.
Notice on termination by ANZ[1]	• 12 months by ANZ for CEO and Disclosed Executives. However, ANZ may immediately terminate an individual's employment at any time in the case of serious misconduct. In that case, the individual will be entitled only to payment of fixed remuneration up to the date of their termination and their statutory entitlements.
How unvested equity is treated on leaving ANZ	Executives who resign or are terminated will forfeit all their unvested deferred equity – unless the Board determines otherwise. If an executive is terminated due to redundancy or they are classified as a 'good leaver', then: • their deferred shares/share rights are released at the original vesting date; and • their performance rights[2] are prorated for service to the full notice termination date and released at the original vesting date (to the extent that the performance hurdles are met). On an executive's death or total and permanent disablement, their deferred equity vests. Unvested equity remains subject to malus post termination.
Change of control (applies to the CEO only)	If a change of control or other similar event occurs, then we will test the performance conditions applying to the CEO's performance rights. They will vest to the extent that the performance conditions are satisfied.

1. For K Corbally and M Hand, their contracts state that in particular circumstances they may be eligible for a retrenchment benefit in accordance with the relevant ANZ policy, as varied from time to time. For A Watson, notice on retrenchment is 6 weeks and compensation on retrenchment is calculated on a scale up to a maximum of 79 weeks after 25 years' service. **2.** Or deferred share rights granted to the CRO instead of performance rights.

9. OTHER INFORMATION

9.1 2020 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

The following table outlines the statutory remuneration disclosed in accordance with Australian Accounting Standards. While it shows the fixed remuneration awarded (cash and superannuation contributions) and also the cash component of the 2020 variable remuneration award, **it does not show the actual variable remuneration awarded or received in 2020** (see sections 4.1 and 4.2), but instead shows the amortised accounting value for this financial year of deferred remuneration (including prior year awards).

2020 STATUTORY REMUNERATION – CEO AND DISCLOSED EXECUTIVES

		Short-term employee benefits			Post-employment	
	Financial year	Cash salary[1] $	Non monetary benefits[2] $	Total cash incentive[3] $	Super contributions[4] $	Retirement benefit accrued during year[5] $
CEO and Current Disclosed Executives						
S Elliott	**2020**	**2,478,824**	**15,089**	**625,000**	**21,176**	**-**
	2019	2,079,351	19,383	750,000	20,649	-
M Carnegie	**2020**	**1,178,824**	**20,646**	**409,200**	**21,676**	**-**
	2019	979,351	32,221	495,000	21,149	-
K Corbally[10]	**2020**	**1,078,824**	**9,589**	**429,000**	**21,176**	**-**
	2019	929,351	16,633	478,500	20,649	-
G Florian	**2020**	**1,053,824**	**20,646**	**371,250**	**21,176**	**-**
A George	**2020**	**1,078,824**	**26,146**	**363,000**	**21,676**	**-**
	2019	979,351	37,721	528,000	21,149	-
M Hand[11]	**2020**	**1,178,824**	**9,589**	**462,000**	**21,176**	**25,177**
	2019	710,307	10,868	198,000	15,693	17,851
M Jablko[12]	**2020**	**1,078,824**	**9,589**	**363,000**	**21,676**	**-**
	2019	979,351	17,083	544,500	21,149	-
K van der Merwe	**2020**	**828,824**	**15,089**	**330,000**	**21,676**	**-**
A Watson[13]	**2020**	**975,974**	**11,176**	**334,681**	**39,625**	**-**
	2019	214,999	273	170,255	4,441	-
M Whelan	**2020**	**1,178,824**	**9,589**	**363,000**	**21,176**	**-**
	2019	1,179,351	13,883	874,500	20,649	-

1. Cash salary includes any adjustments required to reflect the use of ANZ's Lifestyle Leave Policy for the period in the KMP role. **2.** Non monetary benefits generally consist of company-funded benefits (and the associated Fringe Benefits Tax) such as car parking, taxation services and costs met by the Company in relation to in-country benefits. **3.** The total cash incentive relates to the cash component only. The relevant amortisation of the AVR/VR deferred components is included in share-based payments and has been amortised over the vesting period. The total AVR/VR was approved by the Board on 21 October 2020. 100% of the cash component of the AVR/VR awarded for the 2019 and 2020 years vested to the executive in the applicable financial year. **4.** For all Australian based executives, the 2019 and 2020 superannuation contributions reflect the Superannuation Guarantee Contribution based on the Maximum Contribution Base. A Watson participates in KiwiSaver where ANZ provides an employer superannuation contribution matching member contributions up to 4% of total gross pay (less employer superannuation contribution tax). **5.** Accrual relates to Retirement Allowance. As a result of being employed with ANZ before November 1992, M Hand is eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as three months of preserved notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years less the total accrual value of long service leave (including taken and untaken). **6.** Long service leave accrued during the year increased year-on-year for S Elliott, M Carnegie, A George, K Corbally, M Hand, M Jablko and A Watson as a result of their fixed remuneration increases. **7.** As required by AASB 2 Share-based payments, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. The fair value is determined at grant date and is allocated on a straight-line basis over the relevant vesting period. The amount included as remuneration neither relates to, nor indicates, the benefit (if any) that the executive may ultimately realise if the equity becomes exercisable. No terms of share-based payments have been altered or modified during the financial year.

Long-term employee benefits	Share-based payments[7]					
	Total amortisation value of					
	Variable remuneration			Other equity allocations[8]		
Long service leave accrued during the year[6] $	Shares $	Share rights $	Performance rights $	Shares $	Termination benefits[9] $	Total remuneration $
100,651	**828,507**	**-**	**1,156,061**	**-**	**-**	**5,225,308**
31,819	830,753	-	1,449,384	-	-	5,181,339
28,120	**502,572**	**-**	**196,150**	**-**	**-**	**2,357,188**
15,152	470,209	-	344,501	-	-	2,357,583
32,255	**378,884**	**258,090**	**16,398**	**-**	**-**	**2,224,216**
29,179	340,108	171,583	35,455	194,492	-	2,215,950
24,403	**333,927**	**-**	**238,329**	**-**	**-**	**2,063,555**
25,551	**430,514**	**-**	**219,525**	**-**	**-**	**2,165,236**
15,152	392,589	-	260,314	-	-	2,234,276
112,623	**367,507**	**-**	**203,224**	**-**	**-**	**2,380,120**
80,949	259,006	-	129,198	-	-	1,421,872
21,570	**535,573**	**-**	**307,228**	**50,316**	**-**	**2,387,776**
15,152	539,647	-	400,011	133,552	-	2,650,445
16,580	**358,605**	**-**	**229,707**	**-**	**-**	**1,800,481**
17,383	**237,502**	**82,845**	**93,742**	**711**	**-**	**1,793,639**
3,580	35,358	83,500	11,290	141	-	523,837
18,232	**754,535**	**-**	**417,161**	**-**	**-**	**2,762,517**
18,182	839,283	-	717,098	-	-	3,662,946

8. Other equity allocations relate to employment arrangements such as compensation for bonus opportunity foregone and deferred remuneration forfeited, retention awards, and shares received in relation to the Employee Share Offer. **9.** No 2020 Disclosed Executive received a termination benefit. Whilst F Ohlsson (former Group Executive, Australia and 2019 Disclosed Executive) concluded in a Disclosed Executive role on 28 December 2018, he ceased employment 15 November 2019 while on career break. Termination benefits paid on cessation (relating to accrued annual and long service leave, and pay in lieu of notice in accordance with his contract), annual leave and long service leave taken at the commencement of his career break, and non monetary benefits relating to cessation totalled $1,303,863. **10.** In relation to K Corbally's role before his appointment to the ExCo, in August 2016 the Board approved an equity retention award of $600,000 vesting in August 2019. Other equity allocations relate to this award. **11.** M Hand's 2019 remuneration reflects a partial service year as he commenced in a Disclosed Executive role on 29 December 2018. **12.** Other cash and other equity allocations for M Jablko relate to previously disclosed compensation for bonus opportunity foregone and deferred remuneration forfeited. **13.** A Watson's 2019 remuneration reflects a partial service year as she commenced in a Disclosed Executive role on 17 June 2019 as Acting Group Executive and CEO, NZ. A Watson's fixed remuneration is paid in NZD and converted to AUD. In 2018, 2019 and 2020 A Watson was eligible to receive shares under the Employee Share Offer. That offer provided a grant of ANZ shares in each financial year to eligible employees subject to Board approval. See Note 31 Employee Share and Option Plans for further details on the Employee Share Offer.

9.2 EQUITY HOLDINGS

For the equity granted to the CEO and Disclosed Executives in November/December 2019, all deferred shares were purchased on the market. For deferred share rights and performance rights, we will determine our approach to satisfying awards closer to the time of vesting.

9.2.1 CEO and Disclosed Executives equity granted, vested, exercised/sold and lapsed/forfeited

The table below sets out details of deferred shares and rights that we granted to the CEO and Disclosed Executives:

- during the 2020 year; or
- in prior years and that then vested, were exercised/sold or which lapsed/were forfeited during the 2020 year.

EQUITY GRANTED VESTED, EXERCISED/SOLD AND LAPSED/FORFEITED – CEO AND DISCLOSED EXECUTIVES

							Vested			Lapsed/ Forfeited			Exercised/Sold				
Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $	Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
CEO and Current Disclosed Executives																	
S Elliott	Deferred shares	6,941		22-Nov-16	22-Nov-19	-	6,941	100	172,095	-	-	-	(6,941)	100	173,814	-	-
	Deferred shares	8,529		22-Nov-17	22-Nov-19	-	8,529	100	211,468	-	-	-	(8,529)	100	213,581	-	-
	Deferred shares	8,623		22-Nov-18	22-Nov-19	-	8,623	100	213,799	-	-	-	(8,623)	100	215,935	-	-
	Deferred shares	12,006	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	12,006
	Deferred shares	9,003	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	9,003
	Deferred shares	6,002	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	6,002
	Deferred shares	3,001	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,001
	Performance rights	112,862		16-Dec-16	16-Dec-19	16-Dec-21	-	-	-	(112,862)	100	(2,826,313)	-	-	-	-	-
	Performance rights	37,620		16-Dec-16	16-Dec-19	16-Dec-21	-	-	-	(37,620)	100	(942,088)	-	-	-	-	-
	Performance rights	126,050	10.25	17-Dec-19	17-Dec-23	17-Dec-25	-	-	-	-	-	-	-	-	-	-	126,050
	Performance rights	42,016	5.03	17-Dec-19	17-Dec-23	17-Dec-25	-	-	-	-	-	-	-	-	-	-	42,016
M Carnegie	Deferred shares	1,182		22-Nov-16	22-Nov-19	-	1,182	100	29,307	-	-	-	-	-	-	1,182	-
	Deferred shares	4,785		22-Nov-17	22-Nov-19	-	4,785	100	118,639	-	-	-	-	-	-	4,785	-
	Deferred shares	5,205		22-Nov-18	22-Nov-19	-	5,205	100	129,053	-	-	-	-	-	-	5,205	-
	Deferred shares	7,924	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	7,924
	Deferred shares	5,942	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	5,942
	Deferred shares	3,961	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,961
	Deferred shares	1,980	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,980
	Performance rights	7,309		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,309)	100	(181,219)	-	-	-	-	-
	Performance rights	2,436		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(2,436)	100	(60,398)	-	-	-	-	-
	Performance rights	30,612	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	30,612
	Performance rights	10,204	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	10,204
K Corbally	Deferred shares	21,497		22-Nov-16	20-Aug-19	-	-	-	-	-	-	-	(21,497)	100	526,105	-	-
	Deferred shares	2,758		22-Nov-16	22-Nov-19	-	2,758	100	68,382	-	-	-	(2,758)	100	67,498	-	-
	Deferred shares	4,230		22-Nov-17	22-Nov-19	-	4,230	100	104,879	-	-	-	(4,230)	100	103,522	-	-
	Deferred shares	3,010		22-Nov-18	22-Nov-19	-	3,010	100	74,630	-	-	-	(3,010)	100	73,665	-	-
	Deferred shares	5,745	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	5,745
	Deferred shares	5,744	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	5,744
	Deferred shares	3,829	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,829
	Deferred shares	3,829	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,829
	Deferred share rights	19,727	24.99	22-Nov-19	22-Nov-23	29-Nov-23	-	-	-	-	-	-	-	-	-	-	19,727
	Performance rights	5,445		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(5,445)	100	(135,003)	-	-	-	-	-

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Vested			Lapsed/ Forfeited			Exercised/Sold			Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
							Number	%	Value[2] $	Number	%	Value[2] $	Number	%	Value[2] $		
CEO and Current Disclosed Executives																	
G Florian	Deferred shares	2,462		22-Nov-17	22-Nov-19	-	2,462	100	61,043	-	-	-	-	-	-	2,462	-
	Deferred shares	3,254		22-Nov-18	22-Nov-19	-	3,254	100	80,680	-	-	-	-	-	-	3,254	-
	Deferred shares	4,491	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	4,491
	Deferred shares	3,367	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,367
	Deferred shares	2,244	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	2,244
	Deferred shares	1,122	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,122
	Performance rights	17,346	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	17,346
	Performance rights	5,782	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	5,782
A George	Deferred shares	2,400		22-Nov-16	22-Nov-19	-	2,400	100	59,506	-	-	-	-	-	-	2,400	-
	Deferred shares	3,096		22-Nov-17	22-Nov-19	-	3,096	100	76,762	-	-	-	-	-	-	3,096	-
	Deferred shares	3,498		22-Nov-18	22-Nov-19	-	3,498	100	86,729	-	-	-	-	-	-	3,498	-
	Deferred shares	8,453	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	8,453
	Deferred shares	6,338	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	6,338
	Deferred shares	4,225	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	4,225
	Deferred shares	2,112	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	2,112
	Performance rights	2,746		18-Nov-15	18-Nov-18	18-Nov-20	-	-	-	-	-	-	(1,793)	65	46,678	-	-
	Performance rights	4,738		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(4,738)	100	(117,474)	-	-	-	-	-
	Performance rights	32,653	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	32,653
	Performance rights	10,884	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	10,884
M Hand	Deferred shares	4,012		22-Nov-16	22-Nov-19	-	4,012	100	99,474	-	-	-	(4,012)	100	99,242	-	-
	Deferred shares	6,277		22-Nov-17	22-Nov-19	-	6,277	100	155,632	-	-	-	(6,277)	100	155,270	-	-
	Deferred shares	3,254		22-Nov-18	22-Nov-19	-	3,254	100	80,680	-	-	-	(3,254)	100	80,492	-	-
	Deferred shares	4,755	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	4,755
	Deferred shares	3,565	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,565
	Deferred shares	2,376	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	2,376
	Deferred shares	1,188	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,188
	Performance rights	7,920		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,920)	100	(196,368)	-	-	-	-	-
	Performance rights	18,367	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	18,367
	Performance rights	6,122	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	6,122
M Jablko	Deferred shares	3,153		20-Aug-16	20-Aug-17	-	-	-	-	-	-	-	(3,153)	100	80,580	-	-
	Deferred shares	3,153		20-Aug-16	20-Aug-18	-	-	-	-	-	-	-	(3,153)	100	80,580	-	-
	Deferred shares	7,617		20-Aug-16	27-Feb-20	-	7,617	100	195,305	-	-	-	-	-	-	7,617	-
	Deferred shares	1,182		22-Nov-16	22-Nov-17	-	-	-	-	-	-	-	(1,182)	100	30,208	-	-
	Deferred shares	1,182		22-Nov-16	22-Nov-18	-	-	-	-	-	-	-	(1,182)	100	30,208	-	-
	Deferred shares	1,182		22-Nov-16	22-Nov-19	-	1,182	100	29,307	-	-	-	-	-	-	1,182	-
	Deferred shares	6,305		22-Nov-17	22-Nov-18	-	-	-	-	-	-	-	(6,305)	100	161,135	-	-
	Deferred shares	6,305		22-Nov-17	22-Nov-19	-	6,305	100	156,326	-	-	-	-	-	-	6,305	-
	Deferred shares	5,693		22-Nov-18	22-Nov-19	-	5,693	100	141,152	-	-	-	-	-	-	5,693	-
	Deferred shares	8,717	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	8,717
	Deferred shares	6,536	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	6,536
	Deferred shares	4,357	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	4,357
	Deferred shares	2,178	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	2,178
	Performance rights	7,309		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(7,309)	100	(181,219)	-	-	-	-	-
	Performance rights	2,436		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(2,436)	100	(60,398)	-	-	-	-	-
	Performance rights	33,673	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	33,673
	Performance rights	11,224	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	11,224

Name	Type of equity	Number granted[1]	Equity fair value at grant (for 2020 grants only) $	Grant date	First date exercisable	Date of expiry	Vested Number	Vested %	Vested Value[2] $	Lapsed/ Forfeited Number	Lapsed/ Forfeited %	Lapsed/ Forfeited Value[2] $	Exercised/Sold Number	Exercised/Sold %	Exercised/Sold Value[2] $	Vested and exercisable as at 30 Sep 2020[3]	Unexercisable as at 30 Sep 2020[4]
CEO and Current Disclosed Executives																	
K van der Merwe	Deferred shares	1,477		22-Nov-17	22-Nov-19	-	1,477	100	36,621	-	-	-	-	-	-	1,477	-
	Deferred shares	3,577		22-Nov-18	22-Nov-19	-	3,577	100	88,688	-	-	-	-	-	-	3,577	-
	Deferred shares	6,604	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	6,604
	Deferred shares	4,951	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	4,951
	Deferred shares	3,301	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,301
	Deferred shares	1,650	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	1,650
	Performance rights	25,510	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	25,510
	Performance rights	8,503	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	8,503
A Watson	Deferred shares	3,904	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	3,904
	Deferred shares	3,901	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	3,901
	Deferred shares	3,901	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	3,901
	Deferred shares	4,541	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	4,541
	Employee share offer	32	25.05	02-Dec-19	02-Dec-22	-	-	-	-	-	-	-	-	-	-	-	32
	Deferred share rights	2,237		22-Nov-16	22-Nov-19	22-Nov-21	2,237	100	55,464	-	-	-	(2,237)	100	55,277	-	-
	Deferred share rights	4,409		22-Nov-17	22-Nov-19	22-Nov-21	4,409	100	109,317	-	-	-	(4,409)	100	108,948	-	-
	Deferred share rights	5,016		22-Nov-18	22-Nov-19	22-Nov-21	5,016	100	124,367	-	-	-	(5,016)	100	123,947	-	-
	Performance rights	3,649		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(3,649)	100	(90,473)	-	-	-	-	-
M Whelan	Deferred shares	6,724		22-Nov-16	22-Nov-19	-	6,724	100	166,715	-	-	-	(6,724)	100	166,715	-	-
	Deferred shares	9,218		22-Nov-17	22-Nov-19	-	9,218	100	228,551	-	-	-	(9,218)	100	228,551	-	-
	Deferred shares	7,075		22-Nov-18	22-Nov-19	-	7,075	100	175,418	-	-	-	(7,075)	100	175,418	-	-
	Deferred shares	13,998	24.79	22-Nov-19	22-Nov-20	-	-	-	-	-	-	-	-	-	-	-	13,998
	Deferred shares	10,498	24.79	22-Nov-19	22-Nov-21	-	-	-	-	-	-	-	-	-	-	-	10,498
	Deferred shares	6,998	24.79	22-Nov-19	22-Nov-22	-	-	-	-	-	-	-	-	-	-	-	6,998
	Deferred shares	3,499	24.79	22-Nov-19	22-Nov-23	-	-	-	-	-	-	-	-	-	-	-	3,499
	Performance rights	41,571		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(41,571)	100	(1,030,711)	-	-	-	-	-
	Performance rights	13,857		22-Nov-16	22-Nov-19	22-Nov-21	-	-	-	(13,857)	100	(343,570)	-	-	-	-	-
	Performance rights	54,081	10.45	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	54,081
	Performance rights	18,027	5.14	22-Nov-19	22-Nov-23	22-Nov-25	-	-	-	-	-	-	-	-	-	-	18,027

1. For the purpose of the five highest paid executive disclosures, Executives are defined as Disclosed Executives or other members of the ExCo. For the 2020 financial year the five highest paid executives include four Disclosed Executives and the Group Executive, International (F Faruqui). Rights granted to Disclosed Executives as remuneration in 2020 are included in the table. Rights granted to F Faruqui as remuneration in 2020 include four tranches of deferred share rights and two tranches of performance rights granted on 22 Nov 2019. (14,298 (tranche 1) deferred share rights first exercisable 22 Nov 2020, expiring 29 Nov 2020; 11,363 (tranche 2) deferred share rights first exercisable 22 Nov 2021, expiring 29 Nov 2021; 8,033 (tranche 3) deferred share rights first exercisable 22 Nov 2022, expiring 29 Nov 2022; 4,257 (tranche 4) deferred share rights first exercisable 22 Nov 2023, expiring 29 Nov 2023; 51,839 (tranche 1) and 17,279 (tranche 2) performance rights first exercisable 22 Nov 2023 subject to meeting performance hurdles, expiring 22 Nov 2025). No rights have been granted to the CEO, Disclosed Executives or the five highest paid executives since the end of 2020 up to the Directors' Report sign-off date. **2.** The point in time value of 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, lapsing/forfeiture or exercising/sale/transfer out of trust, multiplied by the number of shares/share rights and/or performance rights. The exercise price for all share rights/performance rights is $0.00. No terms of share-based payment transactions have been altered or modified during the reporting period. **3.** The number vested and exercisable is the number of shares, options and rights that remain vested at the end of the reporting period. No shares, options and rights were vested and unexercisable.

4. Performance rights granted in prior years (by grant date) that remained unexerciseable at 30 Sep 2020 include:

	Nov-17	Nov-18	Nov-19
S Elliott	143,294	110,365	168,066
M Carnegie	39,440	42,884	40,816
K Corbally	4,230	-	-
G Florian	20,300	26,802	23,128
A George	25,520	28,813	43,537
M Hand	6,277	26,802	24,489
M Jablko	51,968	46,905	44,897
K van der Merwe	12,180	29,482	34,013
A Watson	3,934	4,802	-
M Whelan	75,980	58,296	72,108

Performance rights granted to S Elliott in 2020 were approved by shareholders at the 2019 AGM in accordance with ASX Listing Rule 10.14.

9.2.2 NED, CEO and Disclosed Executives equity holdings

The table below sets out details of equity held directly, indirectly or beneficially by each NED, the CEO and each Disclosed Executive, including their related parties.

EQUITY HOLDINGS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Type of equity	Opening balance at 1 Oct 2019	Granted during the year as remuneration[1]	Received during the year on exercise of options or rights	Resulting from any other changes during the year[2]	Closing balance at 30 Sep 2020[3,4]
Current Non-Executive Directors						
D Gonski	Ordinary shares	31,488	-	-	-	31,488
I Atlas	Ordinary shares	14,360	-	-	-	14,360
P Dwyer	Ordinary shares	17,500	-	-	-	17,500
J Halton	Ordinary shares	9,049	-	-	-	9,049
J Key	Ordinary shares	3,000	-	-	-	3,000
G Liebelt	Ordinary shares	20,315	-	-	-	20,315
	Capital notes 1	1,500	-	-	-	1,500
	Capital notes 2	2,500	-	-	-	2,500
J Macfarlane	Ordinary shares	17,851	-	-	-	17,851
	Capital notes 2	2,000	-	-	-	2,000
	Capital notes 3	5,000	-	-	-	5,000
P O'Sullivan[5]	Ordinary shares	4,078	-	-	-	4,078
	Capital notes 2	9,250	-	-	-	9,250
CEO and Current Disclosed Executives						
S Elliott	Deferred shares	73,958	30,012	-	(24,093)	79,877
	Ordinary shares	189,258	-	-	27,563	216,821
	Performance rights	438,874	168,066	-	(150,482)	456,458
M Carnegie	Deferred shares	54,732	19,807	-	-	74,539
	Ordinary shares	3,071	-	-	2,420	5,491
	Performance rights	92,069	40,816	-	(9,745)	123,140
K Corbally	Deferred shares	42,631	19,147	-	(31,495)	30,283
	Ordinary shares	1,350	-	-	(255)	1,095
	Deferred share rights	14,546	19,727	-	-	34,273
	Performance rights	9,675	-	-	(5,445)	4,230
G Florian	Deferred shares	23,141	11,224	-	-	34,365
	Ordinary shares	978	-	-	1,216	2,194
	Performance rights	47,102	23,128	-	-	70,230
A George	Deferred shares	58,962	21,128	-	-	80,090
	Ordinary shares	5,614	-	1,793	2,882	10,289
	Capital notes 1	802	-	-	-	802
	Performance rights	60,864	43,537	(1,793)	(4,738)	97,870
M Hand	Deferred shares	26,434	11,884	-	(13,543)	24,775
	Ordinary shares	760	-	-	429	1,189
	Performance rights	40,999	24,489	-	(7,920)	57,568
M Jablko	Deferred shares	84,494	21,788	-	(16,851)	89,431
	Ordinary shares	2,925	-	-	2,319	5,244
	Performance rights	108,618	44,897	-	(9,745)	143,770
K van der Merwe	Deferred shares	20,388	16,506	-	-	36,894
	Ordinary shares	774	-	-	1,162	1,936
	Performance rights	41,662	34,013	-	-	75,675
A Watson	Deferred shares	-	16,247	-	-	16,247
	Employee share offer	102	32	-	-	134
	Ordinary shares	-	-	11,662	386	12,048
	Deferred share rights	22,129	-	(11,662)	-	10,467
	Performance rights	12,385	-	-	(3,649)	8,736
M Whelan	Deferred shares	69,393	34,993	-	(23,017)	81,369
	Ordinary shares	-	-	-	1,126	1,126
	Performance rights	189,704	72,108	-	(55,428)	206,384

1. Details of options/rights granted as remuneration during 2020 are provided in the previous table. **2.** Shares resulting from any other changes during the year include the net result of any shares purchased (including under the ANZ Share Purchase Plan), forfeited, sold or acquired under the Dividend Reinvestment Plan. **3.** The following shares (included in the holdings above) were held on behalf of the NEDs, CEO and Disclosed Executives (i.e. indirect beneficially held shares) as at 30 September 2020: D Gonski – 31,488, I Atlas – 14,360, P Dwyer – 17,500, J Halton – 0, J Key – 3,000, G Liebelt – 8,158, J Macfarlane – 24,851, P O'Sullivan – 0, S Elliott – 291,099, M Carnegie – 74,539, K Corbally – 30,283, G Florian – 34,365, A George – 83,570, M Hand – 24,775, M Jablko – 89,431, K van der Merwe – 36,894, A Watson – 16,381 and M Whelan – 81,369. **4.** 34,733 rights were vested and exercisable, and zero options/rights were vested and unexerciseable as at 30 September 2020. There was no change in the balance as at the Directors' Report sign-off date. **5.** Commencing balance is based on holdings as at the date of commencement as a KMP.

9.3 LOANS

9.3.1 Overview

When we lend to NEDs, the CEO or Disclosed Executives, we do so in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers – this includes the term of the loan, the security required and the interest rate. Details of the terms and conditions of lending products can be found on anz.com. No amounts have been written off during the period, or individual provisions raised in respect of these balances.

The table below sets out details of loans outstanding to NEDs, the CEO and Disclosed Executives including their related parties, if – at any time during the year – the individual's aggregate loan balance exceeded $100,000.

Total loans to NEDs, the CEO and Disclosed Executives, including their related parties at 30 September 2020 (including those with balances less than $100,000) was $31,807,543 (2019: $29,359,432) with interest paid of $888,019 (2019: $731,353) during the period.

9.3.2 NED, CEO and Disclosed Executives loan transactions

LOAN TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

Name	Opening balance at 1 October 2019 $	Closing balance at 30 September 2020 $	Interest paid and payable in the reporting period[1] $	Highest balance in the reporting period $
Current Non-Executive Directors				
I Atlas	-	1,608,028	8,021	2,308,028
J Key	-	-	23,206	4,000,000
J Macfarlane	13,330,653	13,280,942	370,053	15,470,727
P O'Sullivan[2]	1,005,057	888,916	2,348	1,022,409
CEO and Current Disclosed Executives				
S Elliott	2,926,267	2,782,319	68,358	2,938,399
G Florian	2,362,366	2,306,807	62,602	2,389,584
A George[3]	1,612,899	1,535,414	51,538	1,618,459
M Hand	4,437,179	4,226,595	149,695	4,444,867
K van der Merwe	1,982,996	3,584,607	101,228	3,818,341
M Whelan[4]	1,653,414	1,575,953	50,263	1,696,126
Total	29,310,831	31,789,581	887,312	39,706,940

1. Actual interest paid after considering offset accounts. The loan balance is shown gross, however the interest paid takes into account the impact of offset amounts. **2.** Opening balance is at the date of commencement as KMP. **3.** Opening balance has been restated to include a credit card balance. **4.** Opening balance has been adjusted to take account of a minor timing variance.

9.4 OTHER TRANSACTIONS

Other transactions with NEDs, the CEO and Disclosed Executives, and their related parties included deposits.

OTHER TRANSACTIONS – NED, CEO AND DISCLOSED EXECUTIVES

	Opening balance at 1 October 2019[1] $	Closing balance at 30 September 2020[2, 3] $
Total KMP deposits	48,951,515	48,364,383

1. Opening balance is at 1 October 2019 or the date of commencement as KMP if part way through the year. **2.** Closing balance is at 30 September 2020 or at the date of cessation as KMP if part way through the year. **3.** Interest paid on deposits for 2020 was $498,931 (2019: $682,040).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage, bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions are no more favourable than those given to other employees or customers.

Directors' report

The Directors' Report for the financial year ended 30 September 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 10
- Operating and financial review on pages 54 to 71
- Dividends on page 70
- Information on the Directors, Company Secretaries and Directors' meetings on pages 38 to 48
- Remuneration report on pages 74 to 108

Significant changes in state of affairs

There have been no significant changes in the Group's state of affairs.

Events since the end of the financial year

There have been no significant events from 30 September 2020 to the date of signing this report.

Political donations

Our policy is that we will make an annual donation to the two major federal parties to support the democratic process in Australia. In the 2020 calendar year, we donated $100,000 to the Liberal Party of Australia and $100,000 to the Australian Labor Party.

Environmental regulation

ANZ recognises the expectations of its stakeholders – customers, shareholders, staff and the community – to operate in a way that mitigates its environmental impact.

In Australia, ANZ meets the requirements of the ***National Greenhouse and Energy Reporting Act 2007*** (Cth), which imposes reporting obligations where energy production, usage or greenhouse gas emissions trigger specified thresholds.

The Group does not believe that its operations are subject to any other particular and significant environmental regulation under a law of the Commonwealth of Australia or of an Australian State or Territory. It may become subject to environmental regulation as a result of its lending activities in the ordinary course of business and has developed policies to identify and manage such environmental matters.

Having made due enquiry, and to the best of ANZ's knowledge, no entity of the Group has incurred any material environmental liability during the year.

Further details of ANZ's environmental performance, including progress against its targets and details of its emissions profile, are available on **anz.com.au/about-us/sustainability-framework/environmental-sustainability/**.

Corporate Governance Statement

ANZ is committed to maintaining a high standard in its governance framework. ANZ confirms it has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition)* during the 2020 financial year. ANZ's Corporate Governance Statement, together with the ASX Appendix 4G which relates to the Corporate Governance Statement, can be viewed at **anz.com/corporategovernance** and has been lodged with the ASX.

Pillar 3 information

ANZ provides information required by APS 330: *Public Disclosure* in the *Regulatory Disclosures* section at **anz.com/shareholder/centre/reporting/regulatory-disclosure/**.

Non-audit services

The Group's Stakeholder Engagement Model for Relationship with the External Auditor (the Policy), which incorporates requirements of the *Corporations Act 2001* and industry best practice, prevents the external auditor from providing services that are perceived to be in conflict with the role of the external auditor or breach independence requirements. This includes consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

Specifically the Policy:

- limits the scope of non-audit services that may be provided;
- requires that audit, audit-related and permitted non-audit services be considered in light of independence requirements and for any potential conflicts of interest before they are approved by the Audit Committee, or approved by the Chair of the Audit Committee (or delegate) and notified to the Audit Committee; and
- requires pre-approval before the external auditor can commence any engagement for the Group.

Further details about the Policy can be found in the Corporate Governance Statement.

The external auditor has confirmed to the Audit Committee that it has:

- implemented procedures to ensure it complies with independence rules in applicable jurisdictions; and
- complied with applicable policies and regulations in those jurisdictions regarding the provision of non-audit services, and the Policy.

The Audit Committee has reviewed the non-audit services provided by the external auditor during the 2020 financial year, and has confirmed that the provision of these services is consistent with

the Policy, compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*. This has been formally advised by the Audit Committee to the Board of Directors.

The categories of non-audit services supplied to the Group during the year ended 30 September 2020 by the external auditor, KPMG, or by another person or firm on KPMG's behalf, and the amounts paid or payable (including GST) by the Group are as follows:

	Amount paid/payable $'000	
Non-audit services	2020	2019
Training related services	16	106
Methodology and procedural reviews	107	10
Total	123	116

Further details on the compensation paid to KPMG is provided in Note 34 Auditor Fees to the financial statements including details of audit-related services provided during the year of $5.37 million (2019: $5.71 million).

For the reasons set out above, the Directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2020 is compatible with the general standard of independence for external auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Directors' and officers' indemnity

The Company's Constitution (Rule 11.1) permits the Company to:

- indemnify any officer or employee of the Company, or its auditor, against liabilities (so far as may be permitted under applicable law) incurred as such by an officer, employee or auditor, including liabilities incurred as a result of appointment or nomination by the Company as a trustee or as an officer or employee of another corporation; and
- make payments in respect of legal costs incurred by an officer, employee or auditor in defending an action for a liability incurred as such by an officer, employee or auditor, or in resisting or responding to actions taken by a government agency, a duly constituted Royal Commission or other official inquiry, a liquidator, administrator, trustee in bankruptcy or other authorised official.

It is the Company's policy that its employees should be protected from any liability they incur as a result of acting in the course of their employment, subject to appropriate conditions.

Under the policy, the Company will indemnify employees and former employees against any liability they incur to any third party as a result of acting in the course of their employment with the Company or a subsidiary of the Company and this extends to liability incurred as a result of their appointment/nomination by or at the request of the Group as an officer or employee of another corporation or body or as trustee.

The indemnity is subject to applicable law and certain exceptions.

In accordance with the employee indemnity policy, the Company has during or since the year ended 30 September 2020 paid legal expenses totalling $1,233,965.13 incurred by Mr Richard Moscati in relation to legal proceedings brought against him and the Company by a third party.

The Company has entered into Indemnity Deeds with each of its Directors, with certain secretaries and former Directors of the Company, and with certain employees and other individuals who act as directors or officers of related bodies corporate or of another company, to indemnify them against liabilities and legal costs of the kind mentioned in the Company's Constitution.

During the financial year, the Company has paid premiums for insurance for the benefit of the Directors and employees of the Company and related bodies corporate of the Company. In accordance with common commercial practice, the insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Key management personnel and employee share and option plans

The Remuneration Report contains details of Non-Executive Directors, Chief Executive Officer and Disclosed Executives' equity holdings and options/rights issued during the 2020 financial year and as at the date of this report.

Note 31 Employee Share and Option Plans to the 2020 Financial Report contains details of the 2020 financial year and as at the date of this report:

- Options/rights issued over shares granted to employees;
- Shares issued as a result of the exercise of options/rights granted to employees; and
- Other details about share options/rights issued, including any rights to participate in any share issues of the Company.

The names of all persons who currently hold options/rights are entered in the register kept by the Company pursuant to section 170 of the *Corporations Act 2001*. This register may be inspected free of charge.

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the consolidated financial statements and this Directors' Report have been rounded to the nearest million dollars unless specifically stated otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Paul D O'Sullivan Chairman 4 November 2020	**Shayne C Elliott** Managing Director

Lead Auditor's Independence Declaration

The Lead Auditors Independence Declaration given under Section 307C of the *Corporations Act 2001* is set out below and forms part of the Directors' Report for the year ended 30 September 2020.

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2020, there have been:

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

KPMG

KPMG	**Alison Kitchen** Partner

Financial report

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INCOME STATEMENT

For the year ended 30 September	Note	2020 $m	2019 $m
Interest income[1]		24,426	31,077
Interest expense		(10,377)	(16,738)
Net interest income	2	14,049	14,339
Other operating income	2	3,355	4,058
Net income from insurance business	2	78	126
Share of associates' profit	2	155	262
Operating income		17,637	18,785
Operating expenses	3	(9,383)	(9,071)
Profit before credit impairment and income tax		8,254	9,714
Credit impairment charge	13	(2,738)	(794)
Profit before income tax		5,516	8,920
Income tax expense	4	(1,840)	(2,609)
Profit after tax from continuing operations		3,676	6,311
Profit/(Loss) after tax from discontinued operations	29	(98)	(343)
Profit for the year		3,578	5,968
Comprising:			
Profit attributable to shareholders of the Company		3,577	5,953
Profit attributable to non-controlling interests		1	15
Earnings per ordinary share (cents) including discontinued operations			
Basic	6	126.4	210.0
Diluted	6	118.0	201.9
Earnings per ordinary share (cents) from continuing operations			
Basic	6	129.8	222.1
Diluted	6	121.1	213.0
Dividend per ordinary share (cents)	5	60	160

1. Includes interest income calculated using the effective interest method of $23,837 million on financial assets measured at amortised cost or fair value through other comprehensive income (2019: $30,224 million).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September	2020 $m	2019 $m
Profit for the year from continuing operations	3,676	6,311
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Investment securities - equity securities at FVOCI	(157)	45
Other reserve movements	13	67
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation reserve[1]	(550)	697
Other reserve movements	712	909
Income tax attributable to the above items	(180)	(288)
Share of associates' other comprehensive income[2]	51	26
Other comprehensive income after tax from continuing operations	(111)	1,456
Profit/(Loss) after tax from discontinued operations	(98)	(343)
Other comprehensive income/(loss) after tax from discontinued operations	-	(97)
Total comprehensive income for the year	3,467	7,327
Comprising total comprehensive income attributable to:		
Shareholders of the Company	3,467	7,307
Non-controlling interests	-	20

1. Includes foreign currency translation differences attributable to non-controlling interests of a $1 million loss (2019: $5 million gain).
2. Share of associates' Other comprehensive income includes a FVOCI reserve gain of $48 million (2019: $20 million gain), defined benefits gain of $3 million (2019: $7 million gain), cash flow hedge reserve loss of $1 million (2019: $2 million loss) and a foreign currency translation reserve gain of $1 million (2019: $1 million gain) that may be reclassified subsequently to profit or loss.

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

BALANCE SHEET

As at 30 September	Note	2020 $m	2019 $m
Assets			
Cash and cash equivalents	8	107,923	81,621
Settlement balances owed to ANZ		7,541	3,739
Collateral paid		14,308	15,006
Trading securities	9	50,913	43,169
Derivative financial instruments	10	135,331	120,667
Investment securities	11	93,391	83,709
Net loans and advances	12	617,093	615,258
Regulatory deposits		801	879
Assets held for sale	29	-	1,831
Investments in associates	26	2,164	2,957
Current tax assets		161	265
Deferred tax assets[1]		2,124	1,356
Goodwill and other intangible assets	20	4,379	4,861
Premises and equipment[1]		3,013	1,924
Other assets		3,144	3,895
Total assets		1,042,286	981,137
Liabilities			
Settlement balances owed by ANZ		22,241	10,867
Collateral received		9,304	7,929
Deposits and other borrowings	14	682,333	637,677
Derivative financial instruments	10	134,711	120,951
Current tax liabilities		349	260
Deferred tax liabilities		80	67
Liabilities held for sale	29	-	2,121
Payables and other liabilities[1]		9,128	7,968
Employee entitlements		596	589
Other provisions	21	2,579	2,223
Debt issuances	15	119,668	129,691
Total liabilities		980,989	920,343
Net assets		61,297	60,794
Shareholders' equity			
Ordinary share capital	22	26,531	26,490
Reserves	22	1,501	1,629
Retained earnings[1]	22	33,255	32,664
Share capital and reserves attributable to shareholders of the Company	22	61,287	60,783
Non-controlling interests	22	10	11
Total shareholders' equity	22	61,297	60,794

1. On adoption of AASB 16 on 1 October 2019, the Group recognised right-of-use assets of $1.6 billion presented within Premises and equipment and lease liabilities of $1.7 billion presented within Payables and other liabilities. This resulted in a reduction to opening retained earnings of $88 million and an increase in deferred tax assets of $37 million. Comparative information has not been restated. Refer to Note 1 for further details.

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

CASH FLOW STATEMENT

The Consolidated Cash Flow Statement includes discontinued operations. Please refer to Note 29 for cash flows associated with discontinued operations and cash and cash equivalents reclassified as held for sale.

For the year ended 30 September	2020 $m	2019 $m
Profit after income tax	3,578	5,968
Adjustments to reconcile to net cash provided by/(used in) operating activities:		
Allowance for expected credit losses	2,738	794
Impairment of investment in associates	815	-
Depreciation and amortisation[1, 2]	1,391	871
Goodwill impairment	77	-
(Profit)/loss on sale of premises and equipment	(8)	(5)
Net derivatives/foreign exchange adjustment	(3,046)	4,940
(Gain)/loss on sale from divestments	25	(137)
Other non-cash movements	(80)	(356)
Net (increase)/decrease in operating assets:		
Collateral paid	283	(3,493)
Trading securities	(1,803)	(7,941)
Net loans and advances	(7,119)	(10,268)
Investments backing policy liabilities	-	(3,542)
Other assets	(76)	(454)
Net increase/(decrease) in operating liabilities:		
Deposits and other borrowings	51,875	7,006
Settlement balances owed by ANZ	11,476	(1,077)
Collateral received	1,739	1,004
Other liabilities	(9,581)	2,140
Total adjustments	48,706	(10,518)
Net cash (used in)/provided by operating activities[3]	52,284	(4,550)
Cash flows from investing activities		
Investment securities assets:		
Purchases	(40,029)	(23,847)
Proceeds from sale or maturity	28,642	21,228
Proceeds from divestments, net of cash disposed	1,309	2,121
Proceeds from/(Repayment of) IOOF secured notes	(800)	800
Other assets	(587)	(508)
Net cash (used in)/provided by investing activities	(11,465)	(206)
Cash flows from financing activities		
Debt issuances:[4]		
Issue proceeds	12,260	25,900
Redemptions	(21,430)	(22,958)
Dividends paid[5]	(2,861)	(4,471)
On market purchase of treasury shares	(122)	(112)
Repayment of lease liabilities[6]	(281)	-
Share buyback	-	(1,120)
Net cash (used in)/provided by financing activities	(12,434)	(2,761)
Net (decrease)/increase in cash and cash equivalents	28,385	(7,517)
Cash and cash equivalents at beginning of year	81,621	84,964
Effects of exchange rate changes on cash and cash equivalents	(2,083)	4,174
Cash and cash equivalents at end of year[7]	107,923	81,621

1. Includes depreciation of right-of-use assets recognised on 1 October 2019 following the adoption of AASB 16. Comparatives have not been restated.
2. Includes accelerated amortisation of $197 million following the Group's change in the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. Refer to Note 20 Goodwill and Other Intangible Assets for further details.
3. Net cash inflows/(outflows) from operating activities includes income taxes paid of $2,348 million (2019: $3,129 million).
4. Non-cash changes in debt issuances includes fair value hedging loss of $1,127 million (2019: $2,437 million loss) and foreign exchange gains of $1,623 million (2019: $3,815 million loss).
5. Cash outflow for shares purchased to satisfy the dividend reinvestment plan are classified in Dividends paid.
6. Relates to repayments of lease liabilities which the Group commenced recognising on 1 October 2019 following the adoption of AASB 16. Comparative information has not been restated.
7. Includes cash and cash equivalents recognised on the face of balance sheet of $107,923 million (2019: $81,621 million) with no amounts recorded as part of assets held for sale. (2019: nil).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital $m	Reserves $m	Retained earnings $m	Share capital and reserves attributable to shareholders of the Company $m	Non-controlling interests $m	Total shareholders' equity $m
As at 1 October 2018	27,205	323	31,737	59,265	140	59,405
Impact on transition to AASB 9	-	14	(624)	(610)	-	(610)
Profit or loss from continuing operations	-	-	6,296	6,296	15	6,311
Profit or loss from discontinued operations	-	-	(343)	(343)	-	(343)
Other comprehensive income for the year from continuing operations	-	1,393	58	1,451	5	1,456
Other comprehensive income for the year from discontinued operations	-	(97)	-	(97)	-	(97)
Total comprehensive income for the year	-	1,296	6,011	7,307	20	7,327
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(4,481)	(4,481)	(2)	(4,483)
Dividend income on treasury shares held within the Group's life insurance statutory funds	-	-	12	12	-	12
Group share buy-back[2]	(1,120)	-	-	(1,120)	-	(1,120)
Other equity movements:						
Treasury shares Wealth Australia discontinued operations adjustment[3]	405	-	-	405	-	405
Other items	-	(4)	9	5	(147)	(142)
As at 30 September 2019	26,490	1,629	32,664	60,783	11	60,794
Impact on transition to AASB 16	-	-	(88)	(88)	-	(88)
Profit or loss from continuing operations	-	-	3,675	3,675	1	3,676
Profit or loss from discontinued operations	-	-	(98)	(98)	-	(98)
Other comprehensive income for the year from continuing operations	-	(124)	14	(110)	(1)	(111)
Total comprehensive income for the year	-	(124)	3,591	3,467	-	3,467
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	-	-	(2,922)	(2,922)	-	(2,922)
Dividend Reinvestment Plan[1]	61	-	-	61	-	61
Other equity movements:						
Group employee share acquisition scheme	(20)	-	-	(20)	-	(20)
Other items	-	(4)	10	6	(1)	5
As at 30 September 2020	26,531	1,501	33,255	61,287	10	61,297

1 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final Dividend; nil shares for the 2019 interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP). On-market share purchases for the DRP in 2020 were $185 million (2019: $432 million).

2 The Company completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million worth of shares in 2019 resulting in 42.0 million shares being cancelled.

3 The successor funds transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF completed on 13 April 2019. As a result, the Group no longer eliminates the ANZ shares previously held in Wealth Australia discontinued operations (treasury shares).

The notes appearing on pages 117 to 225 form an integral part of these financial statements.

Notes to the consolidated financial statements

1. ABOUT OUR FINANCIAL STATEMENTS

These are the financial statements for Australia and New Zealand Banking Group Limited (the Company) and its controlled entities (together, 'the Group' or 'ANZ') for the year ended 30 September 2020. The Company is incorporated and domiciled in Australia. The address of the Company's registered office and its principal place of business is ANZ Centre, 833 Collins Street, Docklands, Victoria, Australia 3008. The Group provides banking and financial services to individuals and business customers and operates in and across 33 markets.

On 4 November 2020, the Directors resolved to authorise the issue of these financial statements.

Information in the financial statements is included only to the extent we consider it material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount is significant in size (quantitative factor);
- the information is significant by nature (qualitative factor);
- the user cannot understand the Group's results without the specific disclosure (qualitative factor);
- the information is critical to a user's understanding of the impact of significant changes in the Group's business during the period - for example, business acquisitions or disposals (qualitative factor);
- the information relates to an aspect of the Group's operations that is important to its future performance (qualitative factor); and
- the information is required under legislative requirements of the *Corporations Act 2001*, the *Banking Act 1959 (Cth)* or by the Group's principal regulators, including the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA).

This section of the financial statements:

- outlines the basis upon which the Group's financial statements have been prepared; and
- discusses any new accounting standards or regulations that directly impact the financial statements.

BASIS OF PREPARATION

This financial report is a general purpose (Tier 1) financial report prepared by a 'for profit' entity, in accordance with Australian Accounting Standards (AASs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB).

We present the financial statements of the Group in Australian dollars, which is the Company's functional and presentation currency. We have rounded values to the nearest million dollars ($m), unless otherwise stated, as allowed under the *ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191*. We measure the financial statements of each entity in the Group using the currency of the primary economic environment in which that entity operates (the functional currency).

BASIS OF MEASUREMENT

We have prepared the financial information in accordance with the historical cost basis - except the following assets and liabilities which we have stated at their fair value:

- derivative financial instruments and in the case of fair value hedging, a fair value adjustment made to the underlying hedged exposure;
- financial instruments held for trading;
- financial assets and financial liabilities designated at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- assets and liabilities classified as held for sale (except those at their carrying value as per Note 29).

In accordance with AASB 1038 *Life Insurance Contracts* (AASB 1038) we have measured life insurance liabilities using the Margin on Services (MoS) model. In accordance with AASB 119 *Employee Benefits* (AASB 119) we have measured defined benefit obligations using the Projected Unit Credit Method.

DISCONTINUED OPERATIONS

The aligned dealer groups business sold to IOOF Holdings Limited (IOOF) completed on 1 October 2018; the life insurance business sold to Zurich Financial Services Australia Limited completed on 31 May 2019; and the Wealth Australia pensions and investments business sold to IOOF was completed on 31 January 2020. As a result of these sale transactions, the associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements of the Group comprise the financial statements of the Company and all its subsidiaries. An entity, including a structured entity, is considered a subsidiary of the Group when we determine that the Company has control over the entity. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. We assess power by examining existing rights that give the Group the current ability to direct the relevant activities of the entity. We have eliminated, on consolidation, the effect of all transactions between entities in the Group.

FOREIGN CURRENCY TRANSLATION

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at the exchange rate prevailing at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the relevant spot rate. Any foreign currency translation gains or losses that arise are included in profit or loss in the period they arise.

We measure translation differences on non-monetary items at fair value through profit or loss and report them as part of the fair value gain or loss on these items. For non-monetary items classified as investment securities measured at fair value through other comprehensive income translation differences are included in Other comprehensive income.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS THAT HAVE A FUNCTIONAL CURRENCY THAT IS NOT AUSTRALIAN DOLLARS

The financial statements of our foreign operations are translated into Australian dollars for consolidation into the Group financial statements using the following method:

Foreign currency item	Exchange rate used
Assets and liabilities	The reporting date rate
Equity	The initial investment date rate
Income and expenses	The average rate for the period – but if for a significant transaction we believe the average rate is not reasonable, then we use the rate at the date of the transaction

Exchange differences arising from the translation of financial statements of foreign operations are recognised in the foreign currency translation reserve in equity. When we dispose of a foreign operation, the cumulative exchange differences are transferred to profit or loss as part of the gain or loss on sale.

FIDUCIARY ACTIVITIES

The Group provides fiduciary services to third parties including custody, nominee and trustee services. This involves the Group holding assets on behalf of third parties and making decisions regarding the purchase and sale of financial instruments. If ANZ is not the beneficial owner or does not control the assets, then we do not recognise these transactions in these financial statements, except when required by accounting standards or another legislative requirement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions about past and future events. Further information on the key judgements and estimates that we consider material to the financial statements are contained within each relevant note to the financial statements.

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Group performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities; and
- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 September 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

AASB 16 Leases (AASB 16)

AASB 16 became effective for the Group from 1 October 2019 and replaced the previous standard AASB 117 *Leases* (AASB 117). AASB 16 primarily impacts the Group's property and technology leases which were previously classified as operating leases. Under AASB 117, operating leases were not recognised on balance sheet and rent payments were expensed over the lease term.

Under AASB 16, the Group recognises all leases (except for leases of low value assets and short term leases) on balance sheet under a single accounting model. Accordingly, the Group recognises its right to use an underlying leased asset over the lease term as a right-of-use (ROU) asset, and its obligation to make lease payments as a lease liability. In the income statement, the Group recognises depreciation expense on the ROU asset and interest expense on the lease liability. As a result, lease expenses will be higher in the early periods of a lease and lower in the later periods of the lease compared to the previous standard where expenses were constant over the lease term. Cumulative expenses over the life of a lease will not change.

As permitted by the standard, the Group does not recognise ROU assets and lease liabilities for leases of low value items and short term leases (less than 12 months). Instead, the lease payments associated with these leases are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

The Group has applied the modified retrospective transition approach whereby initial lease liabilities are recognised based on the present value of remaining lease payments as of the transition date. The initial ROU asset recognised for certain large commercial and retail leases was measured as if AASB 16 had always been applied to the leases. For all other leases, the initial ROU asset was measured as equal to the initial lease liability.

The implementation of AASB 16 requires management to make certain key judgements including the determination of lease terms, discount rates and identifying arrangements that contain a lease. Extension options are included in the lease term if the Group is reasonably certain the option will be exercised. This assessment includes consideration of facts and circumstances that create an economic incentive for the Group to exercise the option.

Based on the modified retrospective transition approach, the Group recognised lease liabilities of $1.7 billion presented within Payables and other liabilities and ROU assets of $1.6 billion presented within Premises and equipment. This resulted in a reduction to opening retained earnings of $88 million and an increase in deferred tax assets of $37 million as of 1 October 2019. Comparatives have not been restated.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

In addition, the Group elected to apply the following practical expedients as permitted under the modified retrospective transition approach:

a) Impairment of ROU assets at the transition date was assessed by relying on onerous lease provisions previously recognised as of 30 September 2019 under AASB 117;

b) Initial direct costs associated with entering leases prior to the transition date were excluded from the carrying value of ROU assets recognised at transition;

c) No ROU assets or lease liabilities were recognised for certain leases with less than 12 months remaining as of the transition date; these leases were treated as short-term leases with all lease payments recognised in rent expense as incurred; and

d) Hindsight was used to determine the lease term of contracts that contained options to extend the lease.

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 September 2019 to the opening lease liabilities recognised under AASB 16 as at 1 October 2019.

	$m
Operating Lease Commitments as at 30 September 2019	1,656
Increase in lease term for extension options	210
Exclusion of low value leases and leases of less than 12 months	(19)
Exclusion of service components	(10)
Other	(17)
Total Undiscounted Lease Payments	**1,820**
Effect of discounting at a weighted average incremental borrowing rate of 2.44%	(141)
Total lease liabilities under AASB 16 as at 1 October 2019	**1,679**

During the reporting period, the Group recognised the following amounts in the income statement

	$m
Depreciation expense on ROU assets	394
Interest expense on lease liabilities	37
Interest expense on makegood provisions	2
Rent expense in relation to low value leases and leases of less than 12 months	35
Other income in relation to subleases	21

The Group's accounting policies with respect to lease arrangements where it acts as lessor have not changed under AASB 16 except where the Group subleases certain leased properties. Where the Group acts as intermediate lessor, it classifies the sublease as either a finance lease or operating lease by reference to the ROU asset of the head lease. Income from operating subleases is recognised in Other operating income in the Income Statement.

1. ABOUT OUR FINANCIAL STATEMENTS (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Interest Rate Benchmark Reform

Background

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates (RFRs) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

Accounting amendments

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the International Accounting Standards Board (IASB) has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

In October 2019, the AASB issued AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*, which amends certain existing hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interest rate benchmark reform. The Group elected to early adopt the amendments from 1 October 2019 which have not had a significant impact on the Group. These amendments address the accounting effects of uncertainty in the period leading up to the reform arising from the Group's ability to satisfy the existing prospective hedge effectiveness requirements of AASB 139. This uncertainty arises as it is not known when the hedged items (such as debt issuances) and associated hedging instruments (such as interest rate swaps) will be changed to reference the RFRs, or if both the hedging item and the associated hedging instrument will move to the new rates at the same time. The Group has applied this amendment to all hedge accounted relationships (cash flow or fair value hedges) where the reform gives rise to uncertainties about the timing or amount of IBOR based cash flows of the hedged item or hedging instrument.

In September 2020, the AASB issued AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* which is mandatory for the Group for the 2022 financial year. This standard addresses issues that may affect the Group at the point of transition from an existing IBOR rate to a RFR, including the effects of changes to contractual cash flows or hedging relationships. The standard includes amendments in respect of:

- Modification of a financial asset or a financial liability measured at amortised cost

  IBOR reform is expected to result in a change to the basis for determining contractual cash flows of impacted assets and liabilities of the Group. The amendments provide a practical expedient to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate. As a result, no immediate gain or loss is recognised. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

- Additional relief for hedging relationships

  The Standard also amends a number of existing hedge accounting requirements that will assist the Group to maintain its existing hedge accounted relationships post IBOR transition. The Group will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income Statement.

The Group is in the process of assessing the impact of the new standard on its financial statements.

Impact of IBOR reform

The Group has exposure to IBOR through its issuance of debt, the structural interest rate risk position, holdings of investment securities, products denominated in foreign currencies and associated hedging activities in our treasury and markets businesses within the TSO and Group Centre and Institutional divisions respectively.

The Group has established an enterprise-wide Benchmark Transition Program to manage the transition. The program includes the assessment and actions necessary to accommodate the transition to RFRs as they apply to internal processes and systems including pricing, risk management, documentation and hedge arrangements. The program includes management of the impact on customers.

Impact of IBOR reform on the Group's hedging relationships

Certain IBOR rates are subject to replacement by RFRs. The Group has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Group's hedging relationships are exposed to are USD LIBOR, Euro Interbank Offered Rate (EURIBOR), Bank Bill Swap Rate (BBSW) and Bank Bill Market (BKBM).

Of these benchmarks the Group expects BBSW, BKBM and EURIBOR to exist as benchmark rates for the foreseeable future and therefore does not believe its BBSW, BKBM or EURIBOR benchmark fair value or cash flow hedges will be directly impacted by IBOR reform.

1. About Our Financial Statements (continued)

ACCOUNTING STANDARDS ADOPTED IN THE PERIOD (continued)

Interest Rate Benchmark Reform (continued)

The table below details the carrying values of the Group's exposures designated in hedge accounting relationships that will be impacted by IBOR reform, principally USD LIBOR. The nominal value of the associated hedging instruments is also included:

Hedged items			As at 30 September 2020 USD LIBOR exposures $m
Investment securities at FVOCI			15,002
Net loans and advances			111
Debt issuances			32,235
Hedging instruments	**Notional designated up to 31 December 2021 $m**	**Notional designated beyond 31 December 2021 $m**	**Total Notional Amount $m**
Fair value hedges	12,778	32,250	45,028
Cash flow hedges	-	1,055	1,055

As at 30 September 2020 the Group also has GBP LIBOR, CHF LIBOR and JPY LIBOR exposures designated in hedge accounting relationships of $927 million, $975 million and $2,131 million respectively.

In addition to hedge accounted relationships that will be impacted by IBOR reform, the Group has exposures to other financial instruments referencing an IBOR rate that are also subject to reform. The Group is continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

AASB INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS (AASB Interpretation 23)

AASB Interpretation 23 became effective for the Group from 1 October 2019. The interpretation clarifies application of recognition and measurement requirements in AASB 112 Income Taxes where there is uncertainty over income tax treatments. As the Group's existing policy aligned with the requirements of AASB Interpretation 23, the interpretation had no material impact on the Group.

ACCOUNTING STANDARDS NOT EARLY ADOPTED

A number of new standards, amendments to standards and interpretations have been published but are not mandatory for the financial statements for the year ended 30 September 2020, and have not been applied by the Group in preparing these financial statements. Further details of these are set out below.

GENERAL HEDGE ACCOUNTING

AASB 9 introduces new hedge accounting requirements which more closely align accounting with risk management activities undertaken when hedging both financial and non-financial risks. AASB 9 provides the Group with an accounting policy choice to continue to apply the AASB 139 hedge accounting requirements until the International Accounting Standards Board's ongoing project on macro hedge accounting is completed. The Group continues to apply the hedge accounting requirements of AASB 139.

AASB 17 *INSURANCE CONTRACTS* (AASB 17)

The final version of AASB 17 was issued in July 2017 and is not effective for the Group until 1 October 2023. It will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The measurement, presentation and disclosure requirements under AASB 17 are significantly different from current accounting standards. Although the overall profit recognised in respect of insurance contracts will not change, it is expected that the timing of profit recognition will change.

AASB 17 is not expected to have material impact on the Group.

REVISED CONCEPTUAL FRAMEWORK

In June 2019 the AASB issued a revised Conceptual Framework for Financial Reporting. The new Framework includes updated definitions and criteria for the recognition and derecognition of assets and liabilities. Additionally, it introduces new concepts on measurement, including factors to consider when selecting a measurement basis. The revised Conceptual Framework will apply to the Group from 1 October 2020 and is not expected to have a material impact on the Group.

2. OPERATING INCOME

	2020 $m	2019 $m
Net interest income		
Interest income by type of financial asset		
Investment securities - FVOCI	1,162	1,624
Financial assets at amortised cost	22,675	28,600
Trading securities	584	848
Financial assets designated at FV through profit or loss	5	5
Interest income	24,426	31,077
Interest expense by type of financial liability		
Financial liabilities at amortised cost	(9,783)	(16,149)
Securities sold short	(95)	(110)
Financial liabilities designated at FV through profit or loss	(93)	(116)
Interest expense	(9,971)	(16,375)
Major bank levy	(406)	(363)
Net interest income	14,049	14,339
Other operating income		
i) Fee and commission income		
Lending fees[1]	579	602
Non-lending fees	2,687	3,059
Commissions	121	124
Funds management income	275	254
Fee and commission income	3,662	4,039
Fee and commission expense	(1,337)	(1,462)
Net fee and commission income	2,325	2,577
ii) Other income		
Net foreign exchange earnings and other financial instruments income[2]	1,809	1,278
Impairment of AmBank	(595)	-
Impairment of PT Panin	(220)	-
Sale of UDC	(7)	-
Sale of OnePath Life (NZ) Ltd (OPL NZ)	-	89
Sale of Paymark Limited (Paymark)	-	37
Sale of ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	-	10
Sale of PNG Retail, Commercial & SME	-	1
Dividend income on equity securities	26	28
Other	17	38
Other income	1,030	1,481
Other operating income	3,355	4,058
Net income from insurance business	78	126
Share of associates' profit	155	262
Operating income[3]	17,637	18,785

1. Lending fees exclude fees treated as part of the effective yield calculation in interest income.
2. Includes fair value movements (excluding realised and accrued interest) on derivatives not designated as accounting hedges entered into to manage interest rate and foreign exchange risk on funding instruments, ineffective portions of cash flow hedges, and fair value movements in financial assets and liabilities designated at fair value through profit or loss.
3. Includes charges for customer remediation of $174 million (2019: $212 million).

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT

NET INTEREST INCOME

Interest Income and Expense

We recognise interest income and expense for all financial instruments, including those classified as held for trading, assets measured at fair value through other comprehensive income or designated at fair value through profit or loss in net interest income. We use the effective interest rate method to calculate the amortised cost of assets held at amortised cost and to recognise interest income on financial assets measured at fair value through other comprehensive income. The effective interest rate is the rate that discounts the stream of estimated future cash receipts or payments over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. For assets subject to prepayment, we determine their expected life on the basis of historical behaviour of the particular asset portfolio - taking into account contractual obligations and prepayment experience.

We recognise fees and costs, which form an integral part of the financial instrument (for example loan origination fees and costs), using the effective interest rate method. This is presented as part of interest income or expense depending on whether the underlying financial instrument is a financial asset or financial liability.

Major Bank Levy

The Major Bank Levy Act 2017 ('Levy' or 'Major bank levy') applies a rate of 0.06% to certain liabilities of the Company. The Group has determined that the levy represents a finance cost for the Group and $406 million (2019: $363 million) is presented as interest expense in the Income Statement.

OTHER OPERATING INCOME

Fee and Commission Revenue

We recognise fee and commission revenue arising from contracts with customers (a) over time when the performance obligation is satisfied across more than one reporting period or (b) at a point in time when the performance obligation is satisfied immediately or is satisfied within one reporting period.

- lending fees exclude fees treated as part of the effective yield calculation of interest income. Lending fees include certain guarantee and commitment fees where the loan or guarantee is not likely to be drawn upon, and other fees charged for providing customers a distinct good or service that are recognised separately from the underlying lending product (including annual package fees that provide benefits on other ANZ products).
- non-lending fees includes fees associated with deposit and credit card accounts, interchange fees and fees charged for specific customer transactions such as international money transfers. Where the Group provides multiple goods or services to a customer under the same contract, the Group allocates the transaction price of the contract to distinct performance obligations based on the relative stand-alone selling price of each performance obligation. Revenue is recognised as each performance obligation is satisfied.
- commissions represent fees from third parties where ANZ acts as an agent by arranging a third party (e.g. an insurance provider) to provide goods and services to a customer. In such cases, ANZ is not primarily responsible for providing the underlying good or service to the customer. If the Group collects funds on behalf of a third party when acting as an agent, the Group only recognises the net commission it retains as revenue. When the commission is variable based on factors outside the control of the Group (e.g. a trail commission), revenue is only recognised if it is highly probable that a significant reversal of the variable amount will not be required in future periods.
- funds management income represents fees earned from customers for providing financial advice and fees for asset management services and advice provided to investment funds. Revenue is recognised either at the point the financial advice is provided or over the period in which the asset management services are delivered. Performance fees associated with funds management activities are only recognised when it becomes highly probable the performance hurdle will be achieved.

Net Foreign Exchange Earnings and Other Financial Instruments Income

We recognise the following as net foreign exchange earnings and other financial instruments income:

- exchange rate differences arising on the settlement of monetary items and translation differences on monetary items translated at rates different to those at which they were initially recognised or included in a previous financial report;
- fair value movements (excluding realised and accrued interest) on derivatives that we use to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges;
- the ineffective portions of fair value hedges, cash flow hedges and net investment hedges;

2. OPERATING INCOME (continued)

RECOGNITION AND MEASUREMENT (continued)

- immediately upon sale or repayment of a hedged item, the unamortised fair value adjustments in items designated as fair value hedges and amounts accumulated in equity related to designated cash flow hedges;
- fair value movements on financial assets and financial liabilities designated at fair value through profit or loss or held for trading;
- amounts released from the fair value through other comprehensive income (FVOCI) reserve when a debt instrument classified as FVOCI is sold; and
- the gain or loss on derecognition of financial assets or liabilities measured at amortised cost.

Gain or Loss on Disposal of Non-Financial Assets

The gain or loss on the disposal of assets is the difference between the carrying value of the asset and the proceeds of disposal net of costs. This is recognised in other income in the year in which the significant risks and rewards from the asset transfer to the buyer.

NET INCOME FROM INSURANCE BUSINESS

We recognise:

- premiums received (net of reinsurance premiums paid) based on an assessment of the likely pattern in which risk will emerge over the term of the policies written. This assessment is undertaken periodically and updated in accordance with the latest pattern of risk emergence; and
- claims incurred net of reinsurance, on an accruals basis once the liability to the policy owner has been established under the terms of the contract and through actuarial assumptions of future claims.

SHARE OF ASSOCIATES' PROFIT

The equity method is applied to accounting for associates. Under the equity method, the Group's share of the after tax results of associates is included in the Income Statement and the Statement of Comprehensive Income.

3. OPERATING EXPENSES

	2020 $m	2019[1] $m
Personnel		
Salaries and related costs	4,310	4,249
Superannuation costs	329	293
Other	239	223
Personnel[1]	4,878	4,765
Premises		
Rent	84	450
Depreciation	517	167
Other	188	178
Premises[2]	789	795
Technology		
Depreciation and amortisation[2,3]	858	694
Subscription licences and outsourced services	780	672
Other	186	168
Technology (excluding personnel)[1]	1,824	1,534
Restructuring	161	77
Other		
Advertising and public relations	177	226
Professional fees	667	537
Freight, stationery, postage and communication	205	216
Royal Commission legal costs	-	15
Other[4]	682	906
Other[1]	1,731	1,900
Operating expenses[1]	9,383	9,071

1. Includes customer remediation expenses of $209 million in 2020 (2019: $373 million).
2. Following the adoption of AASB 16 on 1 October 2019, with the exception of low value leases and leases of less than 12 months, expenses associated with leases are shown as depreciation of the right-of-use asset and interest expense associated with the lease liability (comparatives not restated).
3. During the 2020 financial year, the Group amended the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. As a result of these changes, the Group recognised accelerated amortisation of $197 million during the year. Refer to Note 20 Goodwill and Other Intangible Assets for further details.
4. Includes goodwill write-off of $77 million in the September 2020 financial year.

RECOGNITION AND MEASUREMENT

OPERATING EXPENSES

Operating expenses are recognised as services are provided to the Group, over the period in which an asset is consumed, or once a liability is created.

SALARIES AND RELATED COSTS - ANNUAL LEAVE, LONG SERVICE LEAVE AND OTHER EMPLOYEE BENEFITS

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Group expects to pay when the liabilities are settled.

We accrue employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date. The market yields are determined from a blended rate of high quality corporate bonds with terms to maturity that closely match the estimated future cash outflows.

If we expect to pay short term cash bonuses, then a liability is recognised when the Group has a present legal or constructive obligation to pay this amount (as a result of past service provided by the employee) and the obligation can be reliably measured.

3. OPERATING EXPENSES (continued)

RECOGNITION AND MEASUREMENT

Personnel expenses also include share-based payments which may be cash or equity settled. We calculate the fair value of equity settled remuneration at grant date, which is then amortised over the vesting period, with a corresponding increase in share capital or the share option reserve as applicable. When we estimate the fair value, we take into account market vesting conditions, such as share price performance conditions. We take non-market vesting conditions, such as service conditions, into account by adjusting the number of equity instruments included in the expense.

After the grant of an equity-based award, the amount we recognise as an expense is reversed when non-market vesting conditions are not met, for example an employee fails to satisfy the minimum service period specified in the award on resignation, termination or notice of dismissal for serious misconduct. However, we do not reverse the expense if the award does not vest due to the failure to meet a market-based performance condition.

Further information on share-based payment schemes operated by the Group during the current and prior year is included in Note 31 Employee Share and Option Plans.

4. INCOME TAX

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense recognised in profit or loss:

	2020 $m	2019 $m
Profit before income tax from continuing operations	5,516	8,920
Prima facie income tax expense at 30%	1,655	2,676
Tax effect of permanent differences:		
Gains or losses on sale from divestments	2	(25)
Impairment of investment in AmBank and PT Panin	245	-
Share of associates' profit	(47)	(78)
Interest on convertible instruments	52	63
Overseas tax rate differential	(86)	(112)
Provision for foreign tax on dividend repatriation	20	39
Other	25	63
Subtotal	1,866	2,626
Income tax (over)/under provided in previous years	(26)	(17)
Income tax expense	1,840	2,609
Current tax expense	2,637	2,779
Adjustments recognised in the current year in relation to the current tax of prior years	(26)	(17)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(771)	(153)
Income tax expense	1,840	2,609
Australia	1,115	1,682
Overseas	725	927
Effective tax rate	33.4%	29.2%

4. INCOME TAX (continued)

TAX CONSOLIDATION

The Company and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. We recognise each of the following in the separate financial statements of members of the tax consolidated group on a 'group allocation' basis: tax expense/income, and deferred tax liabilities/assets that arise from temporary differences of the members of the tax-consolidated group. The Company (as head entity in the tax-consolidated group) recognises current tax liabilities and assets of the tax-consolidated group.

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the Company and the other members of the tax-consolidated group.

Members of the tax-consolidated group have also entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities were the head entity to default on its income tax payment obligations.

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets related to unused realised tax losses (on revenue account) total $10 million (2019: $10 million).

Unrecognised deferred tax liabilities related to additional potential foreign tax costs (assuming all retained earnings in offshore branches and subsidiaries are repatriated) total $329 million (2019: $429 million).

RECOGNITION AND MEASUREMENT

INCOME TAX EXPENSE

Income tax expense comprises both current and deferred taxes and is based on the accounting profit adjusted for differences in the accounting and tax treatments of income and expenses (that is, taxable income). We recognise tax expense in profit or loss except when the tax relates to items recognised directly in equity and other comprehensive income, in which case we recognise the tax directly in equity or other comprehensive income respectively.

CURRENT TAX EXPENSE

Current tax is the tax we expect to pay on taxable income for the year, based on tax rates (and tax laws) which are enacted at the reporting date. We recognise current tax as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX ASSETS AND LIABILITIES

We account for deferred tax using the balance sheet method. Deferred tax arises because the accounting income is not always the same as the taxable income. This creates temporary differences, which usually reverse over time. Until they reverse, we recognise a deferred tax asset, or liability, on the balance sheet. We measure deferred taxes at the tax rates that we expect will apply to the period(s) when the asset is realised, or the liability settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

We offset current and deferred tax assets and liabilities only to the extent that:

- they relate to income taxes imposed by the same taxation authority;
- there is a legal right and intention to settle on a net basis; and
- it is allowed under the tax law of the relevant jurisdiction.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required in determining provisions held in respect of uncertain tax positions. The Group estimates its tax liabilities based on its understanding of the relevant law in each of the countries in which it operates and seeks independent advice where appropriate.

5. DIVIDENDS

ORDINARY SHARE DIVIDENDS

Dividends are provided for in the financial statements once determined, accordingly, the final dividend announced for the current financial year is provided for and paid in the following financial year.

Dividends	% of total	Amount per share	Total dividend $m
Financial Year 2019			
2018 final dividend paid[1,2]		80 cents	2,295
2019 interim dividend paid[1,2]		80 cents	2,267
Bonus option plan adjustment			(81)
Dividends paid during the year ended 30 September 2019			4,481
Cash	90.4%		4,049
Dividend reinvestment plan	9.6%		432
Dividends paid during the year ended 30 September 2019			4,481
Financial Year 2020			
2019 final dividend paid[2,3]		80 cents	2,268
2020 interim dividend paid[1,2]		25 cents	709
Bonus option plan adjustment			(55)
Dividends paid during the year ended 30 September 2020			2,922
Cash	93.7%		2,737
Dividend reinvestment plan	6.3%		185
Dividends paid during the year ended 30 September 2020			2,922

Dividends announced and to be paid after year-end	Payment date	Amount per share	Total dividend $m
2020 final dividend (fully franked for Australian tax, New Zealand imputation credit NZD 4 cents per share)	16 December 2020	35 cents	994

1. Fully franked for Australian tax purposes (30% tax rate).
2. Carries New Zealand imputation credits of NZD 3 cents for the 2020 interim dividend, NZD 9 cents for the 2019 final dividend, 2019 interim dividend and 2018 final dividend.
3. Partially franked at 70% for Australian tax purposes (30% tax rate).

DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Eligible shareholders can elect to reinvest their dividend entitlement into ANZ ordinary shares under the Company's Dividend Reinvestment Plan (DRP). Eligible shareholders can elect to forgo their dividend entitlement and instead receive ANZ ordinary shares under the Company's Bonus Option Plan (BOP). For the 2020 final dividend, DRP and BOP participation will be satisfied by an issue of new ANZ ordinary shares. There will be no discount applied to the DRP and BOP price.

See Note 22 Shareholders' Equity for details of shares the Company issued or purchased in respect of the DRP and BOP.

DIVIDEND FRANKING ACCOUNT

	Currency	2020 $m	2019 $m
Australian franking credits available at 30% tax rate	AUD	477	35
New Zealand imputation credits available (which can be attached to our Australian dividends but may only be used by New Zealand resident shareholders)	NZD	4,583	4,068

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the financial year; and
- franking credits/debits from the receipt/payment of dividends that have been recognised as tax receivables/payables as at the end of the financial year.

The proposed final 2020 dividend will utilise $426 million of the franking credits available at 30 September 2020.

5. DIVIDENDS (continued)

RESTRICTIONS ON THE PAYMENT OF DIVIDENDS

APRA's written approval is required before paying dividends on ANZ ordinary shares:

- if the aggregate dividends exceed the Company's after tax earnings (in calculating those after tax earnings, we take into account any payments we made on senior capital instruments) in the financial year to which they relate; or
- if the Group's Common Equity Tier 1 capital ratio falls within capital range buffers specified by APRA.

If the Company fails to pay a dividend or distribution on its ANZ Capital Notes or ANZ Capital Securities on the scheduled payment date, it may (subject to a number of exceptions) be restricted from resolving to pay or paying any dividend on the ANZ ordinary shares.

In July 2020, APRA provided an update to their guidance on capital management. In the updated guidance, APRA acknowledged that the uncertainty in the economic outlook has reduced somewhat since April 2020 and APRA had the opportunity to review ADIs' financial projections and stress testing results. Taking these and other developments since April 2020 into account, APRA advised ADIs to maintain caution in planning capital distributions, including dividend payments and that for the remainder of the calendar year, the ADIs' Board should:

- seek to retain at least half of their earnings when making decisions on capital distributions (and utilise dividend reinvestment plans and other initiatives to offset the diminution in capital from capital distributions where possible);
- conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity; and
- make use of capital buffers to absorb the impacts of stress, and continue to lend to support households and businesses.

The Company's 2020 interim dividend of 25 cents per share (paid to shareholders on 30 September 2020) and 2020 final dividend of 35 cents per share took into account the updated regulatory guidance above.

6. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share (EPS) - Basic	2020 cents	2019 cents
Earnings Per Share	126.4	210.0
Earnings Per Share from continuing operations[1]	129.8	222.1
Earnings Per Share from discontinued operations	(3.4)	(12.1)

Earnings per ordinary share (EPS) - Diluted	2020 cents	2019 cents
Earnings Per Share	118.0	201.9
Earnings Per Share from continuing operations[1]	121.1	213.0
Earnings Per Share from discontinued operations	(3.1)	(11.1)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (after eliminating ANZ shares held within the Group known as treasury shares). Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares used in the basic EPS calculation for the effect of dilutive potential ordinary shares.

Reconciliation of earnings used in earnings per share calculations	2020 $m	2019 $m
Basic:		
Profit for the year	3,578	5,968
Less: Profit attributable to non-controlling interests	1	15
Earnings used in calculating basic earnings per share	3,577	5,953
Less: Profit/(Loss) after tax from discontinued operations	(98)	(343)
Earnings used in calculating basic earnings per share from continuing operations	3,675	6,296
Diluted:		
Earnings used in calculating basic earnings per share	3,577	5,953
Add: Interest on convertible subordinated debt	201	268
Earnings used in calculating diluted earnings per share	3,778	6,221
Less: Profit/(Loss) after tax from discontinued operations	(98)	(343)
Earnings used in calculating diluted earnings per share from continuing operations	3,876	6,564

Reconciliation of weighted average number of ordinary shares (WANOS) used in earnings per share calculations[1,2]	2020 millions	2019 millions
WANOS used in calculating basic earnings per share	2,830.9	2,834.9
Add: Weighted average dilutive potential ordinary shares		
Convertible subordinated debt	362.2	237.9
Share based payments (options, rights and deferred shares)	8.0	8.8
WANOS used in calculating diluted earnings per share	3,201.1	3,081.6

1. The successor fund transfer performed in preparation for the sale of the Group's wealth businesses to Zurich and IOOF was completed on 13 April 2019. Post this date, treasury shares held in Wealth Australia discontinued operations ceased to be eliminated in the Group's consolidated financial statements and are included in the denominator used in calculating earnings per share. If the weighted average number of treasury shares held in Wealth Australia discontinued operations was included in the denominator used in calculating earnings per share from continuing operations in the comparative period, basic earnings per share from continuing operations for the comparative period would have been 221.4 cents and diluted earnings per share from continuing operations for the comparative period would have been 212.4 cents.
2. Weighted average number of ordinary shares excludes the weighted average number of treasury shares held in ANZEST of 5.0 million (2019: 4.7 million) and Wealth Australia discontinued operations of 8.2 million in 2019.

7. SEGMENT REPORTING

DESCRIPTION OF SEGMENTS

The Group's five continuing operating segments are presented on a basis that is consistent with the information provided internally to the Chief Executive Officer, who is the chief operating decision maker. This reflects the way the Group's businesses are managed, rather than the legal structure of the Group.

We measure the performance of these segments on a cash profit basis. To calculate cash profit, we remove certain non-core items from statutory profit. Details of these items are included in the "Other Items" section of this note. Transactions between business units across segments within ANZ are conducted on an arm's-length basis and disclosed as part of the income and expenses of these segments.

The reportable segments are divisions engaged in providing either different products or services or similar products and services in different geographical areas. They are as follows:

Australia Retail and Commercial

The Australia Retail and Commercial division comprises:

- **Retail** provides products and services to consumer customers in Australia via the branch network, mortgage specialists, contact centres, a variety of self-service channels (internet banking, phone banking, ATMs, website, ANZ share investing and digital banking) and third party brokers in addition to financial planning services provided by salaried financial planners.
- **Commercial** provides a full range of banking products and financial services including asset financing across the following customer segments: medium to large commercial customers and agribusiness customers across regional Australia, small business owners and high net worth individuals and family groups.

Institutional

The Institutional division services governments, global institutional and corporate customers across three product sets: Transaction Banking, Corporate Finance and Markets.

- **Transaction Banking** provides working capital and liquidity solutions including documentary trade, supply chain financing, commodity financing as well as cash management solutions, deposits, payments and clearing.
- **Corporate Finance (previously Loans and Specialised Finance)** provides loan products, loan syndication, specialised loan structuring and execution, project and export finance, debt structuring and acquisition finance and corporate advisory.
- **Markets** provide risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets in addition to managing the Group's interest rate exposure and liquidity position.

New Zealand

The New Zealand division comprises:

- **Retail** provides a full range of banking and wealth management services to consumer, private banking and small business banking customers. We deliver our services via our internet and app-based digital solutions and a network of branches, mortgage specialists, relationship managers and contact centres.
- **Commercial** provides a full range of banking services including traditional relationship banking and sophisticated financial solutions through dedicated managers focusing on privately owned medium to large enterprises, the agricultural business segment, government and government-related entities.

Pacific

The Pacific division provides products and services to retail customers, small to medium-sized enterprises, institutional customers and governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

Technology, Services & Operations (TSO) and Group Centre

TSO and Group Centre provide support to the operating divisions, including technology, group operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Centre includes residual components of Group divestments, Group Treasury, Shareholder Functions and minority investments in Asia.

Refer to Note 29 for further details on Discontinued Operations.

OPERATING SEGMENTS

There have been no methodology or structural changes during the year which have impacted the presentation of the Group's operating segments in the 2020 financial year. As such, the presentation of the divisional results remains consistent with the prior period.

7. SEGMENT REPORTING (continued)

OPERATING SEGMENTS (continued)

Year ended 30 September 2020	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	7,916	3,182	2,731	109	111	-	14,049
Net fee and commission income							
- Lending fees	267	288	14	10	-	-	579
- Non-lending fees	1,310	776	586	29	(14)	-	2,687
- Commissions	67	-	54	-	-	-	121
- Funds management income	30	2	243	-	-	-	275
- Fee and commission expense	(588)	(308)	(436)	(5)	-	-	(1,337)
Net income from insurance business	77	-	-	-	1	-	78
Other income	(1)	1,891	12	50	(807)	(115)	1,030
Share of associates' profit	(1)	-	-	-	156	-	155
Other operating income	1,161	2,649	473	84	(664)	(115)	3,588
Operating income	9,077	5,831	3,204	193	(553)	(115)	17,637
Operating expenses	(4,091)	(2,558)	(1,435)	(205)	(1,094)	-	(9,383)
Profit before credit impairment and income tax	4,986	3,273	1,769	(12)	(1,647)	(115)	8,254
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)
Profit before income tax	3,339	2,579	1,424	(64)	(1,647)	(115)	5,516
Income tax expense and non-controlling interests	(1,002)	(725)	(407)	2	259	32	(1,841)
Profit after tax from continuing operations	2,337	1,854	1,017	(62)	(1,388)	(83)	3,675
Profit/(Loss) after tax from discontinued operations							(98)
Profit after tax attributable to shareholders							3,577
Includes non-cash items:							
Share of associates' profit	(1)	-	-	-	156	-	155
Impairment of associates[2]	-	-	-	-	(815)	-	(815)
Depreciation and amortisation[3]	(197)	(188)	(103)	(11)	(892)	-	(1,391)
Equity-settled share based payment expenses	(7)	(70)	(7)	(1)	(25)	-	(110)
Credit impairment (charge)/release	(1,647)	(694)	(345)	(52)	-	-	(2,738)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill[4]	403	1,068	1,793	-	-	-	3,264
Investments in associates[2]	17	4	-	-	2,143	-	2,164

1. Cash profit represents ANZ's preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 136 if we consider them not integral to the ongoing performance of the segment.
2. During the 2020 financial year, ANZ recognised an $815 million impairment after tax in respect of two of the Group's equity accounted investments to adjust their carrying values in line with their value-in-use calculations. AMMB Holdings Berhad (AmBank) was impaired by $595 million and PT Bank Pan Indonesia (PT Panin) was impaired by $220 million. Refer to Note 26 Investments in Associates for further details.
3. During the 2020 financial year, the Group amended the application of its software amortisation policy to reflect the shorter useful life of software caused by rapidly changing technology and business requirements. As a result of these changes, the Group recognised accelerated amortisation of $197 million during the year (Australia Retail and Commercial $31 million, Institutional $38 million, New Zealand $2 million, TSO and Group Centre $126 million). Refer to Note 20 Goodwill and Other Intangible Assets for further details.
4. During the 2020 financial year, the Group wrote off $50 million of goodwill in the Pacific division and wrote off $27 million of goodwill in the New Zealand division winding up the Bonus Bonds business, a managed investment product in New Zealand. Refer to Note 20 Goodwill and Other Intangible Assets for further details.

7. SEGMENT REPORTING (continued)

OPERATING SEGMENT (continued)

Year ended 30 September 2019	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Other items[1] $m	Group Total $m
Net interest income	8,092	3,080	2,736	128	303	-	14,339
Net fee and commission income							
- Lending fees	290	282	16	14	-	-	602
- Non-lending fees	1,499	847	691	42	(20)	-	3,059
- Commissions	75	-	61	-	(12)	-	124
- Funds management income	14	2	243	-	(5)	-	254
- Fee and commission expense	(657)	(338)	(459)	(9)	1	-	(1,462)
Net income from insurance business	100	-	18	-	1	7	126
Other income	27	1,399	6	57	243	(251)	1,481
Share of associates' profit	(1)	-	4	-	259	-	262
Other operating income	1,347	2,192	580	104	467	(244)	4,446
Operating income	9,439	5,272	3,316	232	770	(244)	18,785
Operating expenses	(4,074)	(2,667)	(1,286)	(150)	(894)	-	(9,071)
Profit before credit impairment and income tax	5,365	2,605	2,030	82	(124)	(244)	9,714
Credit impairment (charge)/release	(712)	2	(87)	1	1	1	(794)
Profit before income tax	4,653	2,607	1,943	83	(123)	(243)	8,920
Income tax expense and non-controlling interests	(1,458)	(779)	(544)	(24)	112	69	(2,624)
Profit after tax from continuing operations	3,195	1,828	1,399	59	(11)	(174)	6,296
Profit/(Loss) after tax from discontinued operations							(343)
Profit after tax attributable to shareholders							5,953
Non-cash items							
Share of associates' profit	(1)	-	4	-	259	-	262
Depreciation and amortisation	(176)	(112)	(41)	(7)	(535)	-	(871)
Equity-settled share based payment expenses	(13)	(69)	(4)	(1)	(33)	-	(120)
Credit impairment (charge)/release	(712)	2	(87)	1	1	1	(794)

Financial position	Australia Retail and Commercial $m	Institutional $m	New Zealand $m	Pacific $m	TSO and Group Centre $m	Discontinued operations $m	Group Total $m
Goodwill	410	1,070	1,937	50	-	42	3,509
Investments in associates	17	2	-	-	2,938	-	2,957

1. Cash profit represents ANZ's preferred measure of the result of the segments. We remove certain items from the segments as discussed on page 136 if we consider them not integral to the ongoing performance of the segment.

7. SEGMENT REPORTING (continued)

OTHER ITEMS

The table below sets out the profit after tax impact of other items which are removed from statutory profit to reflect the cash profit of each segment.

		Profit after tax	
Item	Related segment	2020 $m	2019 $m
Revaluation of policy liabilities	New Zealand	-	(77)
Economic hedges	Institutional, New Zealand, TSO and Group Centre	(121)	(118)
Revenue and expense hedges	TSO and Group Centre	36	19
Structured credit intermediation trades	Institutional	2	2
Total from continuing operations		(83)	(174)

SEGMENT INCOME BY PRODUCTS AND SERVICES

The primary sources of our external income across all divisions are interest income and other operating income. The Australia Retail and Commercial, New Zealand, and Pacific divisions derive income from products and services from retail and commercial banking. The Institutional division derives its income from institutional products and market services. No single customer amounts to greater than 10% of the Group's income.

GEOGRAPHICAL INFORMATION

The following table sets out total operating income earned including discontinued operations and assets to be recovered in more than one year based on the geographical regions in which the Group operates.

The reportable segments operate across three geographical regions as follows:

- Australia Retail and Commercial division - Australia
- Institutional division – all three geographical regions
- New Zealand division – New Zealand
- Pacific division – International
- TSO and Group Centre division – all three geographical regions
- Discontinued operations – Australia

The International region includes Asia, Pacific, Europe and Americas.

	Australia		International		New Zealand		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Total operating income[1]	11,838	12,394	1,975	2,613	3,773	3,947	17,586	18,954
Assets to be recovered in more than one year[2]	362,846	386,062	27,632	48,545	100,377	105,642	490,855	540,249

1. Includes operating income earned from Discontinued operations of -$51 million (2019: $169 million).
2. Consists of investment securities measured at fair value through other comprehensive income and net loans and advances.

FINANCIAL ASSETS

Outlined below is a description of how we classify and measure financial assets relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial assets - general

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Financial assets are classified into these measurement classifications on the basis of two criteria:

- the business model within which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset (specifically whether the contractual cash flows represent solely payments of principal and interest).

The resultant financial asset classifications are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest and which are held in a business model whose objective is to collect their cash flows or to sell the assets; and
- FVTPL: Any other financial assets not falling into the categories above are measured at FVTPL.

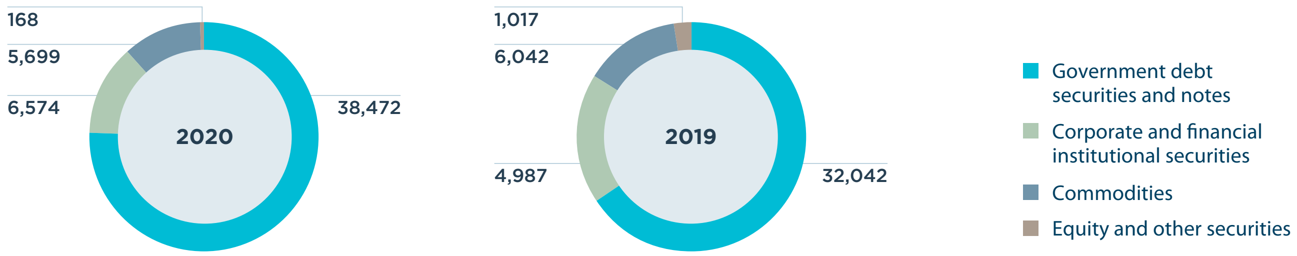
Fair value option for financial assets

A financial asset may be irrevocably designated at FVTPL on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

8. CASH AND CASH EQUIVALENTS

	2020 $m	2019 $m
Coins, notes and cash at bank	1,514	1,186
Money at call, bills receivable and remittances in transit	-	3
Securities purchased under agreements to resell in less than 3 months	35,603	25,277
Balances with central banks	46,091	25,681
Settlement balances owed to ANZ within 3 months	24,715	29,474
Cash and cash equivalents	107,923	81,621

9. TRADING SECURITIES



	2020 $m	2019 $m
Government debt securities and notes[1]	38,472	32,042
Corporate and financial institution securities[1]	6,574	4,987
Commodities	5,699	6,042
Equity and other securities[1]	168	1,017
Total	50,913	44,088
Less: Assets reclassified as held for sale (refer to Note 29)	-	(919)
Total	50,913	43,169

1. In 2020, ANZ reclassified trading securities issued by development banks and supra-nationals from Corporate and financial institution securities and Equity and other securities to Government debt securities and notes. Comparative information has been restated accordingly, with $4,865 million reclassified as Government debt securities and notes made up of $4,653 million from Corporate and financial institution securities and $212 million from Equity and other securities.

RECOGNITION AND MEASUREMENT

Trading securities are financial instruments we either:

- acquire principally for the purpose of selling in the short-term; or
- hold as part of a portfolio we manage for short-term profit making.

We recognise purchases and sales of trading securities on trade date:

- initially, we measure them at fair value; and
- subsequently, we measure them in the balance sheet at their fair value with any change in fair value recognised in the profit and loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when applying the valuation techniques used to determine the fair value of trading securities not valued using quoted market prices. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Derivative financial instruments - held for trading	130,097	(130,227)	116,622	(116,778)
Derivative financial instruments - designated in hedging relationships	5,234	(4,484)	4,045	(4,173)
Derivative financial instruments	135,331	(134,711)	120,667	(120,951)

FEATURES

Derivative financial instruments are contracts:

- whose value is derived from an underlying price index (or other variable) defined in the contract - sometimes the value is derived from more than one variable;
- that require little or no initial net investment; and
- that are settled at a future date.

Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative.

PURPOSE

The Group's derivative financial instruments have been categorised as following:

Trading	Derivatives held in order to: • meet customer needs for managing their own risks. • manage risks in the Group that are not in a designated hedge accounting relationship (balance sheet management). • undertake market making and positioning activities to generate profits from short-term fluctuations in prices or margins.
Designated in Hedging Relationships	Derivatives designated into hedge accounting relationships in order to minimise profit or loss volatility by matching movements to underlying positions relating to: • hedges of the Group's exposures to interest rate risk and currency risk. • hedges of other exposures relating to non-trading positions.

TYPES

The Group offers and uses four different types of derivative financial instruments:

Forwards	A contract documenting the rate of interest, or the currency exchange rate, to be paid or received on a notional principal amount at a future date.
Futures	An exchange traded contract in which the parties agree to buy or sell an asset in the future for a price agreed on the transaction date, with a net settlement in cash paid on the future date without physical delivery of the asset.
Swaps	A contract in which two parties exchange a series of cash flows for another.
Options	A contract in which the buyer of the contract has the right - but not the obligation - to buy (known as a "call option") or to sell (known as a "put option") an asset or instrument at a set price on a future date. The seller has the corresponding obligation to fulfil the transaction to sell or buy the asset or instrument if the buyer exercises the option.

RISKS MANAGED

The Group offers and uses the instruments described above to manage fluctuations in the following market factors:

Foreign Exchange	Currencies at current or determined rates of exchange.
Interest Rate	Fixed or variable interest rates applying to money lent, deposited or borrowed.
Commodity	Soft commodities (that is, agricultural products such as wheat, coffee, cocoa and sugar) and hard commodities (that is, mined products such as gold, oil and gas).
Credit	Counterparty risk in the event of default.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – HELD FOR TRADING

The majority of the Group's derivative financial instruments are held for trading. The fair values of derivative financial instruments held for trading are:

Fair Value	Assets 2020 $m	Liabilities 2020 $m	Assets 2019 $m	Liabilities 2019 $m
Interest rate contracts				
Forward rate agreements	86	(86)	74	(78)
Futures contracts	31	(128)	41	(109)
Swap agreements	104,814	(101,277)	82,996	(80,588)
Options purchased	1,676	-	1,454	-
Options sold	-	(2,609)	-	(2,317)
Total	106,607	(104,100)	84,565	(83,092)
Foreign exchange contracts				
Spot and forward contracts	11,815	(11,435)	15,987	(15,359)
Swap agreements	8,703	(12,334)	13,836	(16,235)
Options purchased	372	-	405	-
Options sold	-	(502)	-	(514)
Total	20,890	(24,271)	30,228	(32,108)
Commodity contracts	2,577	(1,834)	1,807	(1,553)
Credit default swaps				
Structured credit derivatives purchased	18	-	16	-
Other credit derivatives purchased	4	(3)	4	(3)
Credit derivatives purchased	22	(3)	20	(3)
Structured credit derivatives sold	-	(18)	-	(19)
Other credit derivatives sold	1	(1)	2	(3)
Credit derivatives sold	1	(19)	2	(22)
Total	23	(22)	22	(25)
Derivative financial instruments - held for trading	130,097	(130,227)	116,622	(116,778)

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

DERIVATIVE FINANCIAL INSTRUMENTS – DESIGNATED IN HEDGING RELATIONSHIPS

There are three types of hedge accounting relationships the Group utilises:

	Fair value hedge	Cash flow hedge	Net investment hedge
Objective of this hedging arrangement	To hedge our exposure to changes to the fair value of a recognised asset or liability or unrecognised firm commitment caused by interest rate or foreign currency movements.	To hedge our exposure to variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction caused by interest rate, foreign currency and other price movements.	To hedge our exposure to exchange rate differences arising from the translation of our foreign operations from their functional currency to Australian dollars.
Recognition of effective hedge portion	The following are recognised in profit or loss at the same time: • all changes in the fair value of the underlying item relating to the hedged risk; and • the change in the fair value of the derivatives.	We recognise the effective portion of changes in the fair value of derivatives designated as a cash flow hedge in the cash flow hedge reserve.	We recognise the effective portion of changes in the fair value of the hedging instrument in the foreign currency translation reserve (FCTR).
Recognition of ineffective hedge portion	Recognised immediately in Other operating income.		
If a hedging instrument expires, or is sold, terminated, or exercised; or no longer qualifies for hedge accounting	When we recognise the hedged item in profit or loss, we recognise the related unamortised fair value adjustment in profit or loss. This may occur over time if the hedged item is amortised to profit or loss as part of the effective yield over the period to maturity.	Only when we recognise the hedged item in profit or loss is the amount previously deferred in the cash flow hedge reserve transferred to profit or loss.	The amount we defer in the foreign currency translation reserve remains in equity and is transferred to profit or loss only when we dispose of, or partially dispose of, the foreign operation.
Hedged item sold or repaid	We recognise the unamortised fair value adjustment immediately in profit or loss.	Amounts accumulated in equity are transferred immediately to profit or loss.	The gain or loss, or applicable proportion, we have recognised in equity is transferred to profit or loss on disposal or partial disposal of a foreign operation.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Under the policy choice provided by AASB 9 *Financial Instruments*, the Group has continued to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement.*

The fair value of derivative financial instruments designated in hedging relationships are:

	2020			2019		
	Nominal amount $m	Assets $m	Liabilities $m	Nominal amount $m	Assets $m	Liabilities $m
Fair value hedges						
Foreign exchange swap agreements	-	-	-	21	1	-
Foreign exchange spot and forward contracts	558	-	(9)	581	-	(9)
Interest rate swap agreements	105,249	2,871	(3,532)	108,243	2,093	(3,155)
Interest rate futures contracts	9,380	-	(103)	3,139	-	(27)
Cash flow hedges						
Interest rate swap agreements	97,170	2,233	(769)	84,365	1,876	(832)
Foreign exchange swap agreements	2,943	63	(54)	2,934	75	(91)
Foreign exchange spot and forward contracts	153	-	-	159	-	(1)
Net investment hedges						
Foreign exchange spot and forward contracts	1,269	67	(17)	1,484	-	(58)
Derivative financial instruments - designated in hedging relationships	216,722	5,234	(4,484)	200,926	4,045	(4,173)

The maturity profile of the nominal amounts of our hedging instruments held at 30 September 2020 is:

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.47%	3,548	12,736	69,836	28,509	114,629
Foreign exchange	HKD/AUD FX Rate	5.59	558	-	-	-	558
Cash flow hedges							
Interest rate	Interest Rate	1.72%	9,062	30,364	55,549	2,195	97,170
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	38	613	1,157	1,288	3,096
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	20.29 21.63	591	678	-	-	1,269

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The maturity profile of the nominal amounts of our hedging instruments held at 30 September 2019 is:

Nominal Amount		Average Rate	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Fair value hedges							
Interest rate	Interest Rate	1.95%	3,195	18,407	63,873	25,907	111,382
Foreign exchange	HKD/AUD FX Rate	5.38	602	-	-	-	602
Cash flow hedges							
Interest rate	Interest Rate	2.15%	1,088	14,040	66,880	2,357	84,365
Foreign exchange[1]	AUD/USD FX Rate USD/EUR FX Rate	0.72 0.91	40	120	1,652	1,281	3,093
Net investment hedges							
Foreign exchange	TWD/AUD FX Rate THB/AUD FX Rate	21.41 21.77	474	1,010	-	-	1,484

1. Hedges of foreign exchange risk cover multiple currency pairs. The table reflects the larger currency pairs only.

The impact of ineffectiveness from our designated hedge relationships by type of hedge relationship and type of risk being hedged are:

	Ineffectiveness			
2020	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	372	(358)	14	-
Foreign exchange	23	(23)	-	-
Cash flow hedges[1]				
Interest rate	451	(449)	2	10
Foreign exchange	(15)	15	-	(2)
Net investment hedges[1]				
Foreign exchange	94	(94)	-	(15)

	Ineffectiveness			
2019	Change in value of hedging instrument $m	Change in value of hedged item $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve or FCTR to profit and loss $m
Fair value hedges[1]				
Interest rate	586	(582)	4	-
Foreign exchange	(36)	36	-	-
Cash flow hedges[1]				
Interest rate	836	(825)	11	14
Foreign exchange	20	(20)	-	2
Net investment hedges[1]				
Foreign exchange	(144)	144	-	-

1. All hedging instruments are held within Derivative Financial Instruments.

Hedge ineffectiveness recognised is classified within Other operating income. Reclassification adjustments to the Statement of Comprehensive Income are recognised within Net interest income and Other operating income.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Group's fair value hedges as at 30 September 2020 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	7,375	-	52	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(61,355)	-	(2,518)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	55,233	-	2,256	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	558	-	29	-
Total			63,166	(61,355)	2,337	(2,518)

Hedged items in relation to the Group's fair value hedges for 30 September 2019 are as follows:

	Balance sheet presentation	Hedged risk	Carrying amount Assets $m	Carrying amount Liabilities $m	Accumulated fair value hedge adjustments on the hedged item Assets $m	Accumulated fair value hedge adjustments on the hedged item Liabilities $m
Fixed rate loans and advances	Net loans and advances	Interest rate	2,281	-	17	-
Fixed rate debt issuance	Debt issuances	Interest rate	-	(67,555)	-	(1,749)
Fixed rate investment securities (FVOCI)[1]	Investment securities	Interest rate	47,641	-	1,907	-
Equity securities at FVOCI[1]	Investment securities	Foreign exchange	581	-	52	-
Total			50,503	(67,555)	1,976	(1,749)

1. The carrying amount of debt and equity instruments at fair value through other comprehensive income does not include the fair value hedge adjustment since accounting for the hedge relationship results in the transfer of the hedge adjustment out of other comprehensive income into the Income Statement to match the profit or loss on the hedging instrument.

The cumulative amount of fair value hedge adjustments relating to ceased hedge relationships remaining on the Balance Sheet is $nil (2019: $8 million).

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedged items in relation to the Group's cash flow and net investment hedges as at 30 September 2020 are as follows:

		Cash flow hedge reserve		Foreign currency translation reserve	
	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash flow hedges					
Floating rate loans and advances	Interest rate	2,013	38	-	-
Floating rate customer deposits	Interest rate	(562)	(18)	-	-
Foreign currency debt issuance	Foreign exchange	(2)	-	-	-
Foreign currency investment securities	Foreign exchange	10	-	-	-
Highly probable forecast transactions	Foreign exchange	(1)	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(80)	(149)

Hedged items in relation to the Group's cash flow and net investment hedges as at 30 September 2019 are as follows:

		Cash flow hedge reserve		Foreign currency translation reserve	
	Hedged risk	Continuing hedges $m	Discontinued hedges $m	Continuing hedges $m	Discontinued hedges $m
Cash flow hedges					
Floating rate loans and advances	Interest rate	1,587	41	-	-
Floating rate customer deposits	Interest rate	(577)	(32)	-	-
Foreign currency debt issuance	Foreign exchange	14		-	-
Foreign currency investment securities	Foreign exchange	6	-	-	-
Highly probable forecast transactions	Foreign exchange	3	-	-	-
Net investment hedges					
Foreign operations	Foreign exchange	-	-	(159)	(149)

The table below details the reconciliation of the cash flow hedge reserve by risk type:

	Interest rate $m	Foreign currency $m	Total $m
Balance at 1 October 2018	128	(1)	127
Fair value gains	825	20	845
Transferred to income statement	14	2	16
Income taxes and others	(251)	(6)	(257)
Balance at 30 September 2019	716	15	731
Fair value gains	449	(15)	434
Transferred to income statement	10	(2)	8
Income taxes and others	(141)	6	(135)
Balance at 30 September 2020	1,034	4	1,038

Hedges from net investments in a foreign operation resulted in a $94 million increase in FCTR during the year (2019: -$144 million). Of that, $15 million (2019: nil) was reclassified from FCTR to the income statement during the year.

10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

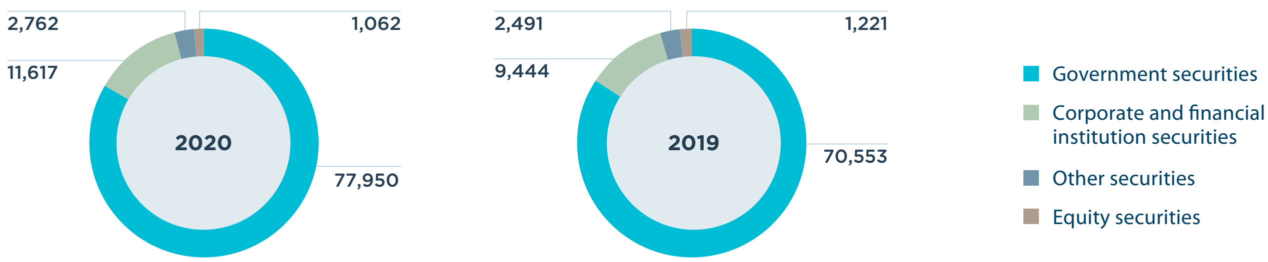
RECOGNITION AND MEASUREMENT

Recognition	Initially and at each reporting date, we recognise all derivatives at fair value. If the fair value of a derivative is positive, then we carry it as an asset, but if its value is negative, then we carry it as a liability. Valuation adjustments are integral in determining the fair value of derivatives. This includes: • a credit valuation adjustment (CVA) to reflect the counterparty risk and/or event of default; and • a funding valuation adjustment (FVA) to account for funding costs and benefits in the derivatives portfolio.
Derecognition of assets and liabilities	We remove derivative assets from our balance sheet when the contracts expire or we have transferred substantially all the risks and rewards of ownership. We remove derivative liabilities from our balance sheet when the Group's contractual obligations are discharged, cancelled or expired.
Impact on the Income Statement	How we recognise gains or losses on derivative financial instruments depends on whether the derivative is held for trading or is designated in a hedging relationship. For derivative financial instruments held for trading, gains or losses from changes in the fair value are recognised in profit or loss. For an instrument designated in a hedging relationship, the recognition of gains or losses depends on the nature of the item being hedged. Refer to the previous table on page 141 for profit or loss treatment depending on the hedge type. Sources of hedge ineffectiveness may arise from basis risk and differences in discounting between the hedged items and the hedging instruments. The hedging instruments are discounted using Overnight Index Swaps discount curves which are not applied to the hedged items.
Hedge effectiveness	To qualify for hedge accounting, a hedge is expected to be highly effective. A hedge is highly effective only if the following conditions are met: • the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated (prospective effectiveness); and • the actual results of the hedge are within the range of 80-125% (retrospective effectiveness). The Group monitors hedge effectiveness on a regular basis but at a minimum at least at each reporting date.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select the valuation techniques used to determine the fair value of derivatives, particularly the selection of valuation inputs that are not readily observable, and the application of valuation adjustments to certain derivatives. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

11. INVESTMENT SECURITIES



	2020 $m	2019 $m
Investment securities measured at fair value through other comprehensive income		
Debt securities	85,460	76,489
Equity securities	1,062	1,221
Investment securities measured at amortised cost		
Debt securities[1]	6,816	5,999
Investment Securities measured at fair value through profit or loss		
Debt securities	53	-
Total	93,391	83,709

2020 Investment securities	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	No maturity $m	Total $m
Government securities[2]	7,175	14,436	37,656	18,683	-	77,950
Corporate and financial institution securities[2]	701	2,698	8,128	90	-	11,617
Other securities[2]	-	-	532	2,230	-	2,762
Equity securities	-	-	-	-	1,062	1,062
Total	7,876	17,134	46,316	21,003	1,062	93,391
2019 Investment securities						
Government securities[2]	7,617	15,731	34,236	12,969	-	70,553
Corporate and financial institution securities[2]	431	1,653	7,339	21	-	9,444
Other securities[2]	-	-	773	1,718	-	2,491
Equity securities	-	-	-	-	1,221	1,221
Total	8,048	17,384	42,348	14,708	1,221	83,709

1. Includes allowance for expected credit losses of $20 million (2019: $13 million).
2. In 2020, ANZ reclassified investment securities issued by development banks and supra-nationals from Corporate and financial institution securities to Government securities. Comparative information has been restated accordingly, with $10,894 million reclassified as Government securities from Corporate and financial institution securities. In addition, ANZ reclassified certain investment securities from Government securities to Other securities and comparative information was restated with $577 million reclassified.

11. INVESTMENT SECURITIES (continued)

During the year, the Group recognised a net gain (before tax) in Other operating income from the recycling of gains/losses previously deferred in equity of $23 million (2019: $240 million) in respect of investment securities.

The carrying value of equity securities at FVOCI is $1,062 million (2019: $1,221 million). This includes the Group's $934 million (2019: $1,106 million) investment in the Bank of Tianjin (BoT).

RECOGNITION AND MEASUREMENT

Investment securities are those financial assets in security form (that is, transferable debt or equity instruments) that are not held for trading purposes. By way of exception, bills of exchange (a form of security/transferable instrument) which are used to facilitate the Group's customer lending activities are classified as Loans and advances (rather than Investment securities) to better reflect the substance of the arrangement.

Non-traded equity investments may be designated at FVOCI on an instrument by instrument basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

Assets disclosed as Investment securities are subject to the general classification and measurement policy for Financial Assets outlined at the commencement of the Group's financial asset disclosures on page 137. Additionally, expected credit losses associated with "Investment securities - debt securities at amortised cost" and "Investment securities - debt securities at fair value through other comprehensive income" are recognised and measured in accordance with the accounting policy outlined in Note 13. For "Investment securities – debt securities at fair value through other comprehensive income" the allowance for Expected Credit Loss (ECL) is recognised in the FVOCI reserve in equity with a corresponding charge to profit or loss.

KEY JUDGEMENTS AND ESTIMATES

Judgement is required when we select valuation techniques used to determine the fair value of assets not valued using quoted market prices, particularly the selection of valuation inputs that are not readily observable. Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

12. NET LOANS AND ADVANCES

The following table provides details of net loans and advances for the Group:

	2020 $m	2019 $m
Overdrafts	5,214	7,267
Credit cards	7,194	9,241
Commercial bills	6,383	6,159
Term loans – housing	358,350	343,808
Term loans – non-housing	241,725	248,337
Other	2,406	3,483
Subtotal	621,272	618,295
Unearned income	(66)	(398)
Capitalised brokerage/mortgage origination fees	868	870
Gross loans and advances	622,074	618,767
Allowance for expected credit losses (refer to Note 13)	(4,981)	(3,509)
Net loans and advances	617,093	615,258
Residual contractual maturity:		
Within one year	126,238	133,273
More than one year	490,855	481,985
Net loans and advances	617,093	615,258
Carried on Balance Sheet at:		
Amortised cost	613,155	614,336
Fair value through profit or loss[1]	3,938	922
Net loans and advances	617,093	615,258

1. From 1 October 2019, the Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through the profit and loss.

RECOGNITION AND MEASUREMENT

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance, which are primarily brokerage/mortgage origination fees which we amortise over the estimated life of the loan. Subsequently, we then measure loans and advances at amortised cost using the effective interest rate method, net of any provision for credit impairment, or at fair value when they are specifically designated on initial recognition as fair value through profit or loss or when held for trading.

We classify contracts to lease assets and hire purchase agreements as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party. We include these facilities in 'Other' in the table above.

The Group enters into transactions in which it transfers financial assets that are recognised on its balance sheet. When the Group retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's balance sheet, however if substantially all the risks and rewards are transferred, the Group derecognises the asset.

If the risks and rewards are partially retained and control over the asset is lost, the Group derecognises the asset. If control over the asset is not lost, the Group continues to recognise the asset to the extent of its continuing involvement.

We separately recognise the rights and obligations retained, or created, in the transfer of assets and liabilities as appropriate.

Assets disclosed as net loans and advances are subject to the general classification and measurement policy for financial assets outlined on page 137. Additionally, expected credit losses associated with loans and advances at amortised cost are recognised and measured in accordance with the accounting policy outlined in Note 13.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The following tables present the movement in the allowance for ECL (2019 includes allowance for ECL reclassified as held for sale) for the year. The total allowance for ECL at 30 September 2020 was $5,899 million (30 September 2019: $4,190 million).

Net loans and advances - at amortised cost

Allowance for ECL is included in Net loans and advances.

			Stage 3[1]		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	920	1,391	359	894	3,564
Transfer between stages	166	(308)	(91)	233	-
New and increased provisions (net of releases)	(168)	291	147	1,139	1,409
Write-backs	-	-	-	(382)	(382)
Bad debts written off (excluding recoveries)	-	-	-	(1,076)	(1,076)
Foreign currency translation and other movements[2]	9	4	(2)	(17)	(6)
As at 30 September 2019	927	1,378	413	791	3,509
Transfer between stages	200	(308)	(112)	220	-
New and increased provisions (net of releases)	110	1,428	162	1,324	3,024
Write-backs	-	-	-	(321)	(321)
Bad debts written off (excluding recoveries)	-	-	-	(1,109)	(1,109)
Foreign currency translation and other movements[2]	(33)	(33)	(2)	(54)	(122)
As at 30 September 2020	1,204	2,465	461	851	4,981

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements include the impacts of divestments completed during the year and the impact of discount unwind on individually assessed allowance for ECL.

Investment securities - debt securities at amortised cost

Allowance for ECL is included in Investment securities.

			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	9	2	-	-	11
New and increased provisions (net of releases)	2	(1)	-	-	1
Foreign currency translation	1	-	-	-	1
As at 30 September 2019	12	1	-	-	13
New and increased provisions (net of releases)	10	(1)	-	-	9
Foreign currency translation	(2)	-	-	-	(2)
As at 30 September 2020	20	-	-	-	20

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

Investment securities - debt securities at FVOCI

As FVOCI assets are measured at fair value, there is no separate allowance for ECL. Instead, the allowance for ECL is recognised in Other Comprehensive Income (OCI) with a corresponding charge to profit or loss.

			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	14	-	-	-	14
New and increased provisions (net of releases)	(2)	-	-	-	(2)
Foreign currency translation and other movements[1]	(4)	-	-	-	(4)
As at 30 September 2019	8	-	-	-	8
New and increased provisions (net of releases)	2	-	-	-	2
Foreign currency translation	-	-	-	-	-
As at 30 September 2020	10	-	-	-	10

1. Other movements includes the impacts of divestments completed in 2019.

Off-balance sheet commitments - undrawn and contingent facilities

Allowance for ECL is included in Other provisions.

			Stage 3[1]		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
As at 1 October 2018	474	166	15	26	681
Transfer between stages	27	(29)	-	2	-
New and increased provisions (net of releases)	(36)	12	6	-	(18)
Write-backs	-	-	-	(3)	(3)
Foreign currency translation and other movements[2]	8	2	-	(2)	8
As at 30 September 2019	473	151	21	23	668
Transfer between stages	18	(24)	(1)	7	-
New and increased provisions (net of releases)	115	115	3	24	257
Write-backs	-	-	-	(14)	(14)
Foreign currency translation and other movements[2]	(10)	(3)	-	-	(13)
As at 30 September 2020	596	239	23	40	898

1. The Group's credit exposures that are purchased or originated credit-impaired financial assets are insignificant.
2. Other movements includes the impacts of divestments completed during the year.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

CREDIT IMPAIRMENT CHARGE - INCOME STATEMENT

Credit impairment charge/(release) analysis

	2020 $m	2019 $m
New and increased provisions (net of releases)[1]		
- Collectively assessed	1,717	16
- Individually assessed	1,575	1,374
Write-backs	(335)	(385)
Recoveries of amounts previously written-off	(219)	(212)
Total credit impairment charge	2,738	793
Less: credit impairment charge/(release) from discontinued operations	-	(1)
Total credit impairment charge	2,738	794

1. Includes the impact of transfers between collectively assessed and individually assessed.

The contractual amount outstanding on financial assets that were written off during the period ended 30 September 2020 and that are still subject to enforcement activity is $340 million (2019: $212 million).

COVID-19 REPAYMENT DEFERRAL PACKAGES OFFERED TO CUSTOMERS[1]

Since March 2020, the Group has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

The loan repayment deferral package is considered to be a loan modification under AASB 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification). The table below shows the outstanding balance as at 30 September 2020 of all loans that have been modified (both substantial and non-substantial modifications):

Assistance package category	Total loan outstanding At 30 September 2020 $m
Loan deferral package	
Retail	29,822
Commercial and other	9,182
Interest only	
Retail	2,413
Commercial and other	527
Term extensions	
Retail	614
Commercial and other	90
Total[2]	42,648
Retail	32,849
Commercial and other	9,799
Total[2]	42,648

1. COVID-19 loan deferral packages are available to customers if either their loan repayments are less than 30 days past due, or if their repayments are less than 90 days past due but were up to date at 1 March 2020.
2. The gross carrying amount of loans at the date of modification that were considered non-substantial modifications and had loss allowances based on lifetime expected losses was $9,917 million. No gain or loss was recognised as a result of the modification and none of the loans have subsequently changed to a 12 month expected loss allowance.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

EXPECTED CREDIT LOSS IMPAIRMENT MODEL

The measurement of expected credit losses reflects an unbiased, probability weighted prediction which evaluates a range of scenarios and takes into account the time value of money, past events, current conditions and forecasts of future economic conditions.

Expected credit losses are either measured over 12 months or the expected lifetime of the financial asset, depending on credit deterioration since origination, according to the following three-stage approach:

- Stage 1: At the origination of a financial asset, and where there has not been a Significant Increase in Credit Risk (SICR) since origination, an allowance equivalent to 12 months ECL is recognised reflecting the expected credit losses resulting from default events that are possible within the next 12 months from the reporting date. For instruments with a remaining maturity of less than 12 months, expected credit losses are estimated based on default events that are possible over the remaining time to maturity.
- Stage 2: Where there has been a SICR since origination, an allowance equivalent to lifetime ECL is recognised reflecting expected credit losses resulting from all possible default events over the expected life of a financial instrument. If credit risk were to improve in a subsequent period such that the increase in credit risk since origination is no longer considered significant, the exposure returns to a Stage 1 classification and a 12 month ECL applies.
- Stage 3: Where there is objective evidence of impairment, an allowance equivalent to lifetime ECL is recognised.

Expected credit losses are estimated on a collective basis for exposures in Stage 1 and Stage 2, and on either a collective or individual basis when transferred to Stage 3.

MEASUREMENT OF EXPECTED CREDIT LOSS

ECL is calculated as the product of the following credit risk factors at a facility level, discounted to incorporate the time value of money:

- Probability of default (PD) - the estimate of the likelihood that a borrower will default over a given period;
- Exposure at default (EAD) - the expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest; and
- Loss given default (LGD) - the expected loss in the event of the borrower defaulting, expressed as a percentage of the facility's EAD, taking into account direct and indirect recovery costs.

These credit risk factors are adjusted for current and forward-looking information through the use of macro-economic variables.

EXPECTED LIFE

When estimating ECL for exposures in Stage 2 and 3, the Group considers the expected lifetime over which it is exposed to credit risk.

For non-retail portfolios, the Group uses the maximum contractual period as the expected lifetime for non-revolving credit facilities. For non-retail revolving credit facilities, such as corporate lines of credit, the expected life reflects the Group's contractual right to withdraw a facility as part of a contractually agreed annual review, after taking into account the applicable notice period.

For retail portfolios, the expected lifetime is determined using a behavioural term, taking into account expected prepayment behaviour and substantial modifications.

DEFINITION OF DEFAULT, CREDIT IMPAIRED AND WRITE-OFFS

The definition of default used in measuring expected credit losses is aligned to the definition used for internal credit risk management purposes across all portfolios. This definition is also in line with the regulatory definition of default. Default occurs when there are indicators that a debtor is unlikely to fully satisfy contractual credit obligations to the Group, or the exposure is 90 days past due.

Financial assets, including those that are well secured, are considered credit impaired for financial reporting purposes when they default.

When there is no realistic probability of recovery, loans are written off against the related impairment allowance on completion of the Group's internal processes and when all reasonably expected recoveries have been collected. In subsequent periods, any recoveries of amounts previously written-off are credited to credit impairment charge in the income statement.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT

MODIFIED FINANCIAL ASSETS

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

Stage 2 assets are those that have experienced a Significant Increase in Credit Risk (SICR) since origination. In determining what constitutes a SICR, the Group considers both qualitative and quantitative information:

i. Internal credit rating grade

For the majority of portfolios, the primary indicator of a SICR is a significant deterioration in the internal credit rating grade of a facility since origination and is measured by application of thresholds.

For non-retail portfolios, a SICR is determined by comparing the Customer Credit Rating (CCR) applicable to a facility at reporting date to the CCR at origination of that facility. A CCR is assigned to each borrower which reflects the probability of default of the borrower and incorporates both borrower and non-borrower specific information, including forward-looking information. CCRs are subject to review at least annually or more frequently when an event occurs which could affect the credit risk of the customer.

For retail portfolios, a SICR is determined, depending on the type of facility, by either comparing the scenario weighted lifetime probability of default at the reporting date to that at origination, or by reference to customer behavioural score thresholds. The scenario weighted lifetime probability of default may increase significantly if:

- there has been a deterioration in the economic outlook, or an increase in economic uncertainty; or
- there has been a deterioration in the customer's overall credit position, or ability to manage their credit obligations.

ii. Backstop criteria

The Group uses 30 days past due arrears as a backstop criteria for both non-retail and retail portfolios. For retail portfolios only, facilities are required to demonstrate three to six months of good payment behaviour prior to being allocated back to Stage 1.

iii. COVID-19 initiatives

For facilities subject to the COVID-19 repayment deferral arrangements noted above, an assessment of SICR has been determined based on various measures of the customer's current financial position and earnings capacity from which the facilities are categorised into risk categories. SICR is then determined based on the resulting risk categorisation. Customers in higher risk categories, and those who have requested a deferral extension are classified as having a SICR.

FORWARD-LOOKING INFORMATION

Forward-looking information is incorporated into both our assessment of whether a financial asset has experienced a Significant Increase in Credit Risk (SICR) since its initial recognition and in our estimate of ECL. In applying forward-looking information for estimating ECL, the Group considers four probability-weighted forecast economic scenarios as follows:

i. Base case scenario

The base case scenario is ANZ's view of the most likely future macro-economic conditions. It reflects management's assumptions used for strategic planning and budgeting, and also informs the Group Internal Capital Adequacy Assessment Process (ICAAP) which is the process the Group applies in strategic and capital planning over a 3-year time horizon;

ii. Upside and iii. Downside scenarios

The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic events and uncertainty over long term horizons; and

iv. Severe downside scenario

The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe impact of less likely extremely adverse economic conditions. It reflects macro-economic conditions of a downturn economic event with a probability of occurrence once every 25 years.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

RECOGNITION AND MEASUREMENT (continued)

FORWARD-LOOKING INFORMATION (continued)

The four scenarios are described in terms of macro-economic variables used in the PD, LGD and EAD models (collectively the ECL models) depending on the portfolio and country of the borrower. Examples of the variables include unemployment rates, GDP growth rates, house price indices, commercial property price indices and consumer price indices.

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario, as well as specific portfolio considerations where required. The Group Asset and Liability Committee (GALCO) is responsible for reviewing and approving the base case economic forecast scenario and the Credit and Market Risk Committee (CMRC) approves the probability weights applied to each scenario.

Where applicable, temporary adjustments may be made to account for situations where known or expected risks have not been adequately addressed in the modelling process. CMRC is responsible for approving such adjustments.

KEY JUDGEMENTS AND ESTIMATES

In estimating collectively assessed ECL, the Group makes judgements and assumptions in relation to:

- the selection of an estimation technique or modelling methodology, noting that the modelling of the Group's ECL estimates are complex; and
- the selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions in relation to the ECL model inputs and the interdependencies between those inputs, and highlights significant changes during the current period.

The judgements and associated assumptions have been made within the context of the impact of COVID-19, and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments and other authorities, and the responses of businesses and consumers in different industries, along with the associated impact on the global economy. Accordingly, the Group's ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses. Subsequent decreases in credit risk resulting in transition from Stage 2 to Stage 1 may similarly result in significant changes in the ECL allowance. The setting of precise trigger points requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.	In response to the impacts of COVID-19, various packages, such as repayment deferrals, have been offered to eligible retail and commercial customers in Australia and New Zealand. The Group does not consider that when a customer is first provided assistance, all other things being equal, that there has been a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. This additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those who have requested a deferral extension, have been classified as having a SICR.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in-time measures reflecting the relevant forward-looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.	The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the year ended 30 September 2020.
	In addition, judgement is required where behavioural characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.	There were no changes to behavioural lifetime estimates during the year ended 30 September 2020.
Base case economic forecast	The Group derives a forward-looking "base case" economic scenario which reflects ANZ's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year. As at 30 September 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 30 September 2020 are described below under the heading "Base case economic forecast assumptions".
Probability weighting of each economic scenario (base case, upside, downside and severe downside scenarios)[1,2]	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continuing impact of COVID-19. The Group considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside scenario given the Group's assessment of downside risks. The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

1. The upside and downside scenarios are fixed by reference to average economic cycle conditions (that is, they are not based on the economic conditions prevailing at balance date) and are based on a combination of more optimistic (in the case of the upside) and pessimistic (in the case of the downside) economic conditions.
2. The severe downside scenario is fixed by reference to average economic cycle conditions and accounts for the potentially severe downside impact of less likely extremely adverse economic conditions.

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

Judgement/Assumption	Description	Considerations for the year ended 30 September 2020
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that our existing inputs, assumptions and model techniques do not capture all the risk factors relevant to our lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into our current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised. The uncertainty associated with the COVID-19 pandemic, and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management have applied a number of adjustments to the modelled ECL primarily due to the uncertainty associated with COVID-19. Management overlays (including COVID-19 overlays) which add to the modelled ECL provision have been made for risks particular to small business and commercial banking in Australia, for retail, commercial and agri banking in New Zealand, and for tourism in the Pacific.

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the economic forecast resulting in an understatement or overstatement of the ECL balance due to uncertainties around:

- the extent and duration of measures to stop or reduce the speed of the spread of COVID-19;
- the extent and duration of the economic downturn, along with the time required for economies to recover; and
- the effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

The economic drivers of the base case economic forecasts at 30 September 2020 are set out below. These reflect ANZ's view of the most likely future macro-economic conditions at 30 September 2020. For years beyond the near term forecasts below, the ECL models project future year economic conditions including an assumption to eventual reversion to mid-cycle economic conditions.

	Forecast calendar year		
	2020	2021	2022
Australia			
GDP	-4.3%	1.6%	4.0%
Unemployment	7.3%	8.8%	7.7%
Residential property prices	-2.2%	-4.8%	2.0%
Consumer price index	0.8	1.2	1.3
New Zealand			
GDP	-5.6%	2.0%	5.6%
Unemployment	5.7%	9.1%	6.5%
Residential property prices	-0.3%	0.9%	4.1%
Consumer price index	1.6	1.0	1.2
Rest of world			
GDP	-4.5%	2.5%	2.5%
Consumer price index	1.0	1.8	2.0

13. ALLOWANCE FOR EXPECTED CREDIT LOSSES (continued)

KEY JUDGEMENTS AND ESTIMATES (continued)

The base case economic forecasts as at 30 September 2020 reflect a significant deterioration in current and expected economic conditions from the forecasts as at 30 September 2019 reflecting the emergence and ongoing impact of the COVID-19 pandemic.

Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

In addition to the base case economic forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside economic scenario given the Group's assessment of downside risks.

The assigned probability weightings in Australia, New Zealand and Rest of world are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Group's credit portfolios in determining them. The average weightings applied across the Group are set out below:

	2020	2019
Group		
Base	50.0%	50.0%
Upside	10.4%	15.7%
Downside	33.3%	29.3%
Severe Downside	6.3%	5.0%

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 30 September 2020:

	ECL $m	Impact $m
If 1% of Stage 1 facilities were included in Stage 2	5,069	61
If 1% of Stage 2 facilities were included in Stage 1	4,998	(10)
100% upside scenario	1,898	(3,110)
100% base scenario	4,011	(997)
100% downside scenario	5,144	136
100% severe downside scenario	6,315	1,307

FINANCIAL LIABILITIES

Outlined below is a description of how we classify and measure financial liabilities relevant to the subsequent note disclosures.

CLASSIFICATION AND MEASUREMENT

Financial liabilities

Financial liabilities are measured at amortised cost, or fair value through profit or loss (FVTPL) when they are held for trading. Additionally, financial liabilities can be designated at FVTPL where:

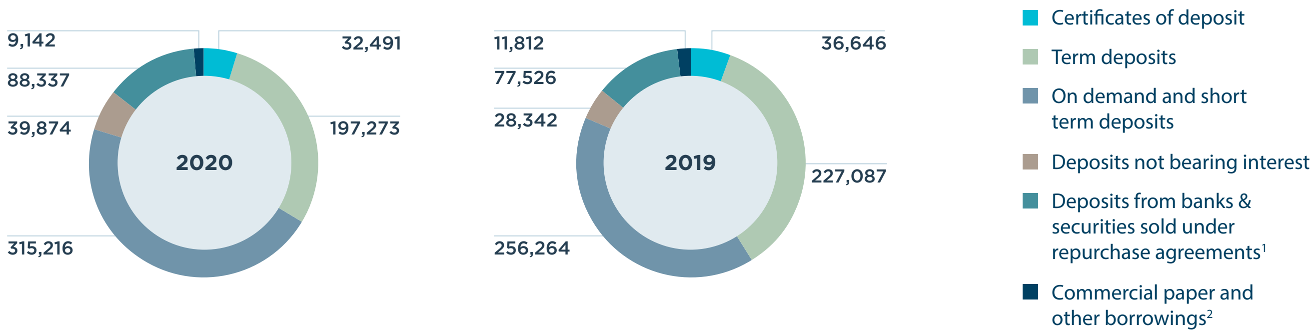
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;
- a group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- the financial liability contains one or more embedded derivatives unless:

  a) the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or

  b) the embedded derivative is closely related to the host financial liability.

Where financial liabilities are designated as measured at fair value, gains or losses relating to changes in the entity's own credit risk are included in other comprehensive income, except where doing so would create or enlarge an accounting mismatch in profit or loss.

14. DEPOSITS AND OTHER BORROWINGS



	2020 $m	2019 $m
Certificates of deposit	32,491	36,646
Term deposits	197,273	227,087
On demand and short term deposits	315,216	256,264
Deposits not bearing interest	39,874	28,342
Deposits from banks & securities sold under repurchase agreements[1]	88,337	77,526
Commercial paper and other borrowings[2]	9,142	11,812
Deposits and other borrowings	682,333	637,677
Residual contractual maturity:		
Within one year	665,151	630,373
More than one year	17,182	7,304
Deposits and other borrowings	682,333	637,677
Carried on Balance Sheet at:		
Amortised cost	679,255	635,376
Fair value through profit or loss (designated on initial recognition)[3]	3,078	2,301
Deposits and other borrowings	682,333	637,677

1. Includes $12 billion of funds drawn under the RBA's Term Funding Facility (TFF). TFF is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method. Refer to Note 16 Financial Risk Management for more details.
2. In 2019, Other borrowings related to secured investments issued by the consolidated subsidiary UDC Finance Limited (UDC) of NZD 0.1 billion, which were secured by a security interest over all the assets of UDC of NZD 3.5 billion. The Group divested of UDC during 2020.
3. From 1 October 2019, the Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through profit and loss.

RECOGNITION AND MEASUREMENT

For deposits and other borrowings that:

- are not designated at fair value through profit or loss on initial recognition, we measure them at amortised cost and recognise their interest expense using the effective interest rate method; and
- are managed on a fair value basis, reduce or eliminate an accounting mismatch or contain an embedded derivative, we designated them as measured at fair value through profit or loss.

Refer to Note 17 Fair Value of Financial Assets and Financial Liabilities for further details.

For deposits and other borrowings designated at fair value we recognise the amount of fair value gain or loss attributable to changes in the Group's own credit risk in other comprehensive income in retained earnings. Any remaining amount of fair value gain or loss we recognise directly in profit and loss. Once we have recognised an amount in other comprehensive income, we do not later reclassify it to profit and loss.

Securities sold under repurchase agreements represent a liability to repurchase the financial assets that remain on our balance sheet since the risks and rewards of ownership remain with the Group. Over the life of the repurchase agreement, we recognise the difference between the sale price and the repurchase price and charge it to interest expense in the profit and loss.

15. DEBT ISSUANCES

The Group uses a variety of funding programmes to issue senior debt (including covered bonds and securitisations) and subordinated debt. The difference between senior debt and subordinated debt is that holders of senior debt take priority over holders of subordinated debt owed by the relevant issuer. In the winding up of the relevant issuer, the subordinated debt will be repaid by the relevant issuer only after the repayment of claims of depositors, other creditors and the senior debt holders.

	2020 $m	2019 $m
Senior debt	80,835	89,737
Covered bonds	15,948	20,957
Securitisation	1,824	2,411
Total unsubordinated debt	98,607	113,105
Subordinated debt		
- Additional Tier 1 capital	8,196	8,171
- Tier 2 capital	12,865	8,415
Total subordinated debt	21,061	16,586
Total debt issued	119,668	129,691

TOTAL DEBT ISSUED BY CURRENCY

The table below shows the Group's issued debt by currency of issue, which broadly represents the debt holders' base location.

		2020 $m	2019 $m
USD	United States dollars	41,100	45,841
EUR	Euro	23,038	26,200
AUD	Australian dollars	43,697	39,273
NZD	New Zealand dollars	3,682	5,130
JPY	Japanese yen	2,131	3,312
CHF	Swiss francs	975	1,501
GBP	Pounds sterling	2,387	4,720
HKD	Hong Kong dollars	1,088	1,446
Other	Chinese yuan, Norwegian kroner, Singapore dollars, Indonesian rupiah and Canadian dollars	1,570	2,268
Total debt issued		119,668	129,691
Residual contractual maturity[1]:			
Within one year		25,688	20,803
More than one year		92,059	106,963
No maturity date (instruments in perpetuity)		1,921	1,925
Total debt issued		119,668	129,691

1. Based on the final maturity date or, in the case of Additional Tier 1 capital securities, the mandatory conversion date (if any).

SUBORDINATED DEBT

Subordinated debt qualifies as regulatory capital for the Group and is classified as either Additional Tier 1 (AT1) capital or Tier 2 capital for APRA's capital adequacy purposes depending on their terms and conditions:

- AT1 capital: perpetual capital instruments:
  - ANZ Capital Notes (ANZ CN);
  - ANZ Capital Securities (ANZ CS); and
  - ANZ NZ Capital Notes (ANZ NZ CN).
- Tier 2 capital: perpetual or term subordinated notes.

Tier 2 capital instruments rank ahead of AT1 capital instruments, and AT1 capital instruments only rank ahead of ordinary shares, in any liquidation event impacting the issuer of the instruments.

15. DEBT ISSUANCES (continued)

AT1 CAPITAL

All outstanding AT1 capital instruments are Basel III fully compliant instruments (refer to Note 23 Capital Management for further information about Basel III). Each of the ANZ CN and ANZ CS rank equally with each other.

Distributions on the AT1 capital instruments are non-cumulative and subject to the issuer's absolute discretion and certain payment conditions (including regulatory requirements). Distributions on ANZ CNs are franked in line with the franking applied to ANZ ordinary shares.

Where specified, the AT1 capital instruments provide the issuer with an early redemption or conversion option on a specified date and in certain other circumstances (such as a tax or regulatory event). This redemption option is subject to APRA's and, in respect of the ANZ NZ CN, the Reserve Bank of New Zealand's (RBNZ) prior written approval.

Each of the AT1 capital instruments will immediately convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number of ANZ ordinary shares) if:

- ANZ's or, in the case of the ANZ NZ CN, ANZ Bank New Zealand Limited's (ANZ NZ) Common Equity Tier 1 capital ratio is equal to or less than 5.125% - known as a Common Equity Capital Trigger Event; or
- APRA notifies the Company that, without the conversion or write-off of certain securities or a public sector injection of capital (or equivalent support), it considers that the Company would become non-viable or, in the case of the ANZ NZ CN, the RBNZ directs ANZ NZ to convert or write-off the notes or a statutory manager is appointed to ANZ NZ and decides that ANZ NZ must convert or write-off the notes – known as a Non-Viability Trigger Event.

Where specified, AT1 capital instruments mandatorily convert into a variable number of ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount):

- on a specified mandatory conversion date; or
- on an earlier date under certain circumstances as set out in the terms.

However the mandatory conversion is deferred for a specified period if certain conversion tests are not met.

The tables below show the key details of the Group's AT1 capital instruments on issue at 30 September in both the current and prior years:

			2020 $m	2019 $m
Additional Tier 1 capital (perpetual subordinated securities)[1]				
ANZ Capital Notes (ANZ CN)				
AUD	1,120m	ANZ CN1	**1,119**	1,118
AUD	1,610m	ANZ CN2	**1,608**	1,607
AUD	970m	ANZ CN3	**967**	966
AUD	1,622m	ANZ CN4	**1,614**	1,612
AUD	931m	ANZ CN5	**926**	925
ANZ Capital Securities (ANZ CS)				
USD	1,000m	ANZ Capital Securities	**1,499**	1,481
ANZ NZ Capital Notes (ANZ NZ CN)				
NZD	500m	ANZ NZ Capital Notes	**463**	462
Total Additional Tier 1 capital[2]			**8,196**	8,171

1. Carrying values net of issue costs.
2. This forms part of qualifying Additional Tier 1 capital (refer to Note 23 Capital Management).

15. DEBT ISSUANCES (continued)

ANZ Capital Notes (ANZ CN)

	CN1	CN2	CN3
Issuer	ANZ	ANZ	ANZ, acting through its New Zealand branch
Issue date	7 August 2013	31 March 2014	5 March 2015
Issue amount	$1,120 million	$1,610 million	$970 million
Face value	$100	$100	$100
Distribution frequency	Semi-annually in arrears	Semi-annually in arrears	Semi-annually in arrears
Distribution rate	Floating rate: (180 day Bank Bill rate +3.4%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.25%)x(1-Australian corporate tax rate)	Floating rate: (180 day Bank Bill rate +3.6%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	1 September 2021	24 March 2022	24 March 2023
Mandatory conversion date	1 September 2023	24 March 2024	24 March 2025
Common equity capital trigger event	Yes	Yes	Yes
Non-viability trigger event	Yes	Yes	Yes
Carrying value 2020 (net of issue costs)	$1,119 million (2019: $1,118 million)	$1,608 million (2019: $1,607 million)	$967 million (2019: $966 million)

	CN4	CN5
Issuer	ANZ	ANZ
Issue date	27 September 2016	28 September 2017
Issue amount	$1,622 million	$931 million
Face value	$100	$100
Distribution frequency	Quarterly in arrears	Quarterly in arrears
Distribution rate	Floating rate: (90 day Bank Bill rate +4.7%)x(1-Australian corporate tax rate)	Floating rate: (90 day Bank Bill rate +3.8%)x(1-Australian corporate tax rate)
Issuer's early redemption or conversion option	20 March 2024	20 March 2025
Mandatory conversion date	20 March 2026	20 March 2027
Common equity capital trigger event	Yes	Yes
Non-viability trigger event	Yes	Yes
Carrying value 2020 (net of issue costs)	$1,614 million (2019: $1,612 million)	$926 million (2019: $925 million)

15. DEBT ISSUANCES (continued)

ANZ Capital Securities (ANZ CS)

Issuer	ANZ, acting through its London branch
Issue date	15 June 2016
Issue amount	USD 1,000 million
Face value	Minimum denomination of USD 200,000 and an integral multiple of USD 1,000 above that
Interest frequency	Semi-annually in arrears
Interest rate	Fixed at 6.75% p.a. until 15 June 2026. Reset on 15 June 2026 and each 5 year anniversary to a floating rate: 5 year USD mid-market swap rate + 5.168%
Issuer's early redemption option	15 June 2026 and each 5 year anniversary
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value 2020 (net of issue costs)	$1,499 million (2019: $1,481 million)

ANZ NZ Capital Notes (ANZ NZ CN)

Issuer	ANZ Bank New Zealand Limited (ANZ NZ)
Issue date	31 March 2015
Issue amount	NZD 500 million
Face value	NZD 1
Interest frequency	Quarterly in arrears
Interest rate	Fixed at 7.2% p.a. until 25 May 2020. The rate reset in May 2020 to a floating rate: New Zealand 3 month bank bill rate + 3.5% Interest payments are subject to ANZ NZ's absolute discretion and certain payment conditions (including APRA and RBNZ requirements)
Issuer's early redemption option	The option was not exercised on 25 May 2020 and has expired[1]
Mandatory conversion date	25 May 2022
Common equity capital trigger event	Yes
Non-viability trigger event	Yes
Carrying value 2020 (net of issue costs)	$463 million (2019: $462 million)

1. The RBNZ has informed New Zealand-incorporated registered banks (including ANZ NZ) that they should not redeem capital instruments at this time. Accordingly, ANZ NZ was not permitted to redeem its NZ$500 million Capital Notes in May 2020, although it can continue making coupon payments on those Capital Notes. As ANZ NZ did not exercise its option to convert in May 2020, the terms of the Capital Notes provide for their conversion into a variable number of ANZBGL shares in May 2022 subject to certain conditions.

15. DEBT ISSUANCES (continued)

TIER 2 CAPITAL

The convertible term subordinated notes are Basel III fully compliant instruments. If a Non-Viability Trigger Event occurs, the convertible term subordinated notes will immediately convert into ANZ ordinary shares (based on the average market price of the shares immediately prior to conversion less a 1% discount, subject to a maximum conversion number).

APRA has granted transitional Basel III capital treatment for the USD 300 million perpetual subordinated notes until the end of the transitional period (December 2021).

The table below shows the Tier 2 capital subordinated notes the Group holds at 30 September in both the current and prior year:

Currency	Face value	Maturity	Next optional call date – subject to APRA's prior approval	Interest rate	Non-Viability Trigger Event	2020 $m	2019 $m
Basel III transitional subordinated notes (perpetual)							
USD	300m	Perpetual	Each semi-annual interest payment date	Floating	No	422	444
Total Basel III transitional subordinated notes						422	444
Basel III fully compliant convertible subordinated notes (term)							
USD	800m	2024	N/A	Fixed	Yes	1,225	1,250
CNY	2,500m	2025	2020	Fixed	Yes	-	519
SGD	500m	2027	2022	Fixed	Yes	529	544
AUD	200m	2027	2022	Fixed	Yes	200	200
JPY	20,000m	2026	N/A	Fixed	Yes	270	281
AUD	700m	2026	2021	Floating	Yes	700	700
USD	1,500m	2026	N/A	Fixed	Yes	2,253	2,229
JPY	10,000m	2026	2021	Fixed	Yes	133	137
JPY	10,000m	2028	2023	Fixed	Yes	133	137
AUD	225m	2032	2027	Fixed	Yes	225	224
AUD	1,750m	2029	2024	Floating	Yes	1,750	1,750
EUR	1,000m	2029	2024	Fixed	Yes	1,657	-
AUD	265m	2039	N/A	Fixed	Yes	265	-
USD	1,250m	2030	2025	Fixed	Yes	1,859	-
AUD	1,250m	2031	2026	Floating	Yes	1,244	-
Total Basel III fully compliant subordinated notes						12,443	7,971
Total Tier 2 capital[1,2]						12,865	8,415

1. Carrying value net of issuance costs.
2. This forms part of qualifying Tier 2 capital (refer to Note 23 Capital Management)

RECOGNITION AND MEASUREMENT

Debt issuances are measured at amortised cost, except where designated at fair value through profit or loss. Where the Group enters into a fair value hedge accounting relationship, the fair value attributable to the hedge risk is reflected in adjustments to the carrying value of the debt. Interest expense is recognised using the effective interest rate method.

Subordinated debt with capital-based conversion features (i.e. Common Equity Capital Trigger Events or Non-Viability Trigger Events) are considered to contain embedded derivatives that we account for separately at fair value through profit and loss. The embedded derivatives arise because the amount of shares issued on conversion following any of those trigger events is subject to the maximum conversion number, however they have no significant value as of the reporting date given the remote nature of those trigger events.

16. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK AND MODEL

INTRODUCTION

The use of financial instruments is fundamental to the Group's businesses of providing banking and other financial services to our customers. The associated financial risks (primarily credit, market, and liquidity risks) are a significant portion of the Group's key material risks.

We disclose details of all key material risks impacting the Group, and further information on the Group's risk management activities, in the Governance and Risk Management section.

This note details the Group's financial risk management policies, processes and quantitative disclosures in relation to the key financial risks.

Key material financial risks	Key sections applicable to this risk
Overview	• An overview of our Risk Management Framework
Credit risk The risk of financial loss resulting from: • a counterparty failing to fulfil its obligations; or • a decrease in credit quality of a counterparty resulting in a financial loss. Credit risk incorporates the risks associated with us lending to customers who could be impacted by climate change or by changes to laws, regulations, or other policies adopted by governments or regulatory authorities, including carbon pricing and climate change adaptation or mitigation policies.	• Credit risk overview, management and control responsibilities • Maximum exposure to credit risk • Credit quality • Concentrations of credit risk • Collateral management
Market risk The risk to the Group's earnings arising from: • changes in interest rates, foreign exchange rates, credit spreads, volatility and correlations; or • fluctuations in bond, commodity or equity prices.	• Market risk overview, management and control responsibilities • Measurement of market risk • Traded and non-traded market risk • Equity securities designated at FVOCI • Foreign currency risk – structural exposure
Liquidity and funding risk The risk that the Group is unable to meet payment obligations as they fall due, including: • repaying depositors or maturing wholesale debt; or • the Group having insufficient capacity to fund increases in assets.	• Liquidity risk overview, management and control responsibilities • Key areas of measurement for liquidity risk • Liquidity risk outcomes • Residual contractual maturity analysis of the Group's liabilities

16. FINANCIAL RISK MANAGEMENT (continued)

OVERVIEW

AN OVERVIEW OF OUR RISK MANAGEMENT FRAMEWORK

This overview is provided to aid the users of the financial statements to understand the context of the financial disclosures required under AASB 7 *Financial Instruments: Disclosures* (AASB 7). It should be read in conjunction with the Governance and Risk Management section.

The Board is responsible for establishing and overseeing the Group's Risk Management Framework (RMF). The Board has delegated authority to the Board Risk Committee (BRC) to develop and monitor compliance with the Group's risk management policies. The BRC reports regularly to the Board on its activities.

The Board approves the strategic objectives of the Group including:

- the Risk Appetite Statement (RAS), which sets out the Board's expectations regarding the degree of risk that ANZ is prepared to accept in pursuit of its strategic objectives and business plan; and
- the Risk Management Strategy (RMS), which describes ANZ's strategy for managing risks and the key elements of the RMF that gives effect to this strategy. This includes a description of each material risk, and an overview of how the RMF addresses each risk, with reference to the relevant policies, standards and procedures. It also includes information on how ANZ identifies, measures, evaluates, monitors, reports and controls or mitigates material risks.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and robust control environment in which all employees understand their roles and obligations. At ANZ, risk is everyone's responsibility.

The Group has an independent risk management function, headed by the Chief Risk Officer who:

- is responsible for overseeing the risk profile and the risk management framework;
- can effectively challenge activities and decisions that materially affect ANZ's risk profile; and
- has an independent reporting line to the BRC to enable the appropriate escalation of issues of concern.

The Internal Audit Function reports directly to the Board Audit Committee (BAC). Internal Audit provides:

- an independent evaluation of the Group's RMF annually that seeks to ensure compliance with, and the effectiveness of, the risk management framework;
- facilitation of a comprehensive review every three years that seeks to ensure the appropriateness, effectiveness and adequacy of the risk management framework; and
- recommendations to improve the framework and/or work practices to strengthen the effectiveness of day to day operations.

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK

CREDIT RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Granting credit facilities to customers is one of the Group's major sources of income. As this activity is also a principal risk, the Group dedicates considerable resources to its management. The Group assumes credit risk in a wide range of lending and other activities in diverse markets and in many jurisdictions. Credit risks arise from traditional lending to customers as well as from interbank, treasury, trade finance and capital markets activities around the world.

Our credit risk management framework ensures we apply a consistent approach across the Group when we measure, monitor and manage the credit risk appetite set by the Board. The Board is assisted and advised by the BRC in discharging its duty to oversee credit risk. The BRC:

- sets the credit risk appetite and credit strategies; and
- approves credit transactions beyond the discretion of executive management.

We quantify credit risk through an internal credit rating system (masterscales) to ensure consistency across exposure types and to provide a consistent framework for reporting and analysis. The system uses models and other tools to measure the following for customer exposures:

Probability of Default (PD)	Expressed by a Customer Credit Rating (CCR), reflecting the Group's assessment of a customer's ability to service and repay debt.
Exposure at Default (EAD)	The expected balance sheet exposure at default taking into account repayments of principal and interest, expected additional drawdowns and accrued interest at the time of default.
Loss Given Default (LGD)	Expressed by a Security Indicator (SI) ranging from A to G. The SI is calculated by reference to the percentage of loan covered by security which the Group can realise if a customer defaults. The A-G scale is supplemented by a range of other SIs which cover factors such as cash cover and sovereign backing. For retail and some small business lending, we group exposures into large homogenous pools – and the LGD is assigned at the pool level.

Our specialist credit risk teams develop and validate the Group's PD and LGD rating models. The outputs from these models drive our day-to-day credit risk management decisions including origination, pricing, approval levels, regulatory capital adequacy, economic capital allocation, and credit provisioning.

All customers with whom ANZ has a credit relationship are assigned a CCR at origination via either of the following assessment approaches:

Large and more complex lending	Retail and some small business lending
Rating models provide a consistent and structured assessment, with judgement required around the use of out-of-model factors. We handle credit approval on a dual approval basis, jointly with the business writer and an independent credit officer.	Automated assessment of credit applications using a combination of scoring (application and behavioural), policy rules and external credit reporting information. If the application does not meet the automated assessment criteria, then it is referred out for manual assessment.

We use the Group's internal CCRs to manage the credit quality of financial assets. To enable wider comparisons, the Group's CCRs are mapped to external rating agency scales as follows:

Credit Quality Description	Internal CCR	ANZ Customer Requirements	Moody's Rating	Standard & Poor's Rating
Strong	CCR 0+ to 4-	Demonstrated superior stability in their operating and financial performance over the long-term, and whose earnings capacity is not significantly vulnerable to foreseeable events.	Aaa – Baa3	AAA – BBB-
Satisfactory	CCR 5+ to 6-	Demonstrated sound operational and financial stability over the medium to long-term, even though some may be susceptible to cyclical trends or variability in earnings.	Ba1 – B1	BB+ – B+
Weak	CCR 7+ to 8=	Demonstrated some operational and financial instability, with variability and uncertainty in profitability and liquidity projected to continue over the short and possibly medium term.	B2 - Caa	B - CCC
Defaulted	CCR 8- to 10	When doubt arises as to the collectability of a credit facility, the financial instrument (or "the facility") is classified as defaulted.	N/A	N/A

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

MAXIMUM EXPOSURE TO CREDIT RISK

For financial assets recognised on the balance sheet, the maximum exposure to credit risk is the carrying amount. In certain circumstances there may be differences between the carrying amounts reported on the balance sheet and the amounts reported in the tables below. Principally, these differences arise in respect of financial assets that are subject to risks other than credit risk, such as equity instruments which are primarily subject to market risk, or bank notes and coins.

For undrawn facilities, this maximum exposure to credit risk is the full amount of the committed facilities. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon.

For the purpose of this note, assets presented as assets held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

The table below shows our maximum exposure to credit risk of on-balance sheet and off-balance sheet positions before taking account of any collateral held or other credit enhancements.

	Reported		Excluded[1]		Maximum exposure to credit risk	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
On-balance sheet positions						
Net loans and advances	617,093	615,258	-	-	617,093	615,258
Other financial assets:						
Cash and cash equivalents	107,923	81,621	1,514	1,186	106,409	80,435
Settlement balances owed to ANZ	7,541	3,739	7,541	3,739	-	-
Collateral paid	14,308	15,006	-	-	14,308	15,006
Trading securities	50,913	44,088	5,698	6,199	45,215	37,889
Derivative financial instruments	135,331	120,667	-	-	135,331	120,667
Investment securities						
- debt securities at amortised costs	6,816	5,999	-	-	6,816	5,999
- debt securities at FVOCI	85,460	76,489	-	-	85,460	76,489
- equity securities at FVOCI	1,062	1,221	1,062	1,221	-	-
- debt securities at FVTPL	53	-	-	-	53	-
Regulatory deposits	801	879	-	-	801	879
Other financial assets[2]	2,407	3,619	-	-	2,407	3,619
Total other financial assets	412,615	353,328	15,815	12,345	396,800	340,983
Subtotal	1,029,708	968,586	15,815	12,345	1,013,893	956,241
Off-balance sheet positions						
Undrawn and contingent facilities[3]	266,716	253,123	-	-	266,716	253,123
Total	1,296,424	1,221,709	15,815	12,345	1,280,609	1,209,364

1. Bank notes and coins and cash at bank within Cash and cash equivalents; Trade dated assets within Settlement balances owed to ANZ; Equity securities and precious metal exposures within Trading securities; Equity securities within Investment securities were excluded as they do not have credit risk exposure.
2. Other financial assets mainly comprise accrued interest and acceptances.
3. Undrawn and contingent facilities include guarantees, letters of credit and performance related contingencies, net of collectively assessed and individually assessed allowance for expected credit losses.

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CREDIT QUALITY

An analysis of the Group's credit risk exposure is presented in the following tables based on the Group's internal rating by stage without taking account of the effects of any collateral or other credit enhancements:

Net loans and advances

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	395,608	18,262	-	-	413,870
Satisfactory	133,558	37,577	-	-	171,135
Weak	8,461	16,850	-	-	25,311
Defaulted	-	-	4,762	2,256	7,018
Gross loans and advances at amortised cost	537,627	72,689	4,762	2,256	617,334
Allowance for ECL	(1,204)	(2,465)	(461)	(851)	(4,981)
Net loans and advances at amortised cost	536,423	70,224	4,301	1,405	612,353
Coverage ratio	0.22%	3.39%	9.68%	37.72%	0.81%
Loans and advances at fair value through profit or loss					3,938
Unearned income					(66)
Capitalised brokerage/mortgage origination fees					868
Net carrying amount					617,093

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	425,113	18,597	-	-	443,710
Satisfactory	121,030	28,445	-	-	149,475
Weak	7,138	10,373	-	-	17,511
Defaulted	-	-	4,699	1,978	6,677
Gross loans and advances at amortised cost	553,281	57,415	4,699	1,978	617,373
Allowance for ECL	(927)	(1,378)	(413)	(791)	(3,509)
Net loans and advances at amortised cost	552,354	56,037	4,286	1,187	613,864
Coverage ratio	0.17%	2.40%	8.79%	39.99%	0.57%
Loans and advances at fair value through profit or loss					922
Unearned income					(398)
Capitalised brokerage/mortgage origination fees					870
Net carrying amount					615,258

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at amortised cost

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	5,594	-	-	-	5,594
Satisfactory	1,067	175	-	-	1,242
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	6,661	175	-	-	6,836
Allowance for ECL	(20)	-	-	-	(20)
Net investment securities - debt securities at amortised cost	6,641	175	-	-	6,816
Coverage ratio	0.30%	0.00%	-	-	0.29%

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	4,798	-	-	-	4,798
Satisfactory	707	507	-	-	1,214
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Gross investment securities - debt securities at amortised cost	5,505	507	-	-	6,012
Allowance for ECL	(12)	(1)	-	-	(13)
Net investment securities - debt securities at amortised cost	5,493	506	-	-	5,999
Coverage ratio	0.22%	0.20%	-	-	0.22%

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Investment securities - debt securities at FVOCI

	2020				
			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
	$m	$m	$m	$m	$m
Strong	85,287	-	-	-	85,287
Satisfactory	173	-	-	-	173
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Investment securities - debt securities at FVOCI	85,460	-	-	-	85,460
Allowance for ECL recognised in other comprehensive income	(10)	-	-	-	(10)
Coverage ratio	0.01%	-	-	-	0.01%

	2019				
			Stage 3		
	Stage 1	Stage 2	Collectively assessed	Individually assessed	Total
	$m	$m	$m	$m	$m
Strong	76,218	-	-	-	76,218
Satisfactory	271	-	-	-	271
Weak	-	-	-	-	-
Defaulted	-	-	-	-	-
Investment securities - debt securities at FVOCI	76,489	-	-	-	76,489
Allowance for ECL recognised in other comprehensive income	(8)	-	-	-	(8)
Coverage ratio	0.01%	-	-	-	0.01%

Other financial assets

	2020	2019
	$m	$m
Strong	293,171	248,020
Satisfactory	10,724	10,060
Weak	628	415
Defaulted	1	-
Total carrying amount	304,524	258,495

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Off-balance sheet commitments - undrawn and contingent facilities

	2020				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	171,979	3,045	-	-	175,024
Satisfactory	22,983	3,972	-	-	26,955
Weak	1,123	1,132	-	-	2,255
Defaulted	-	-	144	203	347
Gross undrawn and contingent facilities subject to ECL	196,085	8,149	144	203	204,581
Allowance for ECL included in Other provisions (refer to Note 21)	(596)	(239)	(23)	(40)	(898)
Net undrawn and contingent facilities subject to ECL	195,489	7,910	121	163	203,683
Coverage ratio	0.30%	2.93%	15.97%	19.70%	0.44%
Undrawn and contingent facilities not subject to ECL[1]					63,033
Net undrawn and contingent facilities					266,716

	2019				
			Stage 3		
	Stage 1 $m	Stage 2 $m	Collectively assessed $m	Individually assessed $m	Total $m
Strong	162,891	1,972	-	-	164,863
Satisfactory	23,655	3,634	-	-	27,289
Weak	294	976	-	-	1,270
Defaulted	-	-	140	51	191
Gross undrawn and contingent facilities subject to ECL	186,840	6,582	140	51	193,613
Allowance for ECL included in Other provisions (refer to Note 21)	(473)	(151)	(21)	(23)	(668)
Net undrawn and contingent facilities subject to ECL	186,367	6,431	119	28	192,945
Coverage ratio	0.25%	2.29%	15.00%	45.10%	0.35%
Undrawn and contingent facilities not subject to ECL[1]					60,178
Net undrawn and contingent facilities					253,123

1. Commitments that can be unconditionally cancelled at any time without notice.

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

CONCENTRATIONS OF CREDIT RISK

Credit risk becomes concentrated when a number of customers are engaged in similar activities, have similar economic characteristics, or have similar activities within the same geographic region – therefore, they may be similarly affected by changes in economic or other conditions. The Group monitors its credit portfolio to manage risk concentration and rebalance the portfolio. The Group also applies single customer counterparty limits to protect against unacceptably large exposures to one single customer.

Composition of financial instruments that give rise to credit risk by industry group are presented below:

	Loans and advances		Other financial assets		Off-balance sheet credit related commitments		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Agriculture, forestry, fishing and mining	36,458	38,562	1,092	1,070	17,188	18,424	54,738	58,056
Business services	8,642	8,449	172	168	6,506	6,976	15,320	15,593
Construction	5,807	6,711	44	65	6,679	6,697	12,530	13,473
Electricity, gas and water supply	5,881	6,599	2,386	2,008	8,663	7,087	16,930	15,694
Entertainment, leisure and tourism	13,179	12,780	600	699	4,114	3,446	17,893	16,925
Financial, investment and insurance	51,857	55,344	279,468	247,351	48,537	41,874	379,862	344,569
Government and official institutions	4,645	3,388	98,017	75,066	1,968	2,524	104,630	80,978
Manufacturing	25,163	23,796	2,306	2,932	41,114	44,091	68,583	70,819
Personal lending	361,459	351,894	1,170	1,754	50,433	54,429	413,062	408,077
Property services	50,406	46,721	2,044	1,905	27,992	17,216	80,442	65,842
Retail trade	10,739	13,078	231	242	9,602	7,086	20,572	20,406
Transport and storage	12,657	13,583	1,280	1,194	8,587	8,269	22,524	23,046
Wholesale trade	11,816	15,177	2,649	3,141	19,494	20,283	33,959	38,601
Other	22,563	22,213	5,361	3,401	16,737	15,389	44,661	41,003
Gross total	621,272	618,295	396,820	340,996	267,614	253,791	1,285,706	1,213,082
Allowance for ECL	(4,981)	(3,509)	(20)	(13)	(898)	(668)	(5,899)	(4,190)
Subtotal	616,291	614,786	396,800	340,983	266,716	253,123	1,279,807	1,208,892
Unearned income	(66)	(398)	-	-	-	-	(66)	(398)
Capitalised brokerage/mortgage origination fees	868	870	-	-	-	-	868	870
Maximum exposure to credit risk	617,093	615,258	396,800	340,983	266,716	253,123	1,280,609	1,209,364

16. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

COLLATERAL MANAGEMENT

We use collateral for on and off-balance sheet exposures to mitigate credit risk if a counterparty cannot meet its repayment obligations. Where there is sufficient collateral, an expected credit loss is not recognised. This is largely the case for certain lending products that are secured by corresponding investment for which the margin loans are utilised and for reverse repurchase agreements. For some products, the collateral provided by customers is fundamental to the product's structuring, so it is not strictly the secondary source of repayment - for example, lending secured by trade receivables is typically repaid by the collection of those receivables. During the period there was no change in our collateral policies.

The nature of collateral or security held for the relevant classes of financial assets is as follows:

Net loans and advances	
Loans - housing and personal	Housing loans are secured by mortgage(s) over property and additional security may take the form of guarantees and deposits. Personal lending (including credit cards and overdrafts) is predominantly unsecured. If we take security, then it is restricted to eligible vehicles, motor homes and other assets.
Loans - business	Business loans may be secured, partially secured or unsecured. Typically, we take security by way of a mortgage over property and/or a charge over the business or other assets. If appropriate, we may take other security to mitigate the credit risk, for example: guarantees, standby letters of credit or derivative protection.
Other financial assets	
Trading securities, Investment securities, Derivatives and Other financial assets	For trading securities, we do not seek collateral directly from the issuer or counterparty. However, the collateral may be implicit in the terms of the instrument (for example, with an asset-backed security). The terms of debt securities may include collateralisation. For derivatives, we typically terminate all contracts with the counterparty and settle on a net basis at market levels current at the time of a counterparty default under International Swaps and Derivatives Association (ISDA) Master Agreements. Our preferred practice is to use a Credit Support Annex (CSA) to the ISDA so that open derivative positions with the counterparty are aggregated and cash collateral (or other forms of eligible collateral) is exchanged daily. The collateral is provided by the counterparty when their position is out of the money (or provided to the counterparty by ANZ when our position is out of the money).
Off-balance sheet positions	
Undrawn and contingent facilities	Collateral for off-balance sheet positions is mainly held against undrawn facilities, and they are typically performance bonds or guarantees. Undrawn facilities that are secured include housing loans secured by mortgages over residential property and business lending secured by commercial real estate and/or charges over business assets.

The table below shows the estimated value of collateral we hold and the net unsecured portion of credit exposures:

	Credit exposure		Total value of collateral		Unsecured portion of credit exposure	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Net loans and advances	617,093	615,258	510,995	490,188	106,098	125,070
Other financial assets	396,800	340,983	45,246	31,898	351,554	309,085
Off-balance sheet positions	266,716	253,123	51,361	48,225	215,355	204,898
Total	1,280,609	1,209,364	607,602	570,311	673,007	639,053

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

MARKET RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Market risk stems from the Group's trading and balance sheet management activities and the impact of changes and correlation between interest rates, foreign exchange rates, credit spreads and volatility in bond, commodity or equity prices.

The BRC delegates responsibility for day-to-day management of both market risks and compliance with market risk policies to the Credit & Market Risk Committee (CMRC) and the Group Asset & Liability Committee (GALCO).

Within overall strategies and policies established by the BRC, business units and risk management have joint responsibility for the control of market risk at the Group level. The Market Risk team (a specialist risk management unit independent of the business) allocates market risk limits at various levels and monitors and reports on them daily. This detailed framework allocates individual limits to manage and control exposures using risk factors and profit and loss limits.

Management, measurement and reporting of market risk is undertaken in two broad categories:

Traded Market Risk	Non-Traded Market Risk
Risk of loss from changes in the value of financial instruments due to movements in price factors for both physical and derivative trading positions. Principal risk categories monitored are: 1. Currency risk – potential loss arising from changes in foreign exchange rates or their implied volatilities. 2. Interest rate risk – potential loss from changes in market interest rates or their implied volatilities. 3. Credit spread risk – potential loss arising from a movement in margin or spread relative to a benchmark. 4. Commodity risk – potential loss arising from changes in commodity prices or their implied volatilities. 5. Equity risk – potential loss arising from changes in equity prices.	Risk of loss associated with the management of non-traded interest rate risk, liquidity risk and foreign exchange exposures. This includes interest rate risk in the banking book. This risk of loss arises from adverse changes in the overall and relative level of interest rates for different tenors, differences in the actual versus expected net interest margin, and the potential valuation risk associated with embedded options in financial instruments and bank products.

MEASUREMENT OF MARKET RISK

We primarily manage and control market risk using Value at Risk (VaR), sensitivity analysis and stress testing.

VaR gauges the Group's possible daily loss based on historical market movements.

The Group's VaR approach for both traded and non-traded risk is historical simulation. We use historical changes in market rates, prices and volatilities over:

- the previous 500 business days, to calculate standard VaR, and
- a 1-year stressed period, to calculate stressed VaR.

We calculate traded and non-traded VaR using one-day and ten-day holding periods. For stressed VaR, we use a ten-day period. Back testing is used to ensure our VaR models remain accurate.

ANZ measures VaR at a 99% confidence interval which means there is a 99% chance that a loss will not exceed the VaR for the relevant holding period.

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

TRADED AND NON-TRADED MARKET RISK

Traded market risk

The table below shows the traded market risk VaR on a diversified basis by risk categories:

	2020				2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Traded value at risk 99% confidence								
Foreign exchange	2.0	6.1	1.2	3.1	1.4	9.5	1.2	4.1
Interest rate	9.6	13.8	3.3	7.2	3.6	10.4	3.6	5.8
Credit	13.9	17.1	1.8	8.6	5.1	5.4	1.2	3.1
Commodity	3.0	4.7	1.3	2.6	1.6	3.9	1.4	2.2
Equity	-	-	-	-	-	-	-	-
Diversification benefit[1]	(10.9)	n/a	n/a	(8.0)	(5.5)	n/a	n/a	(7.2)
Total VaR	17.6	31.9	5.7	13.5	6.2	13.4	5.1	8.0

1. The diversification benefit reflects risks that offset across categories. The high and low VaR figures reported for each factor did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

Non-traded market risk

Balance sheet risk management

The principal objectives of balance sheet risk management are to maintain acceptable levels of interest rate and liquidity risk to mitigate the negative impact of movements in interest rates on the earnings and market value of the Group's banking book, while ensuring the Group maintains sufficient liquidity to meet its obligations as they fall due.

Interest rate risk management

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources, namely mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities and assets. Interest rate risk is reported using VaR and scenario analysis (based on the impact of a 1% rate shock). The table below shows VaR figures for non-traded interest rate risk for the combined Group as well as Australia, New Zealand and Asia Pacific, Europe and Americas (APEA) geographies which are calculated separately.

	2020				2019			
	As at $m	High for year $m	Low for year $m	Average for year $m	As at $m	High for year $m	Low for year $m	Average for year $m
Non-traded value at risk 99% confidence								
Australia	60.8	60.8	18.8	33.4	22.7	22.7	16.4	18.9
New Zealand	26.3	26.3	9.4	15.2	9.6	9.6	7.1	8.0
Asia Pacific, Europe & America	29.4	30.2	17.8	24.2	17.6	17.7	12.9	16.1
Diversification benefit[1]	(61.4)	n/a	n/a	(29.5)	(17.8)	n/a	n/a	(14.8)
Total VaR	55.1	58.3	31.5	43.3	32.1	32.1	25.2	28.2

1. The diversification benefit reflects the historical correlation between the regions. The high and low VaR figures reported for the region did not necessarily occur on the same day as the high and low VaR reported for the Group as a whole. Consequently, a diversification benefit for high and low would not be meaningful and is therefore omitted from the table.

16. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

We undertake scenario analysis to stress test the impact of extreme events on the Group's market risk exposures. We model a 1% overnight parallel positive shift in the yield curve to determine the potential impact on our net interest income over the next 12 months. This is a standard risk measure which assumes the parallel shift is reflected in all wholesale and customer rates.

The table below shows the outcome of this risk measure for the current and previous financial years, expressed as a percentage of reported net interest income. A positive number signifies that a rate increase is positive for net interest income over the next 12 months.

	2020	2019[1]
Impact of 1% rate shock		
As at period end	1.25%	1.19%
Maximum exposure	1.61%	1.19%
Minimum exposure	0.52%	0.33%
Average exposure (in absolute terms)	1.01%	0.69%

1. Prior period numbers have been restated to reflect IRR model enhancements

EQUITY SECURITIES DESIGNATED AT FVOCI

Our investment securities contain equity investment holdings which predominantly comprise investments we hold for longer-term strategic reasons. The market risk impact on these equity investments is not captured by the Group's VaR processes for traded and non-traded market risks. Therefore, the Group regularly reviews the valuations of the investments within the portfolio and assesses whether the investments are appropriately measured based on the recognition and measurement policies set out in Note 11 Investment securities.

FOREIGN CURRENCY RISK – STRUCTURAL EXPOSURES

Our investment of capital in foreign operations - for example, branches, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the Group to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

Where it is considered appropriate, the Group takes out economic hedges against larger foreign exchange denominated revenue streams (primarily New Zealand Dollar, US Dollar and US Dollar correlated). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK

LIQUIDITY RISK OVERVIEW, MANAGEMENT AND CONTROL RESPONSIBILITIES

Liquidity risk is the risk that the Group is either:

- unable to meet its payment obligations (including repaying depositors or maturing wholesale debt) when they fall due; or
- does not have the appropriate amount, tenor and composition of funding and liquidity to fund increases in its assets.

Management of liquidity and funding risks are overseen by GALCO. The Group's liquidity and funding risks are governed by a set of principles approved by the BRC and include:

- maintaining the ability to meet all payment obligations in the immediate term;
- ensuring that the Group has the ability to meet 'survival horizons' under a range of ANZ specific, and general market, liquidity stress scenarios, at the site and Group-wide level, to meet cash flow obligations over the short to medium term;
- maintaining strength in the Group's balance sheet structure to ensure long term resilience in the liquidity and funding risk profile;
- ensuring the liquidity management framework is compatible with local regulatory requirements;
- preparing daily liquidity reports and scenario analysis to quantify the Group's positions;
- targeting a diversified funding base to avoid undue concentrations by investor type, maturity, market source and currency;
- holding a portfolio of high quality liquid assets to protect against adverse funding conditions and to support day-to-day operations; and
- establishing detailed contingency plans to cover different liquidity crisis events.

KEY AREAS OF MEASUREMENT FOR LIQUIDITY RISK

Scenario modelling of funding sources

ANZ's liquidity risk appetite is defined by a range of regulatory and internal liquidity metrics mandated by the Board. The metrics cover a range of scenarios of varying duration and level of severity.

A key component of this framework is the Liquidity Coverage Ratio (LCR), which is a severe short term liquidity stress scenario mandated by banking regulators including APRA. As part of meeting LCR requirements, the Group has a Committed Liquidity Facility (CLF) with the Reserve Bank of Australia (RBA). The CLF has been established to offset the shortage of available High Quality Liquid Assets (HQLA) in Australia and provides an alternative form of contingent liquidity. The total amount of the CLF available to a qualifying Australian Deposit-taking Institution is set annually by APRA. From 1 January 2020, ANZ's CLF is $35.7 billion (2019 calendar year end: $48.0 billion).

Liquid assets

The Group holds a portfolio of high quality (unencumbered) liquid assets to protect the Group's liquidity position in a severely stressed environment, to meet regulatory requirements. HQLA comprise three categories consistent with Basel III LCR requirements:

- HQLA1- Cash and highest credit quality government, central bank or public sector securities eligible for repurchase with central banks to provide same-day liquidity.
- HQLA2 - High credit quality government, central bank or public sector securities, high quality corporate debt securities and high quality covered bonds eligible for repurchase with central banks to provide same-day liquidity.
- Alternative liquid assets (ALA) - Assets qualifying as collateral for the CLF and eligible securities that the Reserve Bank of New Zealand (RBNZ) will accept in its domestic market operations.

LIQUIDITY RISK OUTCOMES[1]

Liquidity Coverage Ratio

ANZ's Liquidity Coverage Ratio (LCR) averaged 139% for 2020, a decrease from the 2019 average of 140%, and above the regulatory minimum of 100%.

Net Stable Funding Ratio

ANZ's Net Stable Funding Ratio (NSFR) as at 30 September 2020 was 124% (2019: 116%), above the regulatory minimum of 100%.

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The Liquidity Coverage Ratio and Net Stable Funding Ratio are non-IFRS disclosures and are disclosed as part of the Group's *APS 330 Public Disclosure* which is subject to specific review procedures in accordance with the *Australian Standard on Related Services (ASRS) 4400 Agreed upon Procedures Engagements to Report Factual Findings.*

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

Liquidity crisis contingency planning

The Group maintains APRA-endorsed liquidity crisis contingency plans for analysing and responding to a liquidity threatening event at a country and Group-wide level. Key liquidity contingency crisis planning requirements and guidelines include:

Ongoing business management	Early signs/ mild stress	Severe Stress
• establish crisis/severity levels • liquidity limits • early warning indicators	• monitoring and review • management actions not requiring business rationalisation	• activate contingency funding plans • management actions for altering asset and liability behaviour
Assigned responsibility for internal and external communications and the appropriate timing to communicate		

Since the precise nature of any stress event cannot be known in advance, we design the plans to be flexible to the nature and severity of the stress event with multiple variables able to be accommodated in any plan.

Group funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This approach ensures that an appropriate proportion of the Group's assets are funded by stable funding sources, including customer deposits; longer-dated wholesale funding (with a remaining term exceeding one year); and equity.

Funding plans prepared	Considerations in preparing funding plans
• 3 year strategic plan prepared annually • annual funding plan as part of budgeting process • forecasting in light of actual results as a calibration to the annual plan	• customer balance sheet growth • changes in wholesale funding including: targeted funding volumes; markets; investors; tenors; and currencies for senior, secured, subordinated, hybrid transactions and market conditions

RBA Term Funding Facility

As an additional source of funding, in March 2020, the RBA announced a term funding facility (TFF) for the banking system to support lending to Australian businesses. The TFF is a three-year secured funding facility to ADIs at a fixed rate of 0.25%. APRA has determined that the TFF qualifies for inclusion in determining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). ADIs can obtain initial funding of up to 3% of their existing credit outstanding to Australian households and businesses, and have access to additional funding if they increase lending to business, especially to small and medium-sized businesses.

As at 30 September 2020, ANZ had drawn $12 billion from its initial TFF allowance of $12 billion, and drawn $nil from its additional TFF allowance of $6 billion.

16. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY AND FUNDING RISK (continued)

RESIDUAL CONTRACTUAL MATURITY ANALYSIS OF GROUP'S LIABILITIES

The tables below provide residual contractual maturity analysis of financial liabilities, including financial liablities reclassified to held for sale, at 30 September within relevant maturity groupings. All outstanding debt issuance and subordinated debt is profiled on the earliest date on which the Group may be required to pay. All at-call liabilities are reported in the "Less than 3 months" category. Any other items without a specified maturity date are included in the "After 5 years" category. The amounts represent principal and interest cash flows - so they may differ from equivalent amounts reported on balance sheet. For the purpose of this note, liabilities presented as liabilities held for sale in the Balance Sheet have been reallocated to their respective Balance Sheet categories.

It should be noted that this is not how the Group manages its liquidity risk. The management of this risk is detailed on page 179.

2020	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	22,241	-	-	-	22,241
Collateral received	9,304	-	-	-	9,304
Deposits and other borrowings	576,506	90,241	18,025	159	684,931
Liability for acceptances	449	-	-	-	449
Debt issuances[1]	5,174	26,642	78,181	16,948	126,945
Derivative liabilities (excluding those held for balance sheet management)[2]	123,865	-	-	-	123,865
Lease liabilities[3]	72	248	809	390	1,519
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(11,170)	(21,569)	(69,594)	(18,243)	(120,576)
Pay leg	10,856	20,206	66,455	17,403	114,920
- Other balance sheet management					
Receive leg	(75,098)	(40,956)	(9,738)	(8,512)	(134,304)
Pay leg	75,226	40,401	10,031	7,271	132,929

2019	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	After 5 years $m	Total $m
Settlement balances owed by ANZ	10,838	29	-	-	10,867
Collateral received	7,929	-	-	-	7,929
Deposits and other borrowings	530,392	102,731	7,657	100	640,880
Liability for acceptances	760	-	-	-	760
Debt issuances[1]	7,948	18,985	95,632	17,886	140,451
Derivative liabilities (excluding those held for balance sheet management)[2]	108,501	-	-	-	108,501
Derivative assets and liabilities (balance sheet management)[4]					
- Funding					
Receive leg	(27,588)	(29,128)	(82,588)	(22,238)	(161,542)
Pay leg	26,778	26,594	77,686	21,190	152,248
- Other balance sheet management					
Receive leg	(85,489)	(26,218)	(11,632)	(1,893)	(125,232)
Pay leg	85,887	26,980	13,071	2,311	128,249

1. Any callable wholesale debt instruments have been included at their next call date. Balance includes subordinated debt instruments that may be settled in cash or in equity, at the option of the Company, and perpetual debt instruments after 5 years.
2. The full mark-to-market of derivative liabilities (excluding those held for balance sheet management) is included in the 'less than 3 months' category.
3. On adoption of AASB 16 on 1 October 2019, the Group recognised a lease liability of $1.7 billion presented within Payables and other liabilities. Comparative information has not been restated. Refer to Note 1 for further details.
4. Include derivatives designated into hedging relationships of $4,484 million (2019: 4,173 million) and $6,362 million (2019: $8,277 million) categorised as held for trading but form part of Group's balance sheet activities.

At 30 September 2020, $227,819 million (2019: $209,341 million) of the Group's undrawn facilities and $39,795 million (2019: $44,451 million) of its issued guarantees mature in less than 1 year, based on the earliest date on which the Group may be required to pay.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group carries a significant number of financial instruments on the balance sheet at fair value. In addition the Group also holds assets classified as held for sale which are measured at fair value less costs to sell. The fair value is the best estimate of the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

VALUATION

The Group has an established control framework, including appropriate segregation of duties, to ensure that fair values are accurately determined, reported and controlled. The framework includes the following features:

- products are approved for transacting with external customers and counterparties only where fair values can be appropriately determined;
- quoted market prices used to value financial instruments are independently verified with information from external pricing providers;
- fair value methodologies and inputs are evaluated and approved by a function independent of the party that undertakes the transaction;
- movements in fair values are independently monitored and explained by reference to underlying factors relevant to the fair value; and
- valuation adjustments (such as funding valuation adjustments, credit valuation adjustments and bid-offer adjustments) are independently validated and monitored.

If the Group holds offsetting risk positions, then the Group uses the portfolio exception in AASB 13 *Fair Value Measurement* (AASB 13) to measure the fair value of such groups of financial assets and financial liabilities. We measure the portfolio based on the price that would be received to sell a net long position (an asset) for a particular risk exposure, or to transfer a net short position (a liability) for a particular risk exposure.

Fair value designation

We designate certain loans and advances and certain deposits and other borrowings and debt issuances as fair value through profit or loss:

- where they contain a separable embedded derivative which significantly modifies the instruments' cash flow; or
- in order to eliminate an accounting mismatch which would arise if the asset or liabilities were otherwise carried at amortised cost. This mismatch arises as we measure the derivative financial instruments (which we acquired to mitigate interest rate risk of the assets or liabilities) at fair value through profit or loss.

Our approach ensures that we recognise the fair value movements on the assets or liabilities in profit or loss in the same period as the movement on the associated derivatives.

We may also designate certain loans and advances, certain deposits and other borrowings and debt issuances as fair value through profit or loss where they are managed on a fair value basis to align the measurement with how the instruments are managed.

FAIR VALUE APPROACH AND VALUATION TECHNIQUES

We use valuation techniques to estimate the fair value of assets and liabilities for recognition, measurement and disclosure purposes where no quoted price in an active market exists for that asset or liability. This includes the following:

Asset or Liability	Fair Value Approach
Financial instruments classified as: - Trading securities - Securities sold short - Derivative financial assets and financial liabilities - Investment securities	Valuation techniques are used that incorporate observable market inputs for financial instruments with similar credit risk, maturity and yield characteristics. Equity instruments that are not traded in active markets may be measured using comparable company valuation multiples.
Financial instruments classified as: - Net loans and advances - Deposits and other borrowings - Debt issuances	Discounted cash flow techniques are used whereby contractual future cash flows of the instrument are discounted using wholesale market interest rates, or market borrowing rates for debt with similar maturities or yield curve appropriate for the remaining term to maturity.
Assets and liabilities held for sale	Valuation based on the expected sale price before transaction costs.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables set out the classification of financial asset and liability categories according to measurement bases together with their carrying amounts as reported on the balance sheet.

	Note	2020 At amortised cost $m	2020 At fair value $m	2020 Total $m	2019 At amortised cost $m	2019 At fair value $m	2019 Total $m
Financial assets							
Cash and cash equivalents	8	107,923	-	107,923	81,621	-	81,621
Settlement balances owed to ANZ		7,541	-	7,541	3,739	-	3,739
Collateral paid		14,308	-	14,308	15,006	-	15,006
Trading securities	9	-	50,913	50,913	-	43,169	43,169
Derivative financial instruments	10	-	135,331	135,331	-	120,667	120,667
Investment securities	11	6,816	86,575	93,391	5,999	77,710	83,709
Net loans and advances	12	613,155	3,938	617,093	614,336	922	615,258
Regulatory deposits		801	-	801	879	-	879
Assets held for sale[1]		-	-	-	-	1,420	1,420
Other financial assets		2,407	-	2,407	3,118	-	3,118
Total		752,951	276,757	1,029,708	724,698	243,888	968,586
Financial liabilities							
Settlement balances owed by ANZ		22,241	-	22,241	10,867	-	10,867
Collateral received		9,304	-	9,304	7,929	-	7,929
Deposits and other borrowings	14	679,255	3,078	682,333	635,376	2,301	637,677
Derivative financial instruments	10	-	134,711	134,711	-	120,951	120,951
Liabilities held for sale[1]		-	-	-	-	1,914	1,914
Payables and other liabilities		5,285	3,843	9,128	5,377	2,591	7,968
Debt issuances	15	117,509	2,159	119,668	127,102	2,589	129,691
Total		833,594	143,791	977,385	786,651	130,346	916,997

1. Assets held for sale and liabilities held for sale include only the components of assets or liabilities held for sale which are financial instruments.

FAIR VALUE HIERARCHY

The Group categorises assets and liabilities carried at fair value into a fair value hierarchy as required by AASB 13 based on the observability of inputs used to measure the fair value:

- Level 1 - valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuations using inputs other than quoted prices included within Level 1 that are observable for a similar asset or liability, either directly or indirectly; and
- Level 3 - valuations where significant unobservable inputs are used to measure the fair value of the asset or liability.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The following table presents assets and liabilities carried at fair value in accordance with the fair value hierarchy:

	Fair value measurements							
	Quoted price in active markets (Level 1)		Using observable inputs (Level 2)		Using unobservable inputs (Level 3)		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Assets								
Trading securities[1]	44,004	37,768	6,909	5,401	-	-	50,913	43,169
Derivative financial instruments	681	365	134,588	120,241	62	61	135,331	120,667
Investment securities[1]	85,330	76,000	137	499	1,108	1,211	86,575	77,710
Net loans and advances[2]	-	-	3,925	922	13	-	3,938	922
Assets held for sale[3]	-	-	-	1,952	-	-	-	1,952
Total	130,015	114,133	145,559	129,015	1,183	1,272	276,757	244,420
Liabilities								
Deposits and other borrowings[2]	-	-	3,078	2,301	-	-	3,078	2,301
Derivative financial instruments	1,120	881	133,536	120,018	55	52	134,711	120,951
Payables and other liabilities[4]	3,830	2,553	13	38	-	-	3,843	2,591
Debt issuances (designated at fair value)	-	-	2,159	2,589	-	-	2,159	2,589
Liabilities held for sale[3]	-	-	-	2,121	-	-	-	2,121
Total	4,950	3,434	138,786	127,067	55	52	143,791	130,553

1. During the year, $127 million of assets were transferred from Level 2 to Level1 (2019: nil) following increased trading activity to support quoted prices. There were no other material transfers during the year. Transfers into and out of levels are measured at the beginning of the reporting period in which the transfer occurred.
2. From 1 October 2019, Group changed its accounting treatment for certain gold loan and deposit products which are now designated as at fair value through profit and loss.
3. The amount classified as Assets and Liabilities held for sale relates to assets and liabilities measured at fair value less cost to sell in accordance with AASB *5 Non-current Assets Held for Sale and Discontinued Operations*. The amount presented reflects fair value excluding cost to sell but including intercompany eliminations.
4. Payables and other liabilities relates to securities sold short, which we classify as held for trading and measured at fair value through profit or loss.

FAIR VALUE MEASUREMENT INCORPORATING UNOBSERVABLE MARKET DATA

Level 3 fair value measurements

The net balance of Level 3 is an asset of $1,128 million (2019: $1,220 million). The assets and liabilities which incorporate significant unobservable inputs primarily include:

- equities for which there is no active market or traded prices cannot be observed;
- structured credit products for which credit spreads and default probabilities relating to the reference assets and derivative counterparties cannot be observed;
- net loans and advances that are required to be measured at fair value for which there is no observable market data; and
- other derivatives referencing market rates that cannot be observed primarily due to lack of market activity.

Movement in Level 3 balance is mainly due to the revaluation of the Group's investment in Bank of Tianjin.

There were no material transfers in or out of Level 3 during the period.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Bank of Tianjin (BoT)

The investment is valued based on comparative price-to-book (P/B) multiples (a P/B multiple is the ratio of the market value of equity to the book value of equity). The extent of judgement applied in determining the appropriate multiple and comparator group from which the multiple is derived are non-observable inputs which have resulted in the Level 3 classification.

Sensitivity to Level 3 data inputs

When we make assumptions due to significant inputs not being directly observable in the market place (Level 3 inputs), then changing these assumptions changes the Group's estimate of the instrument's fair value. Favourable and unfavourable changes are determined by changing the primary unobservable parameter used to derive the valuation.

Bank of Tianjin (BoT)

The valuation of the BoT investment is sensitive to the selected unobservable input, being the P/B multiple. If the P/B multiple was increased or decreased by 10% it would result in a $93 million (2019: $111 million) increase or decrease to the fair value of the investment, which would be recognised in shareholders' equity.

Other

The remaining Level 3 balance is immaterial and changes in the Level 3 inputs have a minimal impact on net profit and net assets of the Group.

Deferred fair value gains and losses

Where fair values are determined using unobservable inputs significant to the fair value of a financial instrument, the Group does not immediately recognise the difference between the transaction price and the amount we determine based on the valuation technique (day one gain or loss) in profit or loss. After initial recognition, we recognise the deferred amount in profit or loss on a straight line basis over the life of the transaction or until all inputs become observable.

The day one gains and losses deferred are not material.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE

The following table sets out the Group's basis of estimating fair values of financial instruments carried at amortised cost:

Financial Asset and Liability	Fair Value Approach
Investment securities - debt securities at amortised cost	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable for that instrument.
Net loans and advances to banks	Discounted cash flows using prevailing market rates for loans with similar credit quality.
Net loans and advances to customers	Present value of future cash flows, discounted using a curve that incorporates changes in wholesale market rates, the Group's cost of wholesale funding and the customer margin, as appropriate.
Deposit liability without a specified maturity or at call	The amount payable on demand at the reporting date. We do not adjust the fair value for any value we expect the Group to derive from retaining the deposit for a future period.
Interest bearing fixed maturity deposits and other borrowings and acceptances with quoted market rates	Market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows to derive the fair value.
Debt issuances	Calculated based on quoted market prices or observable inputs as applicable. If quoted market prices are not available, we use a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the debt instrument. The fair value reflects adjustments to credit spreads applicable to ANZ for that instrument.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The financial assets and financial liabilities listed in the table below are carried at amortised cost on the Group's Balance Sheet. While this is the value at which we expect the assets will be realised and the liabilities settled, the Group provides an estimate of the fair value of the financial assets and financial liabilities at balance date in the table below.

	At amortised cost		Categorised into fair value hierarchy: Quoted price active markets (Level 1)		Using observable inputs (Level 2)		With significant non-observable inputs (Level 3)		Fair value (total)	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Financial assets										
Net loans and advances	613,155	614,336	-	-	16,161	22,629	597,997	592,704	614,158	615,333
Investment securities	6,816	5,999	-	-	6,816	5,997	-	-	6,816	5,997
Total	619,971	620,335	-	-	22,977	28,626	597,997	592,704	620,974	621,330
Financial liabilities										
Deposits and other borrowings	679,255	635,376	-	-	679,544	635,660	-	-	679,544	635,660
Debt issuances	117,509	127,102	26,107	43,304	93,187	85,484	-	-	119,294	128,788
Total	796,764	762,478	26,107	43,304	772,731	721,144	-	-	798,838	764,448

KEY JUDGEMENTS AND ESTIMATES

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. This has not changed as a result of COVID-19, however the Group has considered the impact of related economic and market disruptions on fair value measurement assumptions and the appropriateness of valuation inputs, notably valuation adjustments, as well as the impact of COVID-19 on the classification of exposures in the fair value hierarchy.

For certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgement to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value. We may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments – refer Note 10 Derivative Financial Instruments) to reflect the Group's assessment of factors that market participants would consider in setting fair value.

18. ASSETS CHARGED AS SECURITY FOR LIABILITIES AND COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

The following disclosure excludes the amounts presented as collateral paid and received in the Balance Sheet that relate to derivative liabilities and derivative assets respectively. The terms and conditions of those collateral agreements are included in the standard Credit Support Annex that forms part of the International Swaps and Derivatives Association Master Agreement.

ASSETS CHARGED AS SECURITY FOR LIABILITIES

Assets charged as security for liabilities include the following types of instruments:

- securities provided as collateral for repurchase transactions. These transactions are governed by standard industry agreements;
- specified residential mortgages provided as security for notes and bonds issued to investors as part of ANZ's covered bond programs;
- collateral provided to central banks; and
- collateral provided to clearing houses.

The carrying amount of assets pledged as security are as follows:

	2020 $m	2019 $m
Securities sold under arrangements to repurchase[1]	61,415	43,213
Assets pledged as collateral for UDC Secured Investments[2]	-	3,228
Residential mortgages provided as security for covered bonds	28,559	30,799
Other	4,990	4,927

1. The amounts disclosed as securities sold under arrangements to repurchase include both:
   - assets pledged as security which continue to be recognised on the Group's balance sheet; and
   - assets repledged, which are included in the disclosure below.
2. UDC Secured Investments were secured by a security interest over all of UDC's assets. The Group divested of UDC during 2020 and, therefore, there are no longer any associated collateral balances requiring disclosure by the Group.

COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

ANZ has received collateral associated with various financial instruments. Under certain transactions ANZ has the right to sell, or to repledge, the collateral received. These transactions are governed by standard industry agreements.

The fair value of collateral we have received and that which we have sold or repledged is as follows:

	2020 $m	2019 $m
Fair value of assets which can be sold or repledged	54,242	37,990
Fair value of assets sold or repledged	32,578	29,460

19. OFFSETTING

We offset financial assets and financial liabilities on the balance sheet (in accordance with AASB 132 *Financial Instruments: Presentation*) when there is:

- a current legally enforceable right to set off the recognised amounts in all circumstances; and
- an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

If the above conditions are not met, the financial assets and financial liabilities are presented on a gross basis.

The Group does not have any arrangements that satisfy the conditions necessary to offset financial assets and financial liabilities within the balance sheet. The following table identifies financial assets and financial liabilities which have not been offset but are subject to enforceable master netting agreements (or similar arrangements) and the related amounts not offset in the balance sheet. We have not taken into account the effect of over-collateralisation.

			Amount subject to master netting agreement or similar			
2020	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	135,331	(3,862)	131,469	(117,982)	(6,397)	7,090
Reverse repurchase, securities borrowing and similar agreements[1]	53,434	(5,922)	47,512	(1,566)	(45,946)	-
Total financial assets	188,765	(9,784)	178,981	(119,548)	(52,343)	7,090
Derivative financial liabilities	(134,711)	2,824	(131,887)	117,982	10,059	(3,846)
Repurchase, securities lending and similar agreements[2]	(55,716)	14,354	(41,362)	1,566	39,796	-
Total financial liabilities	(190,427)	17,178	(173,249)	119,548	49,855	(3,846)

			Amount subject to master netting agreement or similar			
2019	Total amounts recognised in the Balance Sheet $m	Amounts not subject to master netting agreement or similar $m	Total $m	Financial instruments $m	Financial collateral (received)/ pledged $m	Net amount $m
Derivative financial assets	120,667	(4,019)	116,648	(103,247)	(6,378)	7,023
Reverse repurchase, securities borrowing and similar agreements[1]	37,102	(5,299)	31,803	(1,414)	(30,389)	-
Total financial assets	157,769	(9,318)	148,451	(104,661)	(36,767)	7,023
Derivative financial liabilities	(120,951)	3,145	(117,806)	103,247	10,970	(3,589)
Repurchase, securities lending and similar agreements[2]	(41,367)	17,781	(23,586)	1,414	22,172	-
Total financial liabilities	(162,318)	20,926	(141,392)	104,661	33,142	(3,589)

1. Reverse repurchase agreements:
   - with less than 90 days to maturity are presented in the Balance Sheet within cash and cash equivalents; or
   - with 90 days or more to maturity are presented in the Balance Sheet within net loans and advances.
2. Repurchase agreements are presented on the Balance Sheet within deposits and other borrowings.

20. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill[1]		Software		Other Intangibles		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Balance at start of year	3,467	3,440	1,323	1,421	71	69	4,861	4,930
Additions	-	-	375	421	6	-	381	421
Amortisation expense[2]	-	-	(657)	(517)	(1)	-	(658)	(517)
Impairment expense	(77)	-	(2)	(4)	-	-	(79)	(4)
Written off on disposal	(124)	-	-	-	-	-	(124)	-
Foreign currency exchange difference	(2)	27	-	2	-	2	(2)	31
Balance at end of year	3,264	3,467	1,039	1,323	76	71	4,379	4,861
Cost[3]	3,341	3,467	7,300	7,068	77	75	10,718	10,610
Accumulated amortisation/impairment	(77)	n/a	(6,261)	(5,745)	(1)	(4)	(6,339)	(5,749)
Carrying amount	3,264	3,467	1,039	1,323	76	71	4,379	4,861

1. Goodwill excludes notional goodwill in equity accounted investments.
2. During the second half of the 2020 financial year, the Group amended the application of its software amortisation policy. The Group recognised accelerated amortisation of $197 million.
3. Includes impact of foreign currency translation differences.

IMPAIRMENT TESTING FOR CASH GENERATING UNITS (CGUs) CONTAINING GOODWILL

During the year ended September 2020, $124 million of goodwill was written off in relation to completed divestments. In addition, as a result of changes in economic outlook, the Group announced its intention to begin winding up the Bonus Bonds business, a managed investment product in New Zealand and the Group wrote off the associated goodwill of $27 million. The balance of goodwill was subject to impairment assessment as set out below which resulted in $50 million of goodwill impairment in the Pacific division.

An assessment as to whether the current carrying value of goodwill is impaired is undertaken annually or where there are indicators of potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated at the date of acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies of the related business combination. These CGUs are ANZ's reportable segments. Goodwill is considered to be impaired if the carrying amount of the relevant CGU exceeds its recoverable amount.

In determining the carrying amount of the CGUs to which goodwill is allocated, we include all direct assets and liabilities and an allocation, on a reasonable and consistent basis, of corporate assets and liabilities that are recorded outside those CGUs to which goodwill is allocated.

We estimate the recoverable amount of each CGU to which goodwill is allocated using a fair value less costs of disposal (FVLCOD) approach, with a value in use (VIU) assessment performed where the FVLCOD is less than the carrying amount.

As the Group's market capitalisation was below the Group's net asset value at 30 September 2020, and considering uncertainties surrounding COVID-19, the Group assessed the carrying value of goodwill as at 30 September 2020. Based on this assessment:

- no impairment was identified in the Australia Retail and Commercial, New Zealand and Institutional CGUs under the FVLCOD approach;
- the Pacific CGU's recoverable amount measured on a VIU basis (being higher than its FVLCOD) indicated a shortfall in recoverable amount relative to carrying amount. Accordingly an impairment loss of $50 million has been recognised at 30 September 2020, reducing the carrying amount of goodwill to nil.

Fair Value Less Cost of Disposal

The recoverable amount of each CGU to which goodwill is allocated is estimated on a FVLCOD basis, calculated using a market multiple approach. Under this approach, we determine the estimated fair value of each of our CGUs by applying observable price earnings multiples of appropriate comparator companies to the estimated future maintainable earnings of each CGU. A deduction is then made for estimated costs of disposal. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Management's approach and the key assumptions used to determine FVLCOD, for those CGUs where recoverable amount was determined on the basis of FVLCOD were as follows:

<table>
<tr><th>Key assumption</th><th>Approach to determining the value (or values) for each key assumption</th></tr>
<tr><td>Future maintainable earnings</td><td>Future maintainable earnings for each CGU have been estimated as the sum of:
• The financial year 2021 financial plan results for each CGU, which incorporates management estimates of the impacts of COVID-19; plus
• An allocation of the central costs recorded outside of the CGU's to which goodwill is allocated.
Adjustments have been made to the financial year 2021 plan results to:
• reflect longer term expected credit losses; and
• normalise certain other operating expenditure where specific factors result in financial year 2021 planned expenditure exceeding longer term maintainable levels with the higher operating expenditure treated as a one-off adjustment in the valuations.</td></tr>
<tr><td>Price/Earnings (P/E) multiple applied (including control premium)</td><td>Trading multiples:
The P/E multiples used have been derived from valuations of comparable publicly traded companies as at 30 September 2020 and are the median P/E multiple (2021 earnings multiple) of the comparator group:
• For the Australia Retail and Commercial and New Zealand CGUs, the comparator group is the four major banking groups headquartered in Australia;
• For the Institutional CGU, the comparator group includes the four major banking groups headquartered in Australia plus certain major financial institutions who compete with the Group in international markets.
In the case of the New Zealand and Institutional CGUs, management has made downwards adjustments to comparator group multiples to address specific factors relevant to those CGUs.
For each of ANZ's CGUs where the recoverable amount was determined on the basis of FVLCOD, the P/E multiples applied (including a 30% control premium discussed below) were as follows:
<table><tr><th>Division</th><th>2020</th><th>2019</th></tr><tr><td>Australia Retail and Commercial</td><td>16.0</td><td>17.9</td></tr><tr><td>New Zealand</td><td>12.7</td><td>17.8</td></tr><tr><td>Institutional</td><td>13.4</td><td>14.7</td></tr></table>Control premium:
A control premium has been applied which recognises the increased consideration a potential acquirer would be willing to pay in order to gain sufficient ownership to achieve control over the relevant activities of the CGU. For each CGU, the control premium has been estimated as 30% of the comparator group P/E multiple based on historical transactions.</td></tr>
<tr><td>Costs of disposal</td><td>Costs of disposal have been estimated as 2% of the fair value of the CGU based on input from historical and recent transactions.</td></tr>
</table>

FVLCOD assessment outcomes

For those CGUs where recoverable amount was determined on the basis of FVLCOD, the surplus of the recoverable amount over the carrying amount was as follows:

Cash generating unit:	Surplus 30 September 2020 $m
Australia Retail and Commercial	4,539
New Zealand	1,201
Institutional	516

Sensitivity analysis

The surpluses disclosed above are sensitive to judgements and estimates in respect of:

- for recoverable amount – The future maintainable earnings and the P/E multiple applied (including the control premium applied in determining the P/E multiple); and
- for carrying amount - The allocation of corporate assets and liabilities recorded outside those CGUs to which goodwill is allocated.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The FVLCOD estimates for the respective CGUs would continue to show a surplus in recoverable amount over carrying amount if:

- either the P/E multiple applied or the future maintainable earnings estimates were reduced (in isolation) by 13.6% in Australia Retail and Commercial; 8.6% in New Zealand or 2.6% in Institutional; or
- the 30% control premium applied was reduced by 59.5% in Australia Retail and Commercial (resulting in a control premium applied of 12.1%), by 38.1% in New Zealand (resulting in a control premium applied of 18.6%) or by 11.4% in Institutional (resulting in a control premium applied of 26.6%); or
- the share of corporate assets and liabilities was increased (in isolation) by 17.3% to Australia Retail and Commercial; 10.1% to New Zealand or 3.2% to Institutional.

As the recoverable amounts estimated on the basis of FVLCOD show a surplus of recoverable amount over carrying amount for the Australia Retail and Commercial, New Zealand and Institutional CGUs, such adverse movements would not necessarily trigger an impairment, rather they would trigger the need for a VIU assessment to be performed with any impairment determined on the basis of the higher of FVLCOD and VIU.

Value In Use

The Pacific CGU's recoverable amount was measured on the basis of its VIU (as this was higher than the FVLCOD). Recoverable amount under the VIU assessment was estimated at $466 million using a post-tax discount rate of 13%, which resulted in a shortfall relative to carrying amount. Accordingly an impairment loss of $50 million has been recognised at 30 September 2020, reducing the carrying amount of goodwill to nil. In addition, an associated assessment of the carrying values of the other assets in the Pacific was completed and no impairment (apart from goodwill) was recorded.

The goodwill applicable to each CGU before and after impairment charges and other adjustments is shown below:

Cash generating unit:	Balance as at 1 October 2019 $m	Impairment expense $m	Disposal on sale $m	Foreign exchange difference $m	Balance at 30 September 2020 $m
Australia	409	-	(6)	-	403
New Zealand	1,937	(27)	(118)	1	1,793
Institutional	1,071	-	-	(3)	1,068
Pacific	50	(50)	-	-	-
Total	3,467	(77)	(124)	(2)	3,264

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

RECOGNITION AND MEASUREMENT

The table below details how we recognise and measure different intangible assets:

	Goodwill	Software	Other Intangible Assets
Definition	Excess amount the Group has paid in acquiring a business over the fair value of the identifiable assets and liabilities acquired.	Purchases of "off the shelf" software assets are capitalised as assets. Internal and external costs incurred in building software and computer systems costing greater than $20 million are capitalised as assets. Those less than $20 million are expensed in the year in which the costs are incurred.	Management fee rights arising from acquisition of funds management business and an intangible asset arising from contractual rights.
Carrying value	Cost less any accumulated impairment losses. Allocated to the cash generating unit to which the acquisition relates.	Initially, measured at cost. Subsequently, carried at cost less accumulated amortisation and impairment losses. Costs incurred in planning or evaluating software proposals or in maintaining systems after implementation are not capitalised.	Initially, measured at fair value at acquisition. Subsequently, carried at cost less amortisation and impairment losses.
Useful life	Indefinite. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment.	Except for major core infrastructure, amortised over periods between 2-5 years; however major core infrastructure may be amortised up to 7 years subject to approval by the Audit Committee. Purchased software is amortised over 2 years unless it is considered integral to other assets with a longer useful life.	Management fee rights with an indefinite life are reviewed for impairment at least annually or when there is an indication of impairment. The contractual rights intangible asset has a useful life of 3 years.
Depreciation method	Not applicable.	Straight-line method.	Not applicable to indefinite life intangible assets. Straight line for those with a limited life.

20. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

KEY JUDGEMENTS AND ESTIMATES

Management judgement is used to assess the recoverable value of goodwill, and other intangible assets, and the useful economic life of an asset, or if an asset has an indefinite life. We reassess the recoverability of the carrying value at each reporting date.

Goodwill

A number of key judgements are required in the determination of whether or not a goodwill balance is impaired:

- the level at which goodwill is allocated – consistent with prior periods the CGUs to which goodwill is allocated are the Group's four revenue generating segments that benefit from relevant historical business combinations generating goodwill.
- determination of the carrying amount of each CGU which includes an allocation, on a reasonable and consistent basis of corporate assets and liabilities that are not directly attributable to the CGUs to which goodwill is allocated.
- assessment of the recoverable amount of each CGU used to determine whether the carrying amount of goodwill is supported is based on judgements including:
    - selection of the model used to determine the fair value – the Group has used the market multiple approach to estimate the fair value; and
    - selection of the key assumptions in respect of future maintainable earnings, the P/E multiple applied, including selection of an appropriate comparator group and determination of an appropriate control premium, and costs of disposal as described above.

The assessment of the recoverable amount of each CGU has been made within the context of the ongoing impact of COVID-19 on both earnings and asset prices, and reflects expectations of future events that are believed to be reasonable under the circumstances. The rapidly evolving consequences of COVID-19 and government, business and consumer responses create heightened uncertainty in these estimates and any variations could have a positive or adverse impact on the determination of recoverable amounts.

Software and other intangible assets

At each reporting date, software and other intangible assets, are assessed for indicators of impairment and, where such indicators are identified, an impairment assessment is performed. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the carrying amount of the asset is written down immediately. Those assets not yet ready for use are tested for impairment annually.

In addition, the expected useful lives of intangible assets are assessed at each reporting date. The assessment requires management judgement, and in relation to our software assets, a number of factors can influence the expected useful lives. These factors include changes to business strategy, significant divestments and the underlying pace of technological change.

During the Financial year the Group amended the application of the software policy to reflect the shorter useful lives of various types of software, including regulatory and compliance focused assets and purchased assets. These changes better reflect the Group's rapidly changing technology and business needs and ongoing reinvestment in purchased and internally developed software to ensure assets remain fit for purpose.

21. OTHER PROVISIONS

	2020 $m	2019 $m
ECL allowance on undrawn and contingent facilities[1]	898	668
Customer remediation	1,109	1,139
Restructuring costs	105	64
Non-lending losses, frauds and forgeries	79	94
Other	388	349
Total other provisions (including liabilities reclassified as held for sale)	2,579	2,314
Less: Other provisions reclassified as held for sale	-	(91)
Total other provisions	2,579	2,223

1. Refer to Note 13 Allowance for Expected Credit Losses for movement analysis.

	Customer remediation $m	Restructuring costs $m	Non-lending losses, frauds and forgeries $m	Other $m
Balance at 1 October 2018	602	105	100	191
New and increased provisions made during the year	857	97	18	338
Provisions used during the year	(186)	(117)	(5)	(71)
Unused amounts reversed during the year	(134)	(21)	(19)	(109)
Balance at 30 September 2019 (including liabilities reclassified as held for sale)	1,139	64	94	349
New and increased provisions made during the year	773	124	4	400
Provisions used during the year	(381)	(74)	(12)	(215)
Unused amounts reversed during the year[1]	(422)	(9)	(7)	(146)
Balance at end of year	1,109	105	79	388

1. Customer remediation includes a $99 million transfer to the purchaser on completion of divestment of part of Wealth Australia discontinued operations.

Customer remediation

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.

Restructuring costs

Provisions for restructuring costs arise from activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken and include employee termination benefits. Costs relating to on-going activities are not provided for and are expensed as incurred.

Non-lending losses, frauds and forgeries

Non-lending losses include losses arising from certain legal actions not directly related to amounts of principal outstanding for loans and advances and losses arising from forgeries, frauds and the correction of operational issues. The amounts recognised are the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

Other

Other provisions comprise various other provisions including workers compensation, make-good provisions associated with leased premises, warranties and indemnities provided in connection with various disposals of businesses and assets, and contingent liabilities recognised as part of a business combination.

21. OTHER PROVISIONS (continued)

RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

KEY JUDGEMENTS AND ESTIMATES

The Group holds provisions for various obligations including customer remediation, restructuring costs, non-lending losses, fraud and forgeries and litigation related claims. These provisions involve judgements regarding the timing and outcome of future events, including estimates of expenditure required to satisfy such obligations. Where relevant, expert legal advice has been obtained and, in light of such advice, provisions and/or disclosures as deemed appropriate have been made.

In relation to customer remediation, determining the amount of the provisions, which represent management's best estimate of the cost of settling the identified matters, requires the exercise of significant judgement. It will often be necessary to form a view on a number of different assumptions, including, the number of impacted customers, the average refund per customer, the associated remediation project costs, and the implications of regulatory exposures and customer claims having regard to their specific facts and circumstances. Consequently, the appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence including expert legal advices and adjustments are made to the provisions where appropriate.

22. SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

	2020 $m	2019 $m
Ordinary share capital	26,531	26,490
Reserves		
Foreign currency translation reserve	155	705
Share option reserve	85	89
FVOCI reserve	245	126
Cash flow hedge reserve	1,038	731
Transactions with non-controlling interests reserve	(22)	(22)
Total reserves	1,501	1,629
Retained earnings	33,255	32,664
Share capital and reserves attributable to shareholders of the Company	61,287	60,783
Non-controlling interests	10	11
Total shareholders' equity	61,297	60,794

ORDINARY SHARE CAPITAL

The table below details the movement in ordinary shares and share capital for the period.

	2020		2019	
	Number of shares	$m	Number of shares	$m
Balance at start of the year	2,834,584,923	26,490	2,873,618,118	27,205
Dividend reinvestment plan ('DRP') Issuances[1]	3,373,022	61	-	-
Bonus option plan[2]	2,412,280	-	2,999,796	-
Group employee share acquisition scheme	-	(20)	-	-
Share buy-back[3]	-	-	(42,032,991)	(1,120)
Treasury shares in Wealth Australia discontinued operations[4]	-	-	-	405
Balance at end of year	2,840,370,225	26,531	2,834,584,923	26,490

1. 3.4 million shares were issued under the Dividend Reinvestment Plan (DRP) for the 2020 interim dividend (nil shares for the 2019 final and interim dividend as the shares were purchased on-market and provided directly to shareholders participating in the DRP).
2. The Company issued 0.8 million shares under the Bonus Option Plan (BOP) for the 2020 interim dividend and 1.6 million shares for the 2019 final dividend (1.4 million shares for the 2019 interim dividend and 1.6 million shares for the 2018 final dividend).
3. The Company completed a $3.0 billion on-market share buy-back of ANZ ordinary shares purchasing $1,120 million in the September 2019 full year resulting in 42.0 million ANZ ordinary shares being cancelled in the September 2019 full year.
4. The successor fund transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF completed on 13 April 2019. As a result the Group no longer eliminates the ANZ shares previously held in Wealth Australia discontinued operations.

22. SHAREHOLDERS' EQUITY (continued)

RECOGNITION AND MEASUREMENT

Ordinary shares	Ordinary shares have no par value. They entitle holders to receive dividends, or proceeds available on winding up of the Company, in proportion to the number of fully paid ordinary shares held. They are recognised at the amount paid per ordinary share net of directly attributable costs. Every holder of fully paid ordinary shares present at a meeting in person, or by proxy, is entitled to: • on a show of hands, one vote; and • on a poll, one vote, for each share held.
Treasury shares	Treasury shares are shares in the Company which: • the ANZ Employee Share Acquisition Plan purchases on market and have not yet distributed, or • the Company issues to the ANZ Employee Share Acquisition Plan and have not yet been distributed, or • the life insurance business purchased and held to back policy liabilities in the statutory funds prior to the successor fund transfer performed in preparation for the sale of the Group's wealth business to Zurich and IOOF which completed on 13 April 2019. Treasury shares are deducted from share capital and excluded from the weighted average number of ordinary shares used in the earnings per share calculations.
Reserves:	
Foreign currency translation reserve	Includes differences arising on translation of assets and liabilities into Australian dollars when the functional currency of a foreign operation (including subsidiaries and branches) is not Australian dollars. In this reserve, we reflect any offsetting gains or losses on hedging these exposures, together with any tax effect.
Cash flow hedge reserve	Includes fair value gains and losses associated with the effective portion of designated cash flow hedging instruments together with any tax effect.
FVOCI reserve	Includes changes in the fair value of certain debt securities and equity securities included within Investment Securities together with any tax effect. In respect of debt securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition, except for those relating to allowance for expected credit losses, interest income and foreign currency exchange gains and losses which are recognised in profit or loss. As debt securities at FVOCI are recorded at fair value, the balance of the FVOCI reserve is net of the ECL allowance associated with such assets. When a debt security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is reclassified to profit or loss and presented in Other Operating Income. In respect of the equity securities classified as measured at FVOCI, the FVOCI reserve records accumulated changes in fair value arising subsequent to initial recognition (including any related foreign exchange gains or losses). When an equity security measured at FVOCI is derecognised, the cumulative gain or loss recognised in the FVOCI reserve in respect of that security is not recycled to profit or loss.
Share option reserve	Includes amounts which arise on the recognition of share-based compensation expense.
Transactions with non-controlling interests reserve	Includes the impact of transactions with non-controlling shareholders in their capacity as shareholders.
Non-controlling interests	Share in the net assets of controlled entities attributable to equity interests which the Company does not own directly or indirectly.

23. CAPITAL MANAGEMENT

CAPITAL MANAGEMENT STRATEGY

ANZ's capital management strategy aims to protect the interests of depositors, creditors and shareholders. We achieve this through an Internal Capital Adequacy Assessment Process (ICAAP) whereby ANZ conducts detailed strategic and capital planning over a 3 year time horizon.
The process involves:

- forecasting economic variables, financial performance of ANZ's divisions and the financial impact of new strategic initiatives to be implemented during the planning period;
- performing stress tests under different economic scenarios to determine the level of additional capital ('stress capital buffer') needed to absorb losses that may be experienced under an economic downturn;
- reviewing capital ratios and targets across various classes of capital against ANZ's risk profile; and
- developing a capital plan, taking into account capital ratio targets, current and future capital issuances requirements and options around capital products, timing and markets to execute the capital plan under differing market and economic conditions.

The capital plan is approved by the Board and updated as required. The Board and senior management are provided with regular updates of ANZ's capital position. Any material actions required to ensure ongoing prudent capital management are submitted to the Board for approval. Throughout the year, the Group maintained compliance with all the regulatory requirements related to Capital Adequacy in the jurisdictions in which it operates.

REGULATORY ENVIRONMENT

Australia

As ANZ is an Authorised Deposit-taking Institution (ADI) in Australia, it is primarily regulated by APRA under the *Banking Act 1959 (Cth)*. ANZ must comply with the minimum regulatory capital requirements, prudential capital ratios and specific reporting levels that APRA sets and which are consistent with the global Basel III capital framework. This is the common framework for determining the appropriate level of bank regulatory capital as set by the Basel Committee on Banking Supervision ("BCBS"). APRA requirements are summarised below:

Regulatory Capital Definition			
Common Equity Tier 1 (CET1) Capital	**Tier 1 Capital**	**Tier 2 Capital**	**Total Capital**
Shareholders' equity adjusted for specific items.	CET1 Capital plus certain securities with complying loss absorbing characteristics known as Additional Tier 1 Capital.	Subordinated debt instruments which have a minimum term of 5 years at issue date.	Tier 1 plus Tier 2 Capital.
Minimum Prudential Capital Ratios (PCRs)			
CET1 Ratio	**Tier 1 Ratio**	**Total Capital Ratio**	
CET1 Capital divided by total risk weighted assets must be at least 4.5%.	Tier 1 Capital divided by total risk weighted assets must be at least 6.0%.	Total Capital divided by total risk weighted assets must be at least 8.0%.	
Reporting Levels			
Level 1	**Level 2**	**Level 3**	
The ADI on a stand-alone basis (that is the Company and specified subsidiaries which are consolidated to form the ADI's Extended Licensed Entity).	The consolidated Group less certain subsidiaries and associates that are excluded under prudential standards.	A conglomerate Group at the widest level.	

APRA also requires the ADI to hold additional CET1 buffers as follows:

- a capital conservation buffer (CCB) of 3.5% which is inclusive of the additional 1% surcharge for domestically systemically important banks (D-SIBs). APRA has determined that ANZ is a D-SIB.
- a countercyclical capital buffer which is set on a jurisdictional basis. The requirement is currently set to zero for Australia.

ANZ reports to APRA on a Level 1 and Level 2 basis, and measures capital adequacy monthly on a Level 1 and Level 2 basis, and is not yet required to maintain capital on a Level 3 basis (APRA have yet to conclude required timing for Level 3 reporting).

Life Insurance and Funds Management

As required by APRA's Prudential Standards, insurance and funds management activities are:

- de-consolidated for the purposes of calculating capital adequacy; and
- excluded from the risk based capital adequacy framework.

We deduct the investment in these controlled entities 100% from CET1 capital, and if we include any profits from these activities in the Group's results, then we exclude them from the determination of CET1 capital to the extent they have not been remitted to the Company.

23. CAPITAL MANAGEMENT (continued)

Outside Australia

In addition to APRA, the Company's branch operations and major banking subsidiary operations are also overseen by local regulators such as the Reserve Bank of New Zealand, the US Federal Reserve, the UK Prudential Regulation Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and the China Banking and Insurance Regulatory Commission. They may impose minimum capital levels on operations in their individual jurisdictions.

CAPITAL ADEQUACY[1]

The following table provides details of the Group's capital adequacy ratios at 30 September:

	2020 $m	2019 $m
Qualifying capital		
Tier 1		
Shareholders' equity and non-controlling interests	61,297	60,794
Prudential adjustments to shareholders' equity	(205)	120
Gross Common Equity Tier 1 capital	61,092	60,914
Deductions	(12,390)	(13,559)
Common Equity Tier 1 capital	48,702	47,355
Additional Tier 1 capital[2]	7,779	7,866
Tier 1 capital	56,481	55,221
Tier 2 capital[3]	13,957	8,549
Total qualifying capital	70,438	63,770
Capital adequacy ratios (Level 2)		
Common Equity Tier 1	11.3%	11.4%
Tier 1	13.2%	13.2%
Tier 2	3.3%	2.1%
Total capital ratio	16.4%	15.3%
Risk weighted assets	429,384	416,961

1. This information is not within the scope of the external audit of the Group Financial Report by the Group's external auditor, KPMG. The information presented in this table is a regulatory requirement disclosed in Part A of the *APRA Reporting Form (ARF) 110 Capital Adequacy* which will be subject to audit in accordance with *Prudential Standard APS 310 Audit and Related Matters*.
2. This includes Additional Tier 1 capital of $8,196 million (2019: $8,171 million) (refer to Note 15 Debt issuances), reduced for regulatory adjustments and deductions of $417 million (2019: $305 million).
3. This includes Tier 2 capital of $12,865 million (2019: $8,415 million) (refer to Note 15 Debt issuances), general reserve for impairment of financial assets of $1,813 million (2019: $296 million) and deductions for regulatory adjustments of $721 million (2019: $162 million).

24. PARENT ENTITY FINANCIAL INFORMATION

Australia and New Zealand Banking Group Limited (the Company) has prepared a separate set of financial statements to satisfy the requirements of the Australian Financial Services Licence it holds with ASIC. These separate Company financial statements are available on the ANZ website at anz.com and have been lodged with ASIC.

Selected financial information of the Company is provided below:

SUMMARY FINANCIAL INFORMATION

	2020 $m	2019 $m
Income statement information for the financial year		
Profit after tax for the year	2,806	4,447
Total comprehensive income for the year	3,007	5,413
Balance sheet information as at the end of the financial year		
Cash and cash equivalents	98,083	77,949
Net loans and advances	488,002	484,655
Total assets	979,078	914,832
Deposits and other borrowings	558,136	524,241
Total liabilities	925,806	861,618
Shareholders' equity		
Ordinary share capital	26,454	26,413
Reserves	1,018	840
Retained earnings	25,800	25,961
Total shareholders' equity	53,272	53,214

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2020 $m	2019 $m
Contract amount of:		
Undrawn facilities	191,300	171,881
Guarantees and letters of credit	20,640	20,375
Performance related contingencies	15,505	20,097
Total	227,445	212,353

The contingent liabilities of the Group described under Other contingent liabilities in Note 33 are contingent liabilities of the parent entity (some are also contingent liabilities of other Group companies).

25. CONTROLLED ENTITIES

The ultimate parent of the Group is Australia and New Zealand Banking Group Limited	Incorporated in Australia	Nature of Business Banking
All controlled entities are 100% owned, unless otherwise noted.		
The material controlled entities of the Group are:		
ANZ Bank (Vietnam) Limited[1]	Vietnam	Banking
ANZ Capel Court Limited	Australia	Securitisation Manager
ANZ Funds Pty. Ltd.	Australia	Holding Company
ANZ Bank (Kiribati) Limited[1] (75% ownership)	Kiribati	Banking
ANZ Bank (Samoa) Limited[1]	Samoa	Banking
ANZ Bank (Thai) Public Company Limited[1]	Thailand	Banking
ANZ Holdings (New Zealand) Limited[1]	New Zealand	Holding Company
ANZ Bank New Zealand Limited[1]	New Zealand	Banking
ANZ Investment Services (New Zealand) Limited[1]	New Zealand	Funds Management
ANZ New Zealand (Int'l) Limited[1]	New Zealand	Finance
ANZ Wealth New Zealand Limited[1]	New Zealand	Holding Company
ANZ New Zealand Investments Limited[1]	New Zealand	Funds Management
ANZNZ Covered Bond Trust[1,4]	New Zealand	Finance
ANZ International Private Limited[1]	Singapore	Holding Company
ANZ Singapore Limited[1]	Singapore	Merchant Banking
ANZ International (Hong Kong) Limited[1]	Hong Kong	Holding Company
ANZ Asia Limited[1]	Hong Kong	Banking
ANZ Bank (Vanuatu) Limited[2]	Vanuatu	Banking
ANZcover Insurance Private Ltd[1]	Singapore	Captive-Insurance
ANZ Lenders Mortgage Insurance Pty. Limited	Australia	Mortgage Insurance
ANZ Residential Covered Bond Trust[4]	Australia	Finance
Australia and New Zealand Bank (China) Company Limited[1]	China	Banking
Australia and New Zealand Banking Group (PNG) Limited[1]	Papua New Guinea	Banking
Chongqing Liangping ANZ Rural Bank Company Limited[1]	China	Banking
Citizens Bancorp[3]	Guam	Holding Company
ANZ Guam Inc[3]	Guam	Banking
PT Bank ANZ Indonesia[1] **(99% ownership)**	Indonesia	Banking

1. Audited by overseas KPMG firms — either as part of the Group audit, or for standalone financial statements as required.
2. Audited by Law Partners.
3. Audited by Deloitte Guam.
4. Not owned by the Group. Control exists as the Group retains substantially all the risks and rewards of the operations.

25. CONTROLLED ENTITIES (continued)

CHANGES TO MATERIAL CONTROLLED ENTITIES

The following changes to our material entities have occurred during the year ended 30 September 2020.

- In January 2020, OnePath Funds Management Limited and OnePath Custodians Pty Limited was sold to IOOF Holdings Limited. The holding company of these entities, ANZ Wealth Australia Limited, is no longer considered to be a material entity.
- In September 2020, UDC Finance Limited was sold to Shinsei Bank Limited.

RECOGNITION AND MEASUREMENT

The Group's subsidiaries are those entities it controls through:

- being exposed to, or having rights to, variable returns from the entity; and
- being able to affect those returns through its power over the entity.

The Group assesses whether it has power over those entities by examining the Group's existing rights to direct the relevant activities of the entity.

If the Group sells or acquires subsidiaries during the year, it includes their operating results in the Group results to the date of disposal or from the date of acquisition. When the Group's control ceases, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity.

When the Group ceases to control a subsidiary, it:

- measures any retained interest in the entity at fair value; and
- recognises any resulting gain or loss in profit or loss.

If the Group's ownership interest in a subsidiary changes in a way that does not result in a loss of control, then the Group accounts for that as a transaction with equity holders in their capacity as equity holders.

All transactions between Group entities are eliminated on consolidation.

26. INVESTMENTS IN ASSOCIATES

Significant associates of the Group are:

Name of entity	Principal activity	Ordinary share interest 2020	Ordinary share interest 2019	Carrying amount $m 2020	Carrying amount $m 2019
AMMB Holdings Berhad ('AmBank')	Banking and insurance	24%	24%	1,056	1,586
PT Bank Pan Indonesia ('PT Panin')	Consumer and business bank	39%	39%	1,084	1,350
Aggregate other individually immaterial associates		n/a	n/a	24	21
Total carrying value of associates[1]				2,164	2,957

1. Includes the impact of foreign currency translation recognised in the foreign currency translation reserve.

FINANCIAL INFORMATION ON SIGNIFICANT ASSOCIATES

Set out below is the summarised financial information of each associate that is significant to the Group. The summarised financial information is based on the associates' IFRS financial information and may require the use of unaudited financial information as both associates have different financial years to the Group (PT Panin 31 December, AmBank 31 March).

	AMMB Holdings Berhad		PT Bank Pan Indonesia	
Principal place of business and country of incorporation	Malaysia		Indonesia	
	2020 $m	2019 $m	2020 $m	2019 $m
Summarised results				
Operating income	3,156	3,298	1,105	1,109
Profit for the year	456	569	319	349
Other comprehensive income/(loss)	105	69	72	24
Total comprehensive income	561	638	391	373
Less: Total comprehensive (income)/loss attributable to non–controlling interests	(26)	(25)	(11)	(12)
Total comprehensive income attributable to owners of associate	535	613	380	361
Summarised financial position				
Total assets[1]	53,301	55,740	19,669	22,518
Total liabilities[1]	48,530	48,718	16,599	18,743
Total Net assets[1]	4,771	7,022	3,070	3,775
Less: Non–controlling interests of associate	(343)	(368)	(294)	(309)
Net assets attributable to owners of associate	4,428	6,654	2,776	3,466
Reconciliation to carrying amount of Group's interest in associate				
Carrying amount at the beginning of the year	1,586	1,427	1,350	1,103
Group's share of total comprehensive income	126	146	150	140
Dividends received from associate	(32)	(50)	-	-
Group's share of other reserve movements of associate and foreign currency translation reserve adjustments[2]	(29)	63	(128)	107
Group's equity accounted share of AASB 9 transition adjustment[3]	-	-	(68)	-
Impairment charges[4]	(595)	-	(220)	-
Carrying amount at the end of the year	1,056	1,586	1,084	1,350
Market value of Group's investment in associate	727	1,050	653	1,303

1. Includes market value adjustments (including goodwill) the Group made at the time of acquisition (and adjustments for any differences in accounting policies).
2. In 2019, the Group recognised a decrease of $32m and $33m to the carrying value of AMMB Holdings Berhad and PT Bank Pan Indonesia respectively with a corresponding decrease to retained earnings reflecting the Group's share of the estimated initial application impact of IFRS 9 (the international equivalent of AASB 9).
3. In 2020, the Group recognised an adjustment of $68 million to the equity accounted earnings of PT Panin. When the Group adopted AASB 9 Financial Instruments on 1 October 2018, an estimate of PT Panin's transition adjustment was recognised through opening retained earnings to align accounting policies. PT Panin adopted AASB 9 during the current financial year recognising a transition adjustment in retained earnings. The adjustment of $68 million represents the Group's equity accounted share of the transition adjustment net of amounts previously recognised by the Group on 1 October 2018.
4. The Group recorded an impairment charge of $815 million in other operating income based on impairment assessments performed as part of the Group 31 March 2020 half year results with AmBank impaired by $595 million and PT Panin impaired by $220 million.

26. INVESTMENTS IN ASSOCIATES (continued)

IMPAIRMENT ASSESSMENT

The Group assesses the carrying value of its associate investments for impairment indicators.

During the year the Group identified an indicator of impairment as neither the market values of the investments in AMMB Holdings Berhad (AmBank) and PT Bank Pan Indonesia (PT Panin) (based on share price) nor the value-in-use (VIU) calculation supported the carrying value of either investment. Accordingly, the Group recorded an impairment charge of $815 million ($595 million for AmBank and $220 million for PT Panin).

VIU assessments were also conducted as at 30 September 2020 given the market values were below their carrying values. The assumptions used in the VIU were updated to reflect the ongoing impact of COVID-19 and the uncertainty of the future performance of these investments. The VIU assessments supported the carrying value of both Ambank and PT Panin as at 30 September 2020, however did not indicate the recoverable amount of either investments had increased sufficiently to reverse any of the impairment recorded during the year.

RECOGNITION AND MEASUREMENT

An associate is an entity over which the Group has significant influence over its operating and financial policies but does not control. The Group accounts for associates using the equity method. Its investments in associates are carried at cost plus the post-acquisition share of changes in the associate's net assets less accumulated impairments. Dividends the Group receives from associates are recognised as a reduction in the carrying amount of the investment. The Group includes goodwill relating to the associate in the carrying amount of the investment. It does not individually test the goodwill incorporated in the associates carrying amount for impairment.

At least at each reporting date, the Group reviews investments in associates for any indication of impairment. If an indication of impairment exists, then the Group determines the recoverable amount of the associate using the higher of:

- the associate's fair value less cost of disposal; and
- its value-in use.

We use a discounted cash flow methodology, and when applicable, other methodologies (such as capitalisation of earnings methodology), to determine the recoverable amount.

KEY JUDGEMENTS AND ESTIMATES

The ongoing impact of COVID-19 on the valuation of AmBank and PT Panin is uncertain. Significant management judgment is required to determine the key assumptions underpinning the VIU calculations. Factors that may change in subsequent periods and lead to potential future impairments include lower than forecast earnings levels in the near term and/or a decrease in the long term growth forecasts, increases to required levels of regulatory capital and an increase in the post-tax discount rate arising from an increase in the risk premium or risk-free rates.

The key assumptions used in the value-in-use calculation are outlined below:

As at 30 September 2020	AmBank	PT Panin
Post-tax discount rate	11.3%	15.2%
Terminal growth rate	4.8%	5.3%
Expected earnings growth (compound annual growth rate – 5 years)	2.8%	4.2%
Common Equity Tier 1 ratio (5 year average)	12.9%	12.8%

The VIU calculations are sensitive to changes in the underlying assumptions with reasonably possible changes in key assumptions having a positive or negative impact on the VIU outcome, and as such the recoverable amount of the investment.

- A change in the September 2020 post-tax discount rate by +/- 50bps would impact the VIU outcome for PT Panin by $(46 million) / $50 million, and $(87 million) / $99 million for AmBank.
- A change in the September 2020 terminal growth rate by +/- 25bps would impact the VIU outcome for PT Panin by $8 million / ($8 million) and $47 million / ($44 million) for Ambank.

  Neither investment would be impaired if the discount rate were increased or the terminal growth rate reduced by the reasonably possible changes above.

27. STRUCTURED ENTITIES

A Structured Entity (SE) is an entity that has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity. SEs are generally established with restrictions on their ongoing activities in order to achieve narrow and well defined objectives.

SEs are classified as subsidiaries and consolidated when control exists. If the Group does not control a SE, then it is not consolidated. This note provides information on both consolidated and unconsolidated SEs.

The Group's involvement with SEs is as follows:

Type	Details
Securitisation	The Group controls SEs established to securitise customer loans and advances that it has originated, in order to diversify sources of funding for liquidity management. Such transactions involve transfers to an internal securitisation (bankruptcy remote) vehicle used to create assets that are eligible for repurchase under agreements with the applicable central bank. These internal securitisation SEs are consolidated. Refer to Note 28 Transfers of Financial Assets for further details. The Group also establishes SEs on behalf of customers to securitise their loans or receivables. The Group may manage these securitisation vehicles or provide liquidity or other support. Additionally, the Group may acquire interests in securitisation vehicles set up by third parties through holding securities issued by such entities. In limited circumstances where control exists, the Group consolidates the SE.
Covered bond issuances	Certain loans and advances have been assigned to bankruptcy remote SEs to provide security for issuances of debt securities by the Group. The Group retains control over these SEs and therefore they are consolidated. Refer to Note 28 Transfers of Financial Assets for further details.
Structured finance arrangements	The Group is involved with SEs established: • in connection with structured lending transactions to facilitate debt syndication and/or to ring-fence collateral; and • to own assets that are leased to customers in structured leasing transactions. The Group may manage the SE, hold minor amounts of the SE's capital, or provide risk management products (derivatives) to the SE. In most instances, the Group does not control these SEs. In limited circumstances where control exists, the Group consolidates the SE.
Funds management activities	The Group conducts investment management and other fiduciary activities as a responsible entity, trustee, custodian or manager for investment funds and trusts – including superannuation funds and wholesale and retail trusts (collectively 'Investment Funds'). The Investment Funds are financed through the issuance of puttable units to investors. The Group's exposure to Investment Funds is limited to receiving fees for services and derivatives entered into for risk management purposes. These interests do not create significant exposures to the funds that would allow the Group to control the funds. Therefore, the funds are not consolidated.

27. STRUCTURED ENTITIES (continued)

CONSOLIDATED STRUCTURED ENTITIES

FINANCIAL OR OTHER SUPPORT PROVIDED TO CONSOLIDATED STRUCTURED ENTITIES

The Group provides financial support to consolidated SEs as outlined below. As these are intra-group transactions, they are eliminated on consolidation:

Securitisation and covered bond issuances	The Group provides lending facilities, derivatives and commitments to these SEs and/or holds debt instruments that they have issued.
Structured finance arrangements	The assets held by these SEs are normally pledged as collateral for financing provided. Certain consolidated SEs are financed entirely by the Group while others are financed by syndicated loan facilities in which the Group is a participant. The financing provided by the Group includes lending facilities where the Group's exposure is limited to the amount of the loan and any undrawn amount. Additionally, the Group has provided Letters of Support to these consolidated SEs confirming that the Group will not demand repayment of the financing provided for the ensuing 12 month period.

The Group did not provide any non-contractual support to consolidated SEs during the year (2019: nil). Other than as disclosed above, the Group does not have any current intention to provide financial or other support to consolidated SEs.

UNCONSOLIDATED STRUCTURED ENTITIES

GROUP'S INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

An 'interest' in an unconsolidated SE is any form of contractual or non-contractual involvement with a SE that exposes the Group to variability of returns from the performance of that SE. These interests include, but are not limited to: holdings of debt or equity securities; derivatives that pass-on risks specific to the performance of the SE; lending; loan commitments; financial guarantees; and fees from funds management activities.

For the purpose of disclosing interests in unconsolidated SEs:

- no disclosure is made if the Group's involvement is not more than a passive interest - for example: when the Group's involvement constitutes a typical customer-supplier relationship. On this basis, exposures to unconsolidated SEs that arise from lending, trading and investing activities are not considered disclosable interests - unless the design of the structured entity allows the Group to participate in decisions about the relevant activities (being those that significantly affect the entity's returns).
- 'interests' do not include derivatives intended to expose the Group to market-risk (rather than performance risk specific to the SE) or derivatives through which the Group creates, rather than absorbs, variability of the unconsolidated SE (such as purchase of credit protection under a credit default swap).

The table below sets out the Group's interests in unconsolidated SEs together with the maximum exposure to loss that could arise from those interests:

	Securitisation		Structured finance		Total	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
On-balance sheet interests						
Investment securities	2,280	1,923	-	-	2,280	1,923
Gross loans and advances	8,479	7,679	74	110	8,553	7,789
Total on-balance sheet	10,759	9,602	74	110	10,833	9,712
Off-balance sheet interests						
Commitments (facilities undrawn)	2,072	1,531	22	9	2,094	1,540
Guarantees	40	67	-	-	40	67
Total off-balance sheet	2,112	1,598	22	9	2,134	1,607
Maximum exposure to loss	12,871	11,200	96	119	12,967	11,319

In addition to the interests above, the Group earned funds management fees from unconsolidated investment funds of $285 million (2019: $509 million) during the year.

27. STRUCTURED ENTITIES (continued)

The Group's maximum exposure to loss represents the maximum amount of loss that the Group could incur as a result of its involvement with unconsolidated SEs if loss events were to take place — regardless of the probability of occurrence. This does not in any way represent the actual losses expected to be incurred. Furthermore, the maximum exposure to loss is stated gross of the effects of hedging and collateral arrangements entered into to mitigate ANZ's exposure to loss.

The maximum exposure to loss has been determined as:

- the carrying amount of Investment securities measured at amortised cost; and
- the carrying amount plus the undrawn amount of any committed loans and advances.

The size of unconsolidated SEs is indicated by total assets which vary by SE with a maximum value of approximately $5.1 billion.

The Group did not provide any non-contractual support to unconsolidated SEs during the year (2019: nil) nor does it have any current intention to provide financial or other support to unconsolidated SEs.

SPONSORED UNCONSOLIDATED STRUCTURED ENTITIES

The Group may also sponsor unconsolidated SEs in which it has no disclosable interest.

For the purposes of this disclosure, the Group considers itself the 'sponsor' of an unconsolidated SE if it is the primary party involved in the design and establishment of that SE and:

- the Group is the major user of that SE; or
- the Group's name appears in the name of that SE, or on its products; or
- the Group provides implicit or explicit guarantees of that SE's performance.

The Group has sponsored the ANZ PIE Fund in New Zealand, which invests only in deposits with ANZ Bank New Zealand Limited. The Group does not provide any implicit or explicit guarantees of the capital value or performance of investments in the ANZ PIE Fund. There was no income received from, nor assets transferred to, this entity during the year.

KEY JUDGEMENTS AND ESTIMATES

Significant judgement is required in assessing whether the Group has control over Structured Entities. Judgement is required to determine the existence of:

- power over the relevant activities (being those that significantly affect the entity's returns);
- exposure to variable returns of the entity; and
- the ability to use its power over the entity to affect the Group's returns.

28. TRANSFERS OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions where it transfers financial assets directly to third parties or to SEs. These transfers may give rise to the Group fully, or partially, derecognising those financial assets - depending on the Group's exposure to the risks and rewards or control over the transferred assets. If the Group retains substantially all of the risk and rewards of a transferred asset, the transfer does not qualify for derecognition and the asset remains on the Group's balance sheet in its entirety.

SECURITISATIONS

Net loans and advances include residential mortgages securitised under the Group's securitisation programs which are assigned to bankruptcy remote SEs to provide security for obligations payable on the notes issued by the SEs. The holders of the issued notes have full recourse to the pool of residential mortgages which have been securitised and the Group cannot otherwise pledge or dispose of the transferred assets.

In some instances the Group is also the holder of the securitised notes. In addition, the Group is entitled to any residual income of the SEs and sometimes enters into derivatives with the SEs. The Group retains the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SE is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with these securitisation SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group.

COVERED BONDS

The Group operates various global covered bond programs to raise funding in its primary markets. Net loans and advances include residential mortgages assigned to bankruptcy remote SEs associated with these covered bond programs. The mortgages provide security for the obligations payable on the issued covered bonds.

The covered bond holders have dual recourse to the issuer and the cover pool of assets. The issuer cannot otherwise pledge or dispose of the transferred assets, however, subject to legal arrangements it may repurchase and substitute assets as long as the required cover is maintained.

The Group is required to maintain the cover pool at a level sufficient to cover the bond obligations. In addition, the Group is entitled to any residual income of the covered bond SEs and enters into derivatives with the SEs. The Group retains the majority of the risks and rewards of the residential mortgages and continues to recognise the mortgages as financial assets. The obligation to pay this amount to the SEs is recognised as a financial liability of the Group.

The Group is exposed to variable returns from its involvement with the covered bond SEs and has the ability to affect those returns through its power over the SEs activities. The SEs are therefore consolidated by the Group. The covered bonds issued externally are included within debt issuances.

REPURCHASE AGREEMENTS

When the Group sells securities subject to repurchase agreements under which we retain substantially all the risks and rewards of ownership, then those assets do not qualify for derecognition. An associated liability is recognised for the consideration received from the counterparty.

STRUCTURED FINANCE ARRANGEMENTS

The Group arranges funding for certain customer transactions through structured leasing and commodity prepayment arrangements. These transactions are recognised on Group's balance sheet as lease receivables or loans. At times, other financial institutions participate in the funding of these arrangements. This participation involves a proportionate transfer of the rights to the assets recognised by the Group. The participating banks have limited recourse to the leased assets or financed commodity and related proceeds. Where the Group continues to be exposed to some of the risks of the transferred assets through a derivative or other continuing involvement, the Group does not derecognise the lease receivable or loan. Instead, the Group recognises an associated liability representing its obligations to the participating financial institutions.

The table below sets out the balance of assets transferred that do not qualify for derecognition, along with the associated liabilities:

	Securitisations[1,2]		Covered bonds		Repurchase agreements		Structured finance arrangements	
	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m	2020 $m	2019 $m
Current carrying amount of assets transferred	**1,831**	2,422	**28,559**	30,799	**61,415**	43,213	**67**	81
Carrying amount of associated liabilities	**1,824**	2,411	**15,948**	20,957	**55,716**	41,367	**67**	81

1. Does not include transfers to internal structured entities where there are no external investors.
2. The securitisation noteholders have recourse only to the pool of residential mortgages which have been securitised. The carrying value of securitised assets and the associated liabilities approximates their fair value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

DISCONTINUED OPERATIONS

In October 2017, the Group announced it had agreed to sell its OnePath pensions and investments (OnePath P&I) business and Aligned Dealer Groups (ADGs) businesses to IOOF. The sale of the ADG business completed on 1 October 2018 and the sale of OnePath P&I business was completed on 31 January 2020.

In December 2017, the Group announced that it had agreed to the sale of its life insurance business to Zurich Financial Services Australia (Zurich) and the transaction was completed on 31 May 2019.

As a result of the sale transactions outlined above, the financial results of the businesses to be divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective.

Details of the financial performance and cash flows of discontinued operations are shown below.

Income Statement

	2020 $m	2019 $m
Net interest income	(5)	(76)
Other operating income[1]	(46)	245
Operating income	(51)	169
Operating expenses[1]	(200)	(449)
Profit/(Loss) before credit impairment and income tax	(251)	(280)
Credit impairment (charge)/release	-	1
Profit/(Loss) before income tax	(251)	(279)
Income tax expense[1]	153	(64)
Profit/(Loss) for the period attributable to shareholders of the Company[1,2]	(98)	(343)

1. Includes customer remediation of $96 million post-tax recognised in the September 2020 financial year (2019: $207 million) comprising $128 million customer remediation recognised in other operating income (2019: $161 million), -$2 million of remediation costs recognised in Operating expenses (2019: $80 million), and $30 million income tax benefit (2019: $34 million).
2. Includes the results of the OnePath P&I business up to the sale completion in January 2020 and the life insurance business up to the sale completion in May 2019.

Cash Flow Statement

	2020 $m	2019 $m
Net cash provided by/(used in) operating activities	(25)	(552)
Net cash provided by/(used in) investing activities	-	837
Net cash provided by/(used in) financing activities	25	(290)
Net increase/(decrease) in cash and cash equivalents	-	(5)

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale are re-measured at the lower of their existing carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement and continue to be recognised at their existing carrying value.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE (continued)

As at 30 September [1]	2019 Discontinued Operations $m
Trading securities	919
Deferred tax assets	16
Goodwill and other intangible assets	394
Premises and equipment	1
Other assets	501
Total assets held for sale	1,831
Current tax liabilities	3
Deferred tax liabilities	105
Payables and other liabilities	1,914
Provisions[2]	99
Total liabilities held for sale	2,121

1. Amounts in the table above are shown net of intercompany balances.
2. Includes employee entitlements of $8 million and other provisions of $91 million.

INCOME STATEMENT IMPACT RELATING TO ASSETS AND LIABILITIES HELD FOR SALE

During the 2020 financial year, the Group recognised the following impacts in relation to assets and liabilities held for sale that were recognised in discontinued operations:

- $13 million loss after tax recorded in operating income attributable to sale completion costs.
- $126 million of customer remediation charges ($128 million recorded in operating income and a release of $2 million recorded in operating expenses) and an associated $30 million tax benefit.
- $101 million charge was recorded in operating income offset by a $101 million tax benefit within income tax expense relating to the finalisation of the policyholder tax position associated with the sale of the life insurance business to Zurich.

During the 2019 financial year, the Group recognised the following impacts in relation to assets and liabilities held for sale:

- $65 million loss after tax on discontinued operations, comprising a net loss of $1 million from sale related adjustments and write-downs, partially offset by the recycling of gains previously deferred in equity reserves on sale completion, and a $64 million income tax expense. This loss was recognised in discontinued operations.
- $10 million gain after tax relating to the sale of Cambodia JV, comprising a $30 million release from the foreign currency translation reserve, a $17 million dividend withholding tax associated with the sale completion and $3 million of asset write-offs. The gain was recognised in continuing operations.
- $1 million gain after tax relating to the sale of PNG Retail, Commercial and SME, net of costs associated with the sale. The gain was recognised in continuing operations.
- $76 million gain after tax relating to the sale of the OPL NZ business, comprising a $56 million gain on sale, a $26 million release from the foreign currency translation reserve, a $7 million provision release and a $13 million income tax expense. The gain was recognised in continuing operations.
- $37 million gain after tax relating to the sale of the Paymark. The gain was recognised in continuing operations.

29. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE (continued)

RECOGNITION AND MEASUREMENT

LIFE INSURANCE CONTRACT LIABILITIES AND LIABILITIES CEDED UNDER REINSURANCE CONTRACTS

We calculate Life insurance contract Liabilities under the Margin on Service (MoS) model using a projection method based on actuarial principles and standards.

We discount the expected future cash flows of these contracts at the risk-free discount rate.

LIFE INVESTMENT CONTRACT LIABILITIES

A life investment contract liability is measured at fair value and is directly linked to the fair value of the assets that back it. For guaranteed policies, we determine the liability as the net present value of expected cash flows, subject to a minimum of current surrender value.

KEY JUDGEMENTS AND ESTIMATES

A significant level of judgement is used by the Group to determine:

- whether an asset or group of assets is classified and presented as held for sale or as a discontinued operation; and
- the fair value of the assets and liabilities classified as being held for sale.

Management is required to exercise significant judgement when assessing the fair value less costs to sell for assets and liabilities held for sale. The judgemental factors include determining: costs to sell, allocation of goodwill, indemnities provided under the sale contract and consideration received - particularly where elements of consideration are contingent in nature. Any impairment we record is based on the best available evidence of fair value compared to the carrying value before the impairment. The final sale price may be different to the fair value we estimate when recording the impairment. Management regularly assess the appropriateness of the underlying assumptions against actual outcomes and other relevant evidence and adjustments are made to fair value where appropriate. We expect that the sales will complete within 12 months after balance date, subject to the relevant regulatory approvals and customary terms of sale for such assets.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS

Set out below is a summary of amounts recognised in the Balance Sheet in respect of the defined benefit superannuation schemes:

	2020 $m	2019 $m
Defined benefit obligation and scheme assets		
Present value of funded defined benefit obligation	(1,478)	(1,538)
Fair value of scheme assets	1,693	1,739
Net defined benefit asset	215	201
As represented in the Balance Sheet		
Net liabilities arising from defined benefit obligations included in payables and other liabilities	(59)	(54)
Net assets arising from defined benefit obligations included in other assets	274	255
Net defined benefit asset	215	201
Weighted average duration of the benefit payments reflected in the defined benefit obligation (years)	14.9	14.9

As at the most recent reporting dates of the schemes, the aggregate surplus of net market value of assets over the value of accrued benefits on a funding basis was $104 million (2019 surplus of $48 million). In 2020, the Group made defined benefit contributions totaling $4 million (2019: $3 million). It expects to make contributions of around $3 million next financial year.

GOVERNANCE OF THE SCHEMES AND FUNDING OF THE DEFINED BENEFIT SECTIONS

The main defined benefit superannuation schemes in which the Group participates operate under trust law and are managed and administered on behalf of the members in accordance with the terms of the relevant trust deed and rules and all relevant legislation. These schemes have corporate trustees, which are wholly owned subsidiaries of the Group. The trustees are the legal owners of the assets, which are held separately from the assets of the Group, and are responsible for setting investment policy and agreeing funding requirements with the employer through the triennial actuarial valuation process.

The Group has defined benefit arrangements in Australia, Japan, New Zealand, Philippines, Taiwan and United Kingdom. The defined benefit section of the ANZ Australian Staff Superannuation Scheme, the ANZ UK Staff Pension Scheme and the ANZ National Retirement Scheme in New Zealand are the three largest plans. They have been closed to new members since 1987, 2004 and 1991 respectively. None of the schemes had a material deficit, or surplus, at the last funding valuation. The Group has no present liability under any of the schemes' trust deeds to fund a deficit (measured on a funding basis). A contingent liability of the Group may arise if any of the schemes were wound up.

RECOGNITION AND MEASUREMENT

Defined benefit superannuation schemes

The Group operates a small number of defined benefit schemes. Independent actuaries calculate the liability and expenses related to providing benefits to employees under each defined benefit scheme. They use the Projected Unit Credit Method to value the liabilities. The balance sheet includes:

- a defined benefit liability if the obligation is greater than the fair value of the schemes assets; and
- an asset (capped to its recoverable amount) if the fair value of the assets is greater than the obligation.

In each reporting period, the movements in the net defined benefit liability are recognised as follows:

- the net movement relating to the current period's service cost, net interest on the defined benefit liability, past service costs and other costs (such as the effects of any curtailments and settlements) as operating expenses;
- remeasurements of the net defined benefit liability (which comprise actuarial gains and losses and return on scheme assets, excluding interest income included in net interest) directly in retained earnings through other comprehensive income; and
- contributions of the Group directly against the net defined benefit position.

Defined contribution superannuation schemes

The Group operates a number of defined contribution schemes. It also contributes (according to local law, in the various countries in which it operates) to Government and other plans that have the characteristics of defined contribution plans. The Group's contributions to these schemes are recognised as personnel expenses when they are incurred.

30. SUPERANNUATION AND POST EMPLOYMENT BENEFIT OBLIGATIONS (continued)

KEY JUDGEMENTS AND ESTIMATES

The main assumptions we use in valuing defined benefit obligations are listed in the table below. A change to any assumptions, or applying different assumptions, could have an affect on the Statement of Other Comprehensive Income and Balance Sheet.

Assumptions	2020	2019	Sensitivity analysis change in significant assumptions	Increase/(decrease) in defined benefit obligation 2020 $m	Increase/(decrease) in defined benefit obligation 2019 $m
Discount rate (% p.a.)	0.5 - 1.7	1.1 - 2.0	0.5% increase	(103)	(107)
Future salary increases (% p.a.)	1.6 - 3.0	1.7 - 3.2			
Future pension indexation					
In payment (% p.a.)/In deferment (% p.a)	1.1 - 2.8/2.2	1.7 - 3.0/2.3	0.5% increase	85	80
Life expectancy at age 60 for current pensioners			1 year increase	73	70
– Males (years)	26.0 - 28.7	25.6 - 28.6			
– Females (years)	28.9 - 30.4	28.8 - 30.3			

31. EMPLOYEE SHARE AND OPTION PLANS

ANZ operates a number of employee share and option schemes under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan.

ANZ EMPLOYEE SHARE ACQUISITION PLAN

ANZ Employee Share Acquisition Plan schemes that operated during the 2020 and 2019 years were the Employee Share Offer and the Deferred Share Plan.

Employee Share Offer

Eligibility	Most permanent employees employed in either Australia or New Zealand with three years continuous service for the most recent financial year.
Grant	Up to AUD 1,000 in Australia (and AUD 800 in New Zealand) of ANZ shares, subject to Board approval.
Allocation value	One week Volume Weighted Average Price (VWAP) of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Australia	ANZ ordinary shares are granted to eligible employees for nil consideration. The shares vest on grant and are held in trust for three years from grant date, after which time they may remain in trust, be transferred to the employee's name or sold. Dividends are automatically reinvested in the Dividend Reinvestment Plan.
New Zealand	Shares are granted to eligible employees on payment of NZD one cent per share. Shares vest subject to satisfaction of a three-year service period, after which they may remain in trust, be transferred to the employee's name or sold. Unvested shares are forfeited if the employee resigns or is dismissed for serious misconduct. Dividends are either paid in cash or reinvested into the Dividend Reinvestment Plan.
Expensing value (fair value)	In Australia, the fair value of the shares is expensed in the year shares are granted, as they are not subject to forfeiture. In New Zealand, the fair value is expensed on a straight-line basis over the three year vesting period. The expense is recognised as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	698,862 shares were granted on 2 December 2019 at an issue price of $24.96, noting this is the final Employee Share Offer in its current form following changes to variable remuneration (effective financial year 2020) as part of the Reimagining Reward initiative. 656,738 shares were granted on 3 December 2018 at an issue price of $26.91.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Deferred Share Plan

i) ANZ Incentive Plan (ANZIP) - Chief Executive Officer (CEO), Group Executive Committee (ExCo) and other Banking Executive Accountability Regime (BEAR) Accountable Executives

Eligibility	Group CEO, ExCo and Group General Manager Internal Audit (GGM IA).
Grant	50% of the CEO's Annual Variable Remuneration (AVR), 25% of ExCo's Variable Remuneration (VR) (except for the Chief Risk Officer (CRO)), and 33% of the CRO and GGM IA's VR, is received as deferred shares.
Conditions	Deferred over at least one to four years from the date the Board approved the variable remuneration award.

ii) ANZIP (all employees excluding the CEO, ExCo and other BEAR Accountable Executives[1]) and Business Unit Incentive Plans (BUIPs)

Eligibility	All employees excluding the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	If VR is at or exceeds AUD 150,000, then 60% of VR amounts exceeding AUD 80,000 (subject to a minimum deferral amount of AUD 42,000) is deferred as shares.
Conditions	Deferred over three years from grant date.

iii) Long Term Incentives (LTIs)

Eligibility	Selected employees (excludes the CEO, ExCo and GGM IA (i.e. other BEAR Accountable Executive).
Grant	100% deferred shares.
Conditions	Vest three years from grant date.

iv) Exceptional circumstances

Remuneration foregone	In exceptional circumstances, we grant deferred shares to certain employees when they start with ANZ to compensate them for remuneration they have foregone from their previous employer. The vesting period generally aligns with the remaining vesting period of the remuneration they have foregone, and therefore varies between grants.
Retention	We may grant deferred shares to high performing employees who are regarded as a significant retention risk to ANZ.

v) Further information

Cessation	Unless the Board decides otherwise, employees forfeit their unvested deferred shares if they resign, are terminated on notice, or are dismissed for serious misconduct. The deferred shares may be held in trust beyond the deferral period.
Dividends	Dividends are paid in cash or reinvested in the Dividend Reinvestment Plan.
Instrument	Deferred share rights may be granted instead of deferred shares in some countries as locally appropriate (see deferred share rights section).
Allocation value	All deferred shares are issued based on the VWAP of ANZ shares traded on the ASX in the week leading up to and including the date of grant.
Expensing value (fair value)	We expense the fair value of deferred shares on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
2020 and 2019 grants	During the 2020 year, we granted 2,259,897 deferred shares (2019: 1,945,668) with a weighted average grant price of $24.94 (2019: $25.39).
Malus (downward adjustment)	Deferred shares remain at risk and the Board has the discretion to adjust the number of deferred shares downwards, including to zero at any time before the vesting date. ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report. Board discretion was not exercised to adjust downward any deferred shares in 2020 (2019: 9,810).

1. Specific deferral arrangements also exist under ANZIP for roles defined as United Kingdom Material Risk Takers and China Material Risk Takers, in line with local regulatory requirements.

Expensing of the ANZ Employee Share Acquisition Plan

Expensing value (fair value)	The fair value of shares we granted during 2020 under the Employee Share Offer and the Deferred Share Plan, measured as at the date of grant of the shares, is $73.4 million (2019: $67.7 million) based on 2,958,759 shares (2019: 2,602,406) at VWAP of $24.81 (2019: $26.01).

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ANZ SHARE OPTION PLAN

Allocation	We may grant selected employees options/rights which entitle them to acquire fully paid ordinary ANZ shares at a fixed price at the time the options/rights vest. Voting and dividend rights will be attached to the ordinary shares allocated on exercise of the options/rights. Each option/right entitles the holder to one ordinary share subject to the terms and conditions imposed on grant. Exercise price of options, determined in accordance with the rules of the plan, is generally based on the VWAP of the shares traded on the ASX in the week leading up to and including the date of grant. For rights, the exercise price is nil.
Rules	Prior to the exercise of the option/right if ANZ changes its share capital due to a bonus share issue, pro-rata new share issue or reorganisation the following adjustments are required: • Issue of bonus shares - When the holder exercises their option, they are also entitled to be issued the number of bonus shares they would have been entitled to had they held the underlying shares at the time of the bonus issue; • Pro-rata share offer - We will adjust the exercise price of the option in the manner set out in the ASX Listing Rules; and • Reorganisation - In respect of rights, if there is a bonus issue or reorganisation of ANZ's share capital, then the Board may adjust the number of rights or the number of underlying shares so that there is no advantage or disadvantage to the holder. Holders otherwise have no other entitlements to participate: • in any new issue of ANZ securities before they exercise their options/rights; or • in a share issue of a body corporate other than ANZ (such as a subsidiary). Any portion of the award which vests may, at the Board's discretion, be satisfied by a cash equivalent payment rather than shares.
Expensing	We expense the fair value of options/rights on a straight-line basis over the relevant vesting period and we recognise the expense as a share-based compensation expense with a corresponding increase in equity.
Cessation	The provisions that apply if the employee's employment ends are in section 8.2.3 of the 2020 Remuneration Report.
Malus (downward adjustment)	ANZ's malus (downward adjustment) provisions are detailed in section 5.3 of the 2020 Remuneration Report.

Option Plans that operated during 2020 and 2019

i) Performance Rights

Allocation	We grant performance rights to the CEO and ExCo, and have granted performance rights to selected employees, as part of ANZ's variable remuneration plans. Performance rights provide the holder with the right to acquire ANZ shares at nil cost, subject to a four-year vesting period[1] and Total Shareholder Return (TSR) performance hurdles. Further details on the performance hurdles are in section 5.2.3a of the 2020 Remuneration Report.
Satisfying vesting	Any portion of the award of performance rights (that have met the performance hurdles) may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. In 2020, all performance rights lapsed due to not meeting the performance hurdles. In 2019, the performance rights that vested were satisfied through a share allocation, other than 47,195 performance rights for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, we granted 520,172 performance rights (2019: 885,810).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any performance rights in 2020 (2019: 59,012).

1. Three years for grants during 2019.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

ii) Deferred Share Rights (no performance hurdles)	
Allocation	Deferred share rights provide the holder with the right to acquire ANZ shares at nil cost after a specified vesting period. We adjust the fair value of rights for the absence of dividends during the restriction period.
Satisfying vesting	Any portion of the award of share rights may be satisfied by a cash equivalent payment rather than shares at the Board's discretion. All share rights were satisfied through a share allocation, other than 99,891 deferred share rights (2019: 68,357) for which a cash payment was made.
2020 and 2019 grants	During the 2020 year, 2,393,424 deferred share rights (no performance hurdles) were granted (2019: 2,078,427).
Malus (downward adjustment)	Board discretion was not exercised to adjust downward any deferred share rights in 2020 (2019: 11,824).

Options, Deferred Share Rights and Performance Rights on Issue

As at 4 November 2020, there were 543 holders of 4,489,045 deferred share rights on issue and 125 holders of 2,216,062 performance rights on issue.

Options/Rights Movements

This table shows the options/rights over unissued ANZ shares and their related weighted average (WA) exercise prices as at the beginning and end of 2020 and the movements during 2020:

	Opening balance 1 Oct 2019	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2020
Number of options/rights	6,688,538	2,913,596	(976,468)	0	(1,901,109)	6,724,557
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$19.94
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						151,829

This table shows the options/rights over unissued ANZ shares and their related weighted average exercise prices as at the beginning and end of 2019 and the movements during 2019:

	Opening balance 1 Oct 2018	Options/ rights granted	Options/ rights forfeited[1]	Options/ rights expired	Options/ rights exercised	Closing balance 30 Sep 2019
Number of options/rights	7,148,573	2,964,237	(1,589,109)	0	(1,835,163)	6,688,538
WA exercise price	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WA closing share price						$26.66
WA remaining contractual life						1.9 years
WA exercise price of all exercisable options/rights outstanding						$0.00
Outstanding exercisable options/rights						181,581

1. Refers to any circumstance where equity can be forfeited (for example on cessation, downward adjustment or performance conditions not met).

All of the shares issued as a result of the exercise of options/rights during 2020 and 2019, were issued at a nil exercise price.

As at the date of the signing of the Directors' Report on 4 November 2020:

- no options/rights over ordinary shares have been granted since the end of 2020; and
- 15,592 shares issued as a result of the exercise of options/rights since the end of 2020, all with nil exercise prices.

31. EMPLOYEE SHARE AND OPTION PLANS (continued)

Fair Value Assumptions

When determining the fair value, we apply the standard market techniques for valuation, including Monte Carlo and/or Black Scholes pricing models. We do so in accordance with the requirements of AASB 2 *Share-based Payments*. The models take into account early exercise of vested equity, non-transferability and internal/external performance hurdles (if any).

The table below shows the significant assumptions we used as inputs into our fair value calculation of instruments granted during the period. We present the values as weighted averages, but the specific values we use for each allocation are the ones we use for the fair value calculation.

	2020		2019	
	Deferred share rights	Performance rights	Deferred share rights	Performance rights
Exercise price ($)	0.00	0.00	0.00	0.00
Share closing price at grant date ($)	24.78	24.93	25.83	25.52
Expected volatility of ANZ share price (%)[1]	20.0	20.0	20.0	20.0
Equity term (years)	2.5	6.0	2.5	4.8
Vesting period (years)	2.1	4.0	2.1	3.0
Expected life (years)	2.1	4.0	2.1	3.0
Expected dividend yield (%)	6.0	6.0	6.0	6.0
Risk free interest rate (%)	0.77	0.74	1.96	2.05
Fair value ($)	21.95	9.07	22.87	9.40

1. Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the rights. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a deferred period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the rights.

SATISFYING EQUITY AWARDS

All shares underpinning equity awards may be purchased on market, reallocated or be newly issued shares, or a combination.

The equity we purchased on market during the 2020 financial year (either under the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan, or to satisfy options or rights) for all employees amounted to 4,882,936 shares at an average price of $25.06 per share (2019: 4,317,094 shares at an average price of $25.99 per share).

32. RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management Personnel (KMP) are defined as all directors of the Group and those personnel with a key responsibility for the strategic direction and management of the Group and report directly to the CEO. KMP compensation included within total personnel expenses in Note 3 Operating Expenses is as follows:

	2020 $000	2019 $000[1]
Short-term benefits	19,260	15,784
Post-employment benefits	414	415
Other long-term benefits	397	213
Termination benefits	-	2,112
Share-based payments	8,198	6,184
Total	28,269	24,708

1. Includes former disclosed KMP until the end of their employment.

KEY MANAGEMENT PERSONNEL LOAN TRANSACTIONS

Loans made to KMP are made in the ordinary course of business and on normal commercial terms and conditions that are no more favourable than those given to other employees or customers, including: the term of the loan, security required and the interest rate. No amounts have been written off during the period, or individual provision raised in respect of these balances. Details of the terms and conditions of lending products can be found on ANZ.com. The aggregate of loans (including credit card balances) made, guaranteed or secured, and undrawn facilities to KMP including their related parties, were as follows:

	2020 $000	2019 $000
Loans advanced[1,2]	31,808	26,884
Undrawn facilities	1,028	513
Interest charged[3]	888	739

1. Prior period balance has been restated to reflect minor timing variances and omissions.
2. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.
3. Interest charged is for all KMP's during the period.

KEY MANAGEMENT PERSONNEL HOLDINGS OF ANZ SECURITIES

KMP, including their related parties, held subordinated debt, shares, share rights and options over shares in the Company directly, indirectly or beneficially as shown below:

	2020 Number	2019 Number[1]
Shares, options and rights	2,211,879	1,892,754
Subordinated debt	21,052	11,802

1. Balances are as at the balance sheet date (for KMP in office at balance sheet date) or at the date of cessation of former KMP.

32. RELATED PARTY DISCLOSURES (continued)

OTHER TRANSACTIONS OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

The aggregate of deposits of KMP and their related parties with the Group were $48.4 million (2019: $60 million).

Other transactions with KMP and their related parties included amounts paid to the Group in respect of investment management service fees, brokerage and bank fees and charges. The Group has reimbursed KMP for the costs incurred for security and secretarial services associated with the performance of their duties. These transactions are conducted on normal commercial terms and conditions no more favourable than those given to other employees or customers.

ASSOCIATES

We disclose significant associates in Note 26 Investments in Associates. During the course of the financial year, transactions conducted with all associates were on terms equivalent to those made on an arm's length basis:

	2020 $000	2019 $000
Amounts receivable from associates	354	664
Amounts payable to associates	1,354	697
Interest income from associates	-	93
Other revenue from associates	500	-
Other expenses paid to associates	7,706	11,561
Dividend income from associates	32,465	50,014

There have been no material guarantees given or received. No amounts receivable from the associates have been written-off during the period, or individual provisions raised in respect of these balances.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

CREDIT RELATED COMMITMENTS AND CONTINGENCIES

	2020 $m	2019 $m
Contract amount of:		
Undrawn facilities	227,819	209,340
Guarantees and letters of credit	22,778	22,339
Performance related contingencies	17,017	22,112
Total	267,614	253,791

UNDRAWN FACILITIES

The majority of undrawn facilities are subject to customers maintaining specific credit and other requirements or conditions. Many of these facilities are expected to be only partially used, and others may never be used at all. As such, the total of the nominal principal amounts is not necessarily representative of future liquidity risks or future cash requirements. Based on the earliest date on which the Group may be required to pay, the total undrawn facilities of $227,819 million (2019: $209,341 million) mature within 12 months.

GUARANTEES, LETTERS OF CREDIT AND PERFORMANCE RELATED CONTINGENCIES

Guarantees, letters of credit and performance related contingencies relate to transactions that the Group has entered into as principal – including: guarantees, standby letters of credit and documentary letters of credit.

Documentary letters of credit involve the Group issuing letters of credit guaranteeing payment in favour of an exporter. They are secured against an underlying shipment of goods or backed by a confirmatory letter of credit from another bank.

Performance related contingencies are liabilities that oblige the Group to make payments to a third party if the customer fails to fulfil its non-monetary obligations under the contract.

To reflect the risk associated with these transactions, we apply the same credit origination, portfolio management and collateral requirements that we apply to loans. The contract amount represents the maximum potential amount that we could lose if the counterparty fails to meet its financial obligations. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Based on the earliest date on which the Group may be required to pay, the total guarantees and letters of credit of $22,778 million (2019: $22,339 million) and total performance related contingencies of $17,017 million (2019: $22,112 million) mature within 12 months.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

OTHER CONTINGENT LIABILITIES

As at 30 September 2020, the Group had contingent liabilities in respect of the matters outlined below. Where relevant, expert legal advice has been obtained and, in the light of such advice, provisions (refer to note 21) and/or disclosures as deemed appropriate have been made. In some instances we have not disclosed the estimated financial impact of the individual items either because it is not practicable to do so or because such disclosure may prejudice the interests of the Group.

REGULATORY AND CUSTOMER EXPOSURES

In recent years there has been an increase in the number of matters on which the Group engages with its regulators. There have also been significant increases in the nature and scale of regulatory investigations, surveillance and reviews, civil and criminal enforcement actions (whether by court action or otherwise), formal and informal inquiries, regulatory supervisory activities and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The Group has received various notices and requests for information from its regulators as part of both industry-wide and Group-specific reviews and has also made disclosures to its regulators at its own instigation. The nature of these interactions can be wide ranging and, for example, currently include a range of matters including responsible lending practices, regulated lending requirements, product suitability and distribution, interest and fees and the entitlement to charge them, customer remediation, wealth advice, insurance distribution, pricing, competition, conduct in financial markets and financial transactions, capital market transactions, anti-money laundering and counter-terrorism financing obligations, reporting and disclosure obligations and product disclosure documentation. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

BENCHMARK/RATE ACTIONS

In July and August 2016, class action complaints were brought in the United States District Court against local and international banks, including the Company – one action relating to the bank bill swap rate (BBSW), and one action relating to the Singapore Interbank Offered Rate (SIBOR) and the Singapore Swap Offer Rate (SOR). The class actions are expressed to apply to persons and entities that engaged in US-based transactions in financial instruments that were priced, benchmarked, and/or settled based on BBSW or SIBOR. The claimants seek damages or compensation in amounts not specified, and allege that the defendant banks, including the Company, violated US anti-trust laws and (in the BBSW case only) anti-racketeering laws, the *Commodity Exchange Act*, and unjust enrichment principles. The Company is defending the proceedings.

In February 2017, the South African Competition Commission commenced proceedings against local and international banks including the Company alleging breaches of the cartel provisions of the *South African Competition Act* in respect of trading in the South African rand. The potential civil penalty or other financial impact is uncertain.

CAPITAL RAISING ACTIONS

In June 2018, the Commonwealth Director of Public Prosecutions commenced criminal proceedings against the Company and a senior employee alleging that they were knowingly concerned in cartel conduct by the joint lead managers of the Company's August 2015 underwritten institutional equity placement of approximately 80.8 million ordinary shares. The Company and its senior employee are defending the allegations.

In September 2018, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against the Company alleging failure to comply with continuous disclosure obligations in connection with the Company's August 2015 underwritten institutional equity placement. ASIC alleges the Company should have advised the market that the joint lead managers took up approximately 25.5 million ordinary shares of the placement. The Company is defending the allegations.

CONSUMER CREDIT INSURANCE LITIGATION

In February 2020, a class action was brought against the Company alleging breaches of financial advice obligations, misleading or deceptive conduct and unconscionable conduct in relation to the distribution of consumer credit insurance products. The issuers of the insurance products, QBE and OnePath Life, are also defendants to the claim. The Company is defending the allegations.

ESANDA DEALER CAR LOAN LITIGATION

In August 2020, a class action was brought against the Company alleging unfair conduct, misleading or deceptive conduct and equitable mistake in relation to the use of flex commissions in dealer arranged Esanda car loans. The Company is defending the allegations.

ROYAL COMMISSION

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry released its final report on 4 February 2019. The findings and recommendations of the Commission are resulting in additional costs and may lead to further exposures, including exposures associated with further regulator activity or potential customer exposures such as class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with these possible exposures remain uncertain.

33. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

SECURITY RECOVERY ACTIONS

Various claims have been made or are anticipated, arising from security recovery actions taken to resolve impaired assets. These claims will be defended.

WARRANTIES AND INDEMNITIES

The Group has provided warranties, indemnities and other commitments in favour of the purchaser and other persons in connection with various disposals of businesses and assets and other transactions, covering a range of matters and risks. It is exposed to claims under those warranties, indemnities and commitments.

CLEARING AND SETTLEMENT OBLIGATIONS

Certain group companies have a commitment to comply with rules governing various clearing and settlement arrangements which could result in a credit risk exposure and loss if another member institution fails to settle its payment clearing activities. The Group's potential exposure arising from these arrangements is unquantifiable in advance.

Certain group companies hold memberships of central clearing houses, including ASX Clear (Futures), London Clearing House (LCH) SwapClear and RepoClear, Korea Exchange (KRX), Hong Kong Exchange (HKEX), Clearing Corporation of India and the Shanghai Clearing House. These memberships allow the relevant group company to centrally clear derivative instruments in line with cross-border regulatory requirements. Common to all of these memberships is the requirement for the relevant group company to make default fund contributions. In the event of a default by another member, the relevant group company could potentially be required to commit additional default fund contributions which are unquantifiable in advance.

PARENT ENTITY GUARANTEES

The Company has issued letters of comfort and guarantees in respect of certain subsidiaries in the normal course of business. Under these letters and guarantees, the Company undertakes to ensure that those subsidiaries continue to meet their financial obligations, subject to certain conditions including that the entity remains a controlled entity of the Company.

SALE OF GRINDLAYS BUSINESSES

On 31 July 2000, the Company completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited (Grindlays) and certain other businesses. The Company provided warranties and indemnities relating to those businesses.

The indemnified matters include civil penalty proceedings and criminal prosecutions brought by Indian authorities against Grindlays and certain of its officers, in relation to certain transactions conducted in 1991 that are alleged to have breached the Foreign Exchange Regulation Act, 1973.

Civil penalties were imposed in 2007 which are the subject of appeals. The criminal prosecutions are being defended.

CONTINGENT ASSETS

NATIONAL HOUSING BANK

The Company is pursuing recovery of the proceeds of certain disputed cheques which were credited to the account of a former Grindlays customer in the early 1990s.

The disputed cheques were drawn on the National Housing Bank (NHB) in India. Proceedings between Grindlays and NHB concerning the proceeds of the cheques were resolved in early 2002.

Recovery is now being pursued from the estate of the Grindlays customer who received the cheque proceeds. Any amounts recovered are to be shared between the Company and NHB.

34. AUDITOR FEES

	2020 $'000	2019 $'000
KPMG Australia		
Audit or review of financial reports	8,059	9,036
Audit-related services[1]	3,693	3,392
Non-audit services[2]	25	114
Total[3]	11,777	12,542
Overseas related practices of KPMG Australia		
Audit or review of financial reports	6,049	5,691
Audit-related services[1]	1,677	2,316
Non-audit services[2]	98	2
Total	7,824	8,009
Total auditor fees	19,601	20,551

1. Comprises prudential and regulatory services of $3.61 million (2019: $4.47 million), comfort letters $0.75 million (2019: $0.48 million) and other services $1.01 million (2019: $0.76 million).
2. The nature of the non-audit services includes training and methodology and procedural reviews. Further details are provided in the Directors' Report.
3. Inclusive of goods and services tax.

The Group's Policy allows KPMG Australia or any of its related practices to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators such as APRA. Any other services that are not audit or audit-related services are non-audit services. The Policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of the external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

35. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been no significant events from 30 September 2020 to the date of signing this report.

Directors' Declaration

The Directors of Australia and New Zealand Banking Group Limited declare that:

a) in the Directors' opinion, the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i) section 296, that they comply with the Australian Accounting Standards and any further requirements of the *Corporations Regulations 2001*; and

   ii) section 297, that they give a true and fair view of the financial position of the Consolidated Entity as at 30 September 2020 and of its performance for the year ended on that date;

b) the notes to the financial statements of the Consolidated Entity include a statement that the financial statements and notes of the Consolidated Entity comply with International Financial Reporting Standards;

c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*; and

d) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Paul D O'Sullivan
Chairman

4 November 2020

Shayne C Elliott
Managing Director

KPMG

TO THE SHAREHOLDERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the Financial Report of Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 September 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The Financial Report comprises the:

- consolidated balance sheet as at 30 September 2020;
- consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes 1 to 35 including a summary of significant accounting policies; and
- Directors' Declaration.

BASIS FOR OPINION

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

The Key Audit Matters we identified are:

- Allowance for expected credit losses;
- Subjective and complex valuation of Financial Instruments held at Fair Value;
- Carrying value of goodwill;
- Carrying value of investment in Asian associates;
- Provisions for Customer Remediation; and
- IT Systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

ALLOWANCE FOR EXPECTED CREDIT LOSSES ($5,899m)

Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 13 to the Financial Report.

The Key Audit Matter

Allowance for expected credit losses is a key audit matter due to the significance of the loans and advances balance to the financial statements and the inherent complexity of the Group's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).

AASB 9 *Financial Instruments* requires the Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions, of which GDP and unemployment levels are considered key assumptions. Post-model adjustments are made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental post model adjustments the Group applies to the ECL results.

The Group's criteria selected to identify a SICR, such as a decrease in customer credit rating (CCR), are key areas of judgement within the Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk.

Additionally, allowances for individually assessed wholesale loans exceeding specific thresholds are individually assessed by the Group. We exercise significant judgment in challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of the loans.

How the matter was addressed in our audit

Our audit procedures for the allowance for ECL and disclosures included assessing the Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures covered:

Testing key controls of the Group in relation to:

- The ECL model governance and validation processes which involved assessment of model performance;
- The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Group's internal governance processes;
- Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;
- Counterparty risk grading for wholesale loans (larger customer exposures are monitored individually). This covered elements such as: approval of new lending facilities against the Group's lending policies, monitoring of counterparty credit quality against the Group's exposure criteria for internal factors specific to the counterparty or external macroeconomic factors, and accuracy and timeliness of counterparty risk assessments and risk grading against the requirements of the Group's lending policies and regulatory requirements; and
- IT system controls which record retail loans lending arrears, group exposures into delinquency buckets, and re-calculate individual allowances. We tested automated calculation and change management controls and evaluated the Group's oversight of the portfolios, with a focus on controls over delinquency monitoring.

We tested relevant General Information Technology Controls (GITCs) over the key IT applications used by the Group in measuring ECL allowances as detailed in the IT Systems and Controls key audit matter below.

In addition to controls testing, our procedures included:

- Re-performing credit assessments of a sample of wholesale loans controlled by the Group's specialist workout and recovery team assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the impacts of COVID-19 and climate change). For each loan sampled, we challenged the Group's CCR and Security Indicator (SI), taking into account our assessment of the customer's financial position and, where relevant, the risk of stranded assets, and our overall assessment of loan recoverability, the valuation of security, and the impact on the credit allowance. To do this, we used the information on the Group's loan file, discussed the facts and circumstances of the case with the loan officer, and performed our own assessment of recoverability. Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to externally sourced evidence, such as commodity prices, publicly available audited financial statements and comparable external valuations of collateral held. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations and approved business plans and challenged key assumptions in the valuations;
- Obtaining an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against established market practices and criteria in the accounting standards;

KEY AUDIT MATTERS (continued)

- Working with KPMG risk consulting specialists, we assessed the accuracy of the Group's ECL model estimates by re-performing, for a sample of loans, the ECL allowance using our independently derived calculation tools and comparing this to the amount recorded by the Group;
- Working with KPMG economic specialists, we challenged the Group's forward-looking macroeconomic assumptions and scenarios incorporated in the Group's ECL models. We compared the Group's forecast GDP, unemployment rates, CPI and property price indices to relevant publicly available macro-economic information, and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators;
- Testing the implementation of the Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the CCR from loan origination CCR and comparing our expectation to actual staging applied on an individual account level in the Group's ECL model; and
- Assessing the accuracy of the data used in the ECL models by confirming a sample of data fields such as account balance and CCR to relevant source systems.

We challenged key assumptions in the components of the Group's post-model adjustments to the ECL allowance balance. This included:

- Assessing the requirement for additional allowances considering the Group's ECL model and data deficiencies identified by the Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the current COVID-19 pandemic and government responses;
- Evaluating underlying data used in concentration risk and economic cycle allowances by comparing underlying loan portfolio characteristics to recent loss experience, current market conditions and specific risks in the Group's loan portfolios;
- Assessing the impacts on the modelled ECL and the requirement for out of model adjustments to account for the portion of customers on loan deferral packages that are not aged. We also assessed assumptions used to determine whether a SICR event has occurred; and
- Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the Group's assessment.

We assessed the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

SUBJECTIVE AND COMPLEX VALUATION OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE:
- FAIR VALUE OF LEVEL 3 ASSET POSITIONS $1,183m
- FAIR VALUE OF LEVEL 2 ASSET POSITIONS $145,559m
- FAIR VALUE OF LEVEL 3 LIABILITY POSITIONS $55m
- FAIR VALUE OF LEVEL 2 LIABILITY POSITIONS $138,786m

Refer to the critical accounting estimates, judgements and disclosures of fair values in Note 17 to the Financial Report.

The Key Audit Matter

The fair value of the Group's Level 2 and 3 financial instruments is determined by the Group through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

The valuation of Level 3 and level 2 financial instruments held at fair value is considered a Key Audit Matter due to:

- The high degree of estimation uncertainty and potentially significant range of reasonable outcomes associated with the valuation of financial instruments classified as Level 3 where significant pricing inputs used in the valuation methodology and models are not observable; and
- The complexity associated with the valuation methodology and models of certain more complex Level 2 financial instruments leading to an increase in subjectivity and estimation uncertainty. Level 2 financial instruments represented 53% of the Group's financial assets carried at fair value and 97% of the Group's financial liabilities carried at fair value.

Level 3 financial instruments represented 0.4% of the Group's financial assets carried at fair value and 0.04% of the Group's financial liabilities carried at fair value. This population is made up of:

- Investment securities at fair value through other comprehensive income;
- Derivative assets and liabilities; and
- Net loans and advances.

KEY AUDIT MATTERS (continued)

How the matter was addressed in our audit

Our audit procedures for the valuation of financial instruments held at fair value included:

- We performed an assessment of the population of Financial instruments held at fair value to identify portfolios that have a higher risk of misstatement arising from significant judgements over valuation either due to unobservable inputs or complex models.
- We tested the design and operating effectiveness of key controls relating specifically to these financial instruments, including:
  - Controls in relation to Independent Price Verification (IPV), including completeness of portfolios and valuation inputs subject to IPV;
  - Controls in relation to model validation at inception and periodically, including assessment of model limitation and assumptions;
  - Controls in relation to the review and challenge of daily profit and loss (P&L) by a control function;
  - Controls over the collateral management process, including review of margin reconciliations with clearing houses; and
  - Controls over fair value adjustments (FVAs), including exit price and portfolio level adjustments.
- With the assistance of KPMG valuation experts, we independently re-valued a selection of financial instruments and FVAs. This involved sourcing independent inputs from markets data providers or external sources and using our own valuation models. We challenged the Group where our revaluations significantly differed from the Group's.
- In relation to the subjective valuation of Level 3 Investment Securities, with our valuation specialists, we:
  - Assessed the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives; and
  - Compared the Group's valuation methodology to industry practice and the criteria in the accounting standards.
- We assessed the Group's financial statements disclosures, including key judgements and assumptions using our understanding obtained from our testing and against the relevant accounting standard requirements.

CARRYING VALUE OF GOODWILL ($3,264m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 20 to the Financial Report.

The Key Audit Matter

Carrying value of goodwill is a key audit matter as:

- The Group's net assets exceeded its market capitalisation at year-end. This increased the potential for impairment and our audit effort in this area.
- We focussed on the significant forward-looking assumptions the Group applied in their value in use (VIU) and fair value less costs of disposal (FVLCOD) models, including:
  - Growth rates, and terminal growth rates in the VIU model, and future maintainable earnings and price earnings multiples applied in the FVLCOD model. The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
  - Discount rates in the VIU model and the control premium in the FVLCOD. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time.
- Significant judgement was required by the Group as a result of the current COVID-19 environment. COVID-19 has caused significant estimation uncertainty and as a result there is increased judgement in forecasting cash flows and assumptions used in the discounted cash flow models and future maintainable earnings and market multiples used in its fair value calculations. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes, for us to consider.
- The Group recorded an impairment charge of $50m against goodwill in the Pacific CGU further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the valuation method (value in use or fair value less costs of disposal) applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the value in use and fair value less costs of disposal models used, including the accuracy of the underlying calculation formulas;
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
- We assessed the Group's key assumptions used in the fair value less costs of disposal model, such as, future maintainable earnings, the control premium and compared the implied multiples from comparable market transactions to the implied multiple used in the model;

KEY AUDIT MATTERS (continued)

- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Group and industry it operates in;
- We compared the forecast cash flows contained in the models to revised Strategic Plan reflecting the Group's COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as market multiples, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

CARRYING VALUE OF INVESTMENT IN ASIAN ASSOCIATES ($2,140M)

Refer to the critical accounting estimates, judgements and disclosures in Notes 26 to the Financial Report.

The Key Audit Matter

Carrying value of investment in Asian associates (PT Panin and AmBank) is a key audit matter as:

- The Group's impairment assessment of non-lending assets identified that two of the Group's associate investments (PT Panin and AmBank) had indicators of impairment.
- Significant judgement was required by the Group as a result of the business disruption and economic impacts of COVID-19 pandemic, raising estimation uncertainty. These conditions and the uncertainty of their continuation increase the possibility of the associates being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes in the cash flow models.
- Our evaluation of potential impairment involves critically evaluating the Group's judgement in relation to the Group's Asian associates key forward-looking assumptions. Instances where the Group's judgement is evaluated include:
  - Forecast earnings and terminal growth rates – The Group's models are highly sensitive to small changes in these assumptions, reducing available headroom or indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and
  - Discount rates – These are complicated in nature and vary according to the conditions and environment the specific associate investments operate in.
- The Group recorded impairment charges in relation to the investment in Ambank of $595m and PT Panin of $220m further increasing our audit effort in this key audit area.
- We involved valuation specialists to supplement our senior team members in assessing this key audit matter.

How the matter was addressed in our audit

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value in use valuation method applied by the Group to perform their annual test for impairment against the requirements of the accounting standards;
- We assessed the integrity of the models used, including the accuracy of the underlying calculation formulas;
- We assessed the Group's key assumptions used in the discounted cash flow model, such as, discount rates, growth rates, forecast earnings and terminal growth rate by comparing to external observable metrics, historical experience, our knowledge of the markets and current market practice;
- We independently developed a discount rate estimate or range considered comparable using publicly available market data for comparable entities, adjusted for factors specific to the Asian associates and the market and industry they operate in;
- We compared the forecast cash flows contained in the models to recent broker consensus reports, reflecting the COVID-19 impacts;
- We considered and challenged the Group's assessment of the impact of COVID-19 on cash flows and assumptions as well as its assessment of the likely recovery period;
- We considered the sensitivity of the models by varying key assumptions, such as, forecast growth rates, terminal growth rates and discount rates, within a reasonable possible range and included specific analysis of reasonable possible impacts of COVID-19;
- We recalculated the impairment charge against the recorded amount disclosed; and
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KEY AUDIT MATTERS (continued)

PROVISIONS FOR CUSTOMER REMEDIATION ($1,109m)

Refer to the critical accounting estimates, judgements and disclosures in Notes 21 and 33 to the Financial Report.

The Key Audit Matter

The Group has assessed the need to recognise provisions in relation to certain customer remediation activities arising from both internal and external investigations and reviews.

The provision for customer remediation activities is a Key Audit Matter due to the number of investigations, the quantum of amounts involved, and the judgements required by us in assessing the Group's determination of:

- The existence of a present legal or constructive obligation arising from a past event using the conditions of the event against the criteria in the accounting standards;
- The number of investigations and the quantum of amounts being paid arising from the present obligation;
- Reliable estimates of the amounts which may be paid arising from investigations, including estimates of related costs; and
- The potential for legal proceedings, further investigations, and reviews from its regulators leading to a wider range of estimation outcomes for us to consider.

How the matter was addressed in our audit

Our audit procedures for customer remediation provisions included:

- Obtaining an understanding of the Group's processes and controls for identifying and assessing the potential impact of the investigations into customer remediation activities;
- Enquiring with the Group regarding ongoing legal, regulatory and other investigation into remediation activities;
- Conducting independent discussions on significant matters with external legal counsel;
- Reading the minutes and other relevant documentation of the Group's Board of Directors, Board Committees, various management committees, and attending the Group's Audit and Risk Committee meetings;
- Inspecting correspondence with relevant regulatory bodies;
- For a sample of individual customer remediation matters, assessing the basis for recognition of a provision and associated costs against the requirements of the accounting standards. We did this by understanding and challenging the provisioning methodologies and underlying assumptions;
- Testing completeness by evaluating where exposures may have arisen based upon our knowledge and experience of broader industry matters, the Group's documentation and the current regulatory environment. We also checked the features of these exposures against the criteria defining a provision or a contingency in the accounting standards;
- Assessing the appropriateness of the Group's conclusions against the requirements of *Australian Accounting Standards* where estimates were unable to be reliably made for a provision to be recognised; and
- Evaluating the related disclosures using our understanding obtained from our testing and against the requirements of *Australian Accounting Standards*.

KEY AUDIT MATTERS (continued)

IT SYSTEMS AND CONTROLS

The Key Audit Matter

As a major Australian bank, the Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. Controls over access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance.

The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Group's IT controls. We work with our KPMG IT specialists as a core part of our audit team.

How the matter was addressed in our audit

We tested the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included:

- Assessing the governance and higher-level controls across the IT Environment, including those regarding Group policy design, review and awareness, and IT Risk Management practices;
- Design and operating effectiveness testing of controls across the User Access Management Lifecycle, including how users are on-boarded, reviewed, and removed on a timely basis from critical IT applications and supporting infrastructure. We also examined how privileged roles and functions are managed across each IT Application and the supporting infrastructure;
- Design and operating effectiveness testing of controls to enable Change Management including how changes are initiated, documented, approved, tested and authorised prior to migration into the production environment of critical IT Applications. We assessed the appropriateness of users with access to release changes to IT application production environments across the Group;
- Design and operating effectiveness testing of controls used by the Group's technology teams to schedule system jobs and monitor system integrity;
- Design and operating effectiveness testing of controls related to significant IT application programs delivered per the ANZ Delivery Framework;
- Design and operating effectiveness testing of automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. We tested:
  - Configurations in place to perform calculations, mappings and flagging of financial transactions, and automated reconciliation controls (both between systems and intra-system); and
  - Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate financial reporting.

OTHER INFORMATION

Other Information is both financial and non-financial information in Australia and New Zealand Banking Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL REPORT

The Directors are responsible for:

- preparing a Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

KEY AUDIT MATTERS (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

REPORT ON THE REMUNERATION REPORT

In our opinion, the Remuneration Report of Australia and New Zealand Banking Group Limited for the year ended 30 September 2020, complies with *Section 300A* of the *Corporations Act 2001*.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

OUR RESPONSIBILITIES

We have audited the Remuneration Report included in the Directors' report for the year ended 30 September 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

A M Kitchen

Alison Kitchen
Partner

Melbourne
4 November 2020

Shareholder information – unaudited

Ordinary shares

At 6 October 2020, the 20 largest holders of ANZ ordinary shares held 1,627,664,599 ordinary shares, equal to 57.30% of the total issued ordinary capital. At 6 October 2020 the issued ordinary capital was 2,840,370,225 ordinary shares.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	711,409,499	25.05
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	431,679,959	15.20
3	CITICORP NOMINEES PTY LIMITED	222,226,442	7.82
4	NATIONAL NOMINEES LIMITED	90,831,873	3.20
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	44,015,726	1.55
6	BNP PARIBAS NOMS PTY LTD <DRP>	33,012,594	1.16
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	17,897,890	0.63
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>>	13,647,454	0.48
9	ARGO INVESTMENTS LIMITED	9,765,275	0.34
10	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	8,487,710	0.30
11	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	7,560,585	0.27
12	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	5,466,883	0.19
13	ANZEST PTY LTD <DEA CONTROL A/C>	5,291,196	0.19
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,820,912	0.17
15	AMP LIFE LIMITED	4,579,609	0.16
16	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,745,006	0.13
17	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	3,701,581	0.13
18	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	3,556,359	0.13
19	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,269,647	0.11
20	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,698,399	0.09
Total		**1,627,664,599**	**57.30**

Distribution of shareholdings

At 6 October 2020 – Range of shares	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	323,157	58.42	118,469,937	4.17
1,001 to 5,000	182,421	32.98	418,262,457	14.73
5,001 to 10,000	30,568	5.52	213,392,126	7.51
10,001 to 100,000	16,583	3.00	331,840,238	11.68
Over 100,000	431	0.08	1,758,405,467	61.91
Total	**553,160**	**100.00**	**2,840,370,225**	**100.00**

At 6 October 2020:

- the average size of holdings of ordinary shares was 5,134 (2019: 5,595) shares; and
- there were 27,189 holdings (2019: 21,559 holdings) of less than a marketable parcel (less than $500 in value or 28 shares based on the market price of $17.89 per share), which is less than 4.92% of the total holdings of ordinary shares.

On 12 May 2017 ANZ was notified by BlackRock Group that it held a substantial shareholding of 148,984,864 ordinary shares in ANZ (5.07%) and on 2 December 2019, BlackRock Group's interest increased to 172,225,527 ordinary shares in ANZ (6.07%). As at 6 October 2020 ANZ has received no further update in relation to this substantial shareholding.

On 3 July 2018 ANZ was notified by The Vanguard Group, Inc that it held a substantial shareholding of 144,730,016 ordinary shares in ANZ (5.001%) and on 17 March 2020 The Vanguard Group, Inc's interest increased to 170,502,797 ordinary shares in ANZ (6.012%). As at 6 October 2020 ANZ has received no further update in relation to this substantial shareholding.

VOTING RIGHTS OF ORDINARY SHARES

The Constitution provides for votes to be cast as follows:
i) on show of hands, one vote for each shareholder; and
ii) on a poll, one vote for every fully paid ordinary share.
A register of holders of ordinary shares is held at:
452 Johnston Street, Abbotsford, Victoria, Australia
Telephone: +61 3 9415 4010

ANZ Capital Notes

ANZ CN1

On 7 August 2013 the Company issued convertible subordinated perpetual notes (ANZ CN1) which were offered pursuant to a prospectus dated 10 July 2013.

At 6 October 2020 the 20 largest holders of ANZ CN1 held 2,994,981 securities, equal to 26.74% of the total issued securities. At 6 October 2020 the total number of ANZ CN1 on issue was 11,200,000.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	990,169	8.84
2	BNP PARIBAS NOMS PTY LTD <DRP>	223,051	1.99
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	191,519	1.71
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	176,833	1.58
5	NATIONAL NOMINEES LIMITED	172,760	1.54
6	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	149,604	1.34
7	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	137,558	1.23
8	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	115,425	1.03
9	CITICORP NOMINEES PTY LIMITED	111,520	0.99
10	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	110,918	0.99
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	109,892	0.98
12	MUTUAL TRUST PTY LTD	101,222	0.90
13	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	60,944	0.54
14	SERVCORP HOLDINGS PTY LTD	58,325	0.52
15	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	56,680	0.51
16	DIMBULU PTY LTD	50,000	0.45
17	MARROSAN INVESTMENTS PTY LTD	50,000	0.45
18	MCCUSKER FOUNDATION LTD <THE MCCUSKER CHARITABLE FNDN>	46,000	0.41
19	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IDPS A/C>	42,561	0.38
20	THORSEN INVESTMENTS PTY LTD	40,000	0.36
Total		**2,994,981**	**26.74**

Distribution of ANZ CN1 holdings

At 6 October 2020 – Range of securities	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	14,717	91.51	4,526,930	40.42
1,001 to 5,000	1,231	7.65	2,500,696	22.33
5,001 to 10,000	85	0.53	652,810	5.83
10,001 to 100,000	37	0.23	929,093	8.29
Over 100,000	12	0.08	2,590,471	23.13
Total	**16,082**	**100.00**	**11,200,000**	**100.00**

At 6 October 2020 there were 7 holdings (2019: 6 holdings) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $101.19 per security), which is less than 0.05% of the total holdings of ANZ CN1.

VOTING RIGHTS OF ANZ CN1

ANZ CN1 do not confer on holders a right to vote at any meeting of members of the Company.

A register of holders of ANZ CN1 is held at:
452 Johnston Street, Abbotsford, Victoria, Australia
(Telephone: +61 3 9415 4010)

ANZ CN2

On 31 March 2014 the Company issued convertible subordinated perpetual notes (ANZ CN2) which were offered pursuant to a prospectus dated 19 February 2014.

At 6 October 2020 the 20 largest holders of ANZ CN2 held 4,624,957 securities, equal to 28.73% of the total issued securities.
At 6 October 2020 the total number of ANZ CN2 on issue was 16,100,000.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,414,747	8.79
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	429,535	2.67
3	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	301,303	1.87
4	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	298,939	1.86
5	BNP PARIBAS NOMS PTY LTD <DRP>	244,195	1.52
6	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	230,193	1.43
7	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	201,587	1.25
8	JOHN E GILL TRADING PTY LTD	165,026	1.03
9	NATIONAL NOMINEES LIMITED	161,490	1.00
10	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	153,793	0.96
11	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	140,346	0.87
12	CITICORP NOMINEES PTY LIMITED	127,783	0.79
13	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	114,933	0.71
14	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	113,115	0.70
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	112,508	0.70
16	MUTUAL TRUST PTY LTD	109,063	0.68
17	LIGHTNINGEDGE PTY LTD	100,000	0.62
18	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	86,076	0.53
19	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	60,325	0.38
20	RAKIO PTY LTD <PIEKARSKI GYMPIE A/C>	60,000	0.37
Total		4,624,957	28.73

Distribution of ANZ CN2 holdings

At 6 October 2020 – Range of securities	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	17,746	90.20	5,869,094	36.46
1,001 to 5,000	1,730	8.79	3,411,449	21.19
5,001 to 10,000	110	0.56	808,317	5.02
10,001 to 100,000	73	0.37	1,692,584	10.51
Over 100,000	16	0.08	4,318,556	26.82
Total	19,675	100.00	16,100,000	100.00

At 6 October 2020 there were 6 holdings (2019: 6 holdings) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $101.10 per security), which is less than 0.04% of the total holdings of ANZ CN2.

VOTING RIGHTS OF ANZ CN2

ANZ CN2 do not confer on holders a right to vote at any meeting of members of the Company.

A register of holders of ANZ CN2 is held at:
452 Johnston Street, Abbotsford, Victoria, Australia
(Telephone: +61 3 9415 4010)

ANZ CN3

On 5 March 2015 the Company acting through its New Zealand branch, issued convertible subordinated perpetual notes (ANZ CN3) which were offered pursuant to a prospectus dated 5 February 2015.

At 6 October 2020 the 20 largest holders of ANZ CN3 held 2,490,252 securities, equal to 25.67% of the total issued securities.
At 6 October 2020 the total number of ANZ CN3 on issue was 9,701,791.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	632,543	6.52
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	298,703	3.08
3	NATIONAL NOMINEES LIMITED	178,109	1.84
4	LONGHURST MANAGEMENT SERVICES PTY LTD	173,868	1.79
5	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	160,683	1.66
6	CITICORP NOMINEES PTY LIMITED	132,360	1.36
7	BNP PARIBAS NOMS PTY LTD <DRP>	124,821	1.29
8	RAKIO PTY LTD <PIEKARSKI GYMPIE A/C>	100,000	1.03
9	JDB SERVICES PTY LTD <RAC & JD BRICE INVEST A/C>	90,755	0.94
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	79,535	0.82
11	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	67,301	0.69
12	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	62,045	0.64
13	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	59,995	0.62
14	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	57,994	0.60
15	MUTUAL TRUST PTY LTD	54,772	0.56
16	INVIA CUSTODIAN PTY LIMITED <INCOME POOL A/C>	50,850	0.52
17	HAWAII INVESTMENTS PTY LTD	44,250	0.46
18	NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>MR RONI G SIKH	42,602	0.44
19	MR PAUL WILLIAM BROTCHIE + MR KENNETH FRANCIS WALLACE <STAFFORD FOX FOUNDATION A/C>	40,000	0.41
20	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	39,066	0.40
Total		**2,490,252**	**25.67**

Distribution of ANZ CN3 holdings

At 6 October 2020 – Range of securities	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	10,952	89.99	3,624,550	37.36
1,001 to 5,000	1,085	8.91	2,289,990	23.61
5,001 to 10,000	74	0.61	588,181	6.06
10,001 to 100,000	52	0.43	1,497,983	15.44
Over 100,000	7	0.06	1,701,087	17.53
Total	**12,170**	**100.00**	**9,701,791**	**100.00**

At 6 October 2020 there were 3 holdings (2019: 2 holdings) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $101.91 per security), which is less than 0.03% of the total holdings of ANZ CN3.

VOTING RIGHTS OF ANZ CN3

ANZ CN3 do not confer on holders a right to vote at any meeting of members of the Company.

A register of holders of ANZ CN3 is held at:
452 Johnston Street, Abbotsford, Victoria, Australia
(Telephone: +61 3 9415 4010)

Shareholder information – unaudited (continued)

ANZ CN4

On 27 September 2016 the Company issued convertible subordinated perpetual notes (ANZ CN4) which were offered pursuant to a prospectus dated 24 August 2016.

At 6 October 2020 the 20 largest holders of ANZ CN4 held 4,853,100 securities, equal to 29.92% of the total issued securities. At 6 October 2020 the total number of ANZ CN4 on issue was 16,220,000.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,665,438	10.27
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	570,488	3.52
3	CITICORP NOMINEES PTY LIMITED	340,431	2.10
4	NATIONAL NOMINEES LIMITED	304,330	1.88
5	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	253,291	1.56
6	BNP PARIBAS NOMS PTY LTD <DRP>	243,030	1.50
7	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	192,418	1.19
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	181,869	1.12
9	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	159,661	0.98
10	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	146,153	0.90
11	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	141,106	0.87
12	MUTUAL TRUST PTY LTD	135,957	0.84
13	PAMDALE INVESTMENTS PTY LTD	96,498	0.59
14	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	79,987	0.49
15	MARROSAN INVESTMENTS PTY LTD	78,500	0.48
16	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	61,013	0.38
17	MR PHILIP WILLIAM DOYLE	60,000	0.37
18	JMB PTY LIMITED	50,300	0.31
19	RETFORD PTY LTD	50,300	0.31
20	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	42,330	0.26
Total		**4,853,100**	**29.92**

Distribution of ANZ CN4 holdings

At 6 October 2020 – Range of securities	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	16,586	89.41	5,577,489	34.39
1,001 to 5,000	1,747	9.42	3,632,303	22.39
5,001 to 10,000	131	0.71	987,003	6.09
10,001 to 100,000	74	0.40	1,689,033	10.41
Over 100,000	12	0.06	4,334,172	26.72
Total	**18,550**	**100.00**	**16,220,000**	**100.00**

At 6 October 2020 there were 5 holdings (2019: 5 holdings) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $105.07 per security), which is less than 0.03% of the total holdings of ANZ CN4.

VOTING RIGHTS OF ANZ CN4

ANZ CN4 do not confer on holders a right to vote at any meeting of members of the Company.

A register of holders of ANZ CN4 is held at:
452 Johnston Street, Abbotsford Victoria, Australia
(Telephone: +61 3 9415 4010)

ANZ CN5

On 28 September 2017 the Company issued convertible subordinated perpetual notes (ANZ CN5) which were offered pursuant to a prospectus dated 24 August 2017.

At 6 October 2020 the 20 largest holders of ANZ CN5 held 2,383,063 securities, equal to 25.59% of the total issued securities. At 6 October 2020 the total number of ANZ CN5 on issue was 9,310,782.

	Name	Number of shares	% of shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	965,517	10.37
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	136,613	1.47
3	CITICORP NOMINEES PTY LIMITED	119,154	1.28
4	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	108,380	1.16
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	103,224	1.11
6	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	95,887	1.03
7	BNP PARIBAS NOMS PTY LTD <DRP>	91,926	0.99
8	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	85,950	0.92
9	DIMBULU PTY LTD	85,000	0.91
10	LONGHURST MANAGEMENT SERVICES PTY LTD	78,246	0.84
11	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	73,795	0.79
12	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	72,084	0.77
13	EASTCOTE PTY LTD <VAN LIESHOUT FAMILY A/C>	50,000	0.54
14	FEDERATION UNIVERSITY AUSTRALIA	50,000	0.54
15	MARROSAN INVESTMENTS PTY LTD	50,000	0.54
16	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	46,057	0.49
17	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	45,892	0.49
18	G C F INVESTMENTS PTY LTD	44,811	0.48
19	MUTUAL TRUST PTY LTD	40,527	0.44
20	MR RONALD MAURICE BUNKER	40,000	0.43
Total		2,383,063	25.59

Distribution of ANZ CN5 holdings

At 6 October 2020 – Range of securities	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	10,432	90.50	3,682,742	39.55
1,001 to 5,000	975	8.46	2,097,705	22.53
5,001 to 10,000	65	0.57	501,417	5.39
10,001 to 100,000	50	0.43	1,596,030	17.14
Over 100,000	5	0.04	1,432,888	15.39
Total	11,527	100.00	9,310,782	100.00

At 6 October 2020 there were 4 holdings (2019: 4 holdings) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $103.15 per security), which is less than 0.04% of the total holdings of ANZ CN5.

VOTING RIGHTS OF ANZ CN5

ANZ CN5 do not confer on holders a right to vote at any meeting of members of the Company.

A register of holders of ANZ CN5 is held at:
452 Johnston Street, Abbotsford Victoria, Australia
(Telephone: +61 3 9415 4010)

Employee Shareholder Information

In order to comply with the requirements of the ANZ Employee Share Acquisition Plan Rules and the ANZ Share Option Plan Rules, shares or options must not be issued under these plans if the aggregate number of shares and options that remain subject to the rules of either plan exceed 7% of the total number of ANZ shares of all classes on issue (including preference shares). At 30 September 2020 participants under the following plans/schemes held 0.71% (2019: 0.69%) of the total number of ANZ shares of all classes on issue:

- ANZ Employee Share Acquisition Plan;
- ANZ Employee Share Save Scheme;
- ANZ Share Option Plan; and
- ANZ Directors' Share Plan.

Stock Exchange Listings

Australia and New Zealand Banking Group Limited's ordinary shares are listed on the Australian Securities Exchange and New Zealand's Exchange (NZX).

The Group's other stock exchange listings include:

- Australian Securities Exchange – ANZ Capital Notes (CN1, CN2, CN3, CN4 and CN5), ANZ Capital Securities, senior debt (including covered bonds) and subordinated debt [Australia and New Zealand Banking Group Limited], and residential mortgage backed securities;
- London Stock Exchange – Senior (including covered bonds) debt [Australia and New Zealand Banking Group Limited] and senior (including covered bonds) debt [ANZ New Zealand (Int'l) Limited];
- Luxembourg Stock Exchange – Perpetual subordinated debt [Australia and New Zealand Banking Group Limited];
- NZX – ANZ NZ Capital Notes and senior debt [ANZ Bank New Zealand Limited];
- SIX Swiss Exchange – Senior debt [ANZ New Zealand (Int'l) Limited]; and
- Taipei Exchange – Senior debt [Australia and New Zealand Banking Group Limited].

For more information on the ANZ Capital Notes, ANZ Capital Securities and ANZ NZ Capital Notes please refer to Note 15 to the Financial Report.

American Depositary Receipts

The Company has American Depositary Receipts (ADRs) representing American Depositary Shares (ADSs) that are traded on the over-the-counter securities market 'OTC Pink' electronic platform operated by OTC Markets Group Inc. in the United States under the ticker symbol: ANZBY and the CUSIP number: 052528304.

With effect from 23 July 2008, the ADR ratio changed from one ADS representing five ANZ ordinary shares to one ADS representing one ANZ ordinary share.

The Bank of New York Mellon (BNY Mellon) is the Depositary for the Company's ADR program in the United States. For further information about ADRs, please call BNY Mellon at 1-888-269-2377 if you are calling from within the United States. If you are calling from outside the United States, please call 1-201-680-6825. You may also visit BNY Mellon's website at www.adrbnymellon.com.

Important dates for shareholders[1]

MAY 2021

5 May	Half Year Results Announcement
10 May	Interim Dividend Ex-Date
11 May	Interim Dividend Record Date
12 May	DRP/BOP/Foreign Currency Record Date

JULY 2021

1 July	Interim Dividend Payment Date

OCTOBER 2021

14 October	Closing date for receipt of Director Nominations
28 October	Annual Results Announcement

NOVEMBER 2021

8 November	Final Dividend Ex-Date
9 November	Final Dividend Record Date
10 November	DRP/BOP/Foreign Currency Record Date

DECEMBER 2021

16 December	Final Dividend Payment Date
16 December	Annual General Meeting (Adelaide)

OUR INTERNATIONAL PRESENCE AND EARNING COMPOSITION BY GEOGRAPHY[2]

INTERNATIONAL

ASIA
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. If there are any changes to these dates, the Australian Securities Exchange will be notified accordingly. **2.** 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 56.

Contacts

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Web: shareholder.anz.com

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Investor Relations: Jill Campbell

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Group General Manager Communications and Public Affairs: Tony Warren

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AUSTRALIA

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Melbourne VIC 3001 Australia

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

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MORE INFORMATION

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

This Annual Report 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

Founding Signatory of:
UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

CDP
DISCLOSURE INSIGHT ACTION

WGEA
Employer of Choice for Gender Equality

Glossary

AASs Australian Accounting Standards.

AASB Australian Accounting Standards Board. The term "AASB" is commonly used when identifying AASs issued by the AASB. In doing so, the term is used together with the AAS number.

ADI Authorised Deposit-taking Institution.

APRA Australian Prudential Regulation Authority.

APS ADI Prudential Standard.

BCBS Basel Committee on Banking Supervision.

Cash and cash equivalents comprise coins, notes, money at call, balances held with central banks, liquid settlement balances (readily convertible to known amounts of cash which are subject to insignificant risk of changes in value) and securities purchased under agreements to resell (reverse repos) in less than three months.

Cash profit is an additional measure of profit which is prepared on a basis other than in accordance with accounting standards. Cash profit represents ANZ's preferred measure of the result of the core business activities of the Group, enabling readers to assess Group and Divisional performance against prior periods and against peer institutions. To calculate cash profit, the Group excludes non-core items from statutory profit as noted below. These items are calculated consistently period on period so as not to discriminate between positive and negative adjustments.

Gains and losses are adjusted where they are significant, or have the potential to be significant in any one period, and fall into one of three categories:

1. gains or losses included in earnings arising from changes in tax, legal or accounting legislation or other non-core items not associated with the ongoing operations of the Group;
2. treasury shares, revaluation of policy liabilities, economic hedging impacts and similar accounting items that represent timing differences that will reverse through earnings in the future; and
3. accounting reclassifications between individual line items that do not impact reported results, such as policyholders tax gross-up.

Cash profit is not a measure of cash flow or profit determined on a cash accounting basis.

Collectively assessed provision under AASB 139 is the provision for credit losses that are inherent in the portfolio but not able to be individually identified. A collectively assessed provision may only be recognised when a loss event has already occurred. Losses expected as a result of future events, no matter how likely, are not recognised.

Collectively assessed allowance for expected credit loss under AASB 9 represent the Expected Credit Loss (ECL). This incorporates forward-looking information and does not require an actual loss event to have occurred for an impairment provision to be recognised.

Covered bonds are bonds issued by an ADI to external investors secured against a pool of the ADI's assets (the cover pool) assigned to a bankruptcy remote special purpose entity. The primary assets forming the cover pool are mortgage loans. The mortgages remain on the issuer's balance sheet. The covered bond holders have dual recourse to the issuer and the cover pool assets. The mortgages included in the cover pool cannot be otherwise pledged or disposed of but may be repurchased and substituted in order to maintain the credit quality of the pool. The Group issues covered bonds as part of its funding activities.

Credit risk is the risk of financial loss resulting from the failure of ANZ's customers and counterparties to honour or perform fully the terms of a loan or contract.

Credit risk weighted assets (CRWA) represent assets which are weighted for credit risk according to a set formula as prescribed in APS 112/113.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations' debt excluding securitisation deposits.

Customer remediation includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes.

Derivative credit valuation adjustment (CVA) Over the life of a derivative instrument, ANZ uses a model to adjust fair value to take into account the impact of counterparty credit quality. The methodology calculates the present value of expected losses over the life of the financial instrument as a function of probability of default, loss given default, expected credit risk exposure and an asset correlation factor. Impaired derivatives are also subject to a CVA.

Dividend payout ratio is the total ordinary dividend payment divided by profit attributable to shareholders of the Company.

Fair value is an amount at which an asset or liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Group is Australia and New Zealand Banking Group Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year (together, the Group).

Gross loans and advances (GLA) is made up of loans and advances, acceptances and capitalised brokerage/mortgage origination fees less unearned income.

IFRS International Financial Reporting Standards.

Impaired assets are those financial assets where doubt exists as to whether the full contractual amount will be received in a timely manner, or where concessional terms have been provided because of the financial difficulties of the customer. Financial assets are impaired if there is objective evidence of impairment as a result of a loss event that occurred prior to the reporting date, and that loss event has had an impact, which can be reliably estimated, on the expected future cash flows of the individual asset or portfolio of assets.

Impaired loans comprise drawn facilities where the customer's status is defined as impaired.

Individually assessed allowance for expected credit losses is assessed on a case-by-case basis for all individually managed impaired assets taking into consideration factors such as the realisable value of security (or other credit mitigants), the likely return available upon liquidation or bankruptcy, legal uncertainties, estimated costs involved in recovery, the market price of the exposure in secondary markets and the amount and timing of expected receipts and recoveries.

Interest rate risk in the banking book (IRRBB) relates to the potential adverse impact of changes in market interest rates on ANZ's future net interest income. The risk generally arises from:

1. repricing and yield curve risk – the risk to earnings or market value as a result of changes in the overall level of interest rates and/or the relativity of these rates across the yield curve;
2. basis risk – the risk to earnings or market value arising from volatility in the interest margin applicable to banking book items; and
3. optionality risk – the risk to earnings or market value arising from the existence of stand-alone or embedded options in banking book items.

Internationally comparable ratios are ANZ's interpretation of the regulations documented in the Basel Committee publications; "Basel III: A global regulatory framework for more resilient banks and banking systems" (June 2011) and "International Convergence of Capital Measurement and Capital Standards" (June 2006). They also include differences identified in APRA's information paper entitled "International Capital Comparison Study" (13 July 2015).

Level 1 in the context of APRA supervision, Australia and New Zealand Banking Group Limited consolidated with certain approved subsidiaries.

Level 2 in the context of APRA supervision, the consolidated ANZ Group excluding associates, insurance and funds management entities, commercial non-financial entities and certain securitisation vehicles.

Net interest margin is net interest income as a percentage of average interest earning assets.

Net loans and advances represent gross loans and advances less allowance for expected credit losses.

Net Stable Funding Ratio (NSFR) is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off- balance sheet activities. ADIs must maintain an NSFR of at least 100%.

Net tangible assets equal share capital and reserves attributable to shareholders of the Company less unamortised intangible assets (including goodwill and software).

Regulatory deposits are mandatory reserve deposits lodged with local central banks in accordance with statutory requirements.

Restructured items comprise facilities in which the original contractual terms have been modified for reasons related to the financial difficulties of the customer. Restructuring may consist of reduction of interest, principal or other payments legally due, or an extension in maturity materially beyond those typically offered to new facilities with similar risk.

Return on average assets is the profit attributable to shareholders of the Company, divided by average total assets.

Return on average ordinary shareholders' equity is the profit attributable to shareholders of the Company, divided by average ordinary shareholders' equity.

Risk weighted assets (RWA) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in the case of default. In the case of non asset backed risks (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.

Settlement balances owed to/by ANZ represent financial assets and/or liabilities which are in the course of being settled. These may include trade dated assets and liabilities, vostro accounts and securities settlement accounts.

50 years as a Brand, 185 years as a Bank

On 1 October 1970, in what was then the largest merger in Australian banking history, ANZ Bank Ltd merged with the English, Scottish and Australian Bank Limited to form Australia and New Zealand Banking Group Limited – the modern ANZ.

1835

A NEW BANK

The Bank of Australasia opens in Sydney.

1887

WOMEN IN THE WORKFORCE

Bank of Australasia employs its first female typist, believed to be the first woman employed by an Australian bank. Mary Switte was appointed to the position of 'lady typewriter'.

1951

ANZ BEGINS

In London, the Bank of Australasia merges with the Union Bank of Australia to form ANZ Bank Limited.

1970

MERGER WITH ES&A

ANZ Bank Limited merges with the English, Scottish and Australian Bank to become Australia and New Zealand Banking Group Limited.

1996

CONNECTED

anz.com launches, followed closely by phone banking and internet banking.

2003

NATIONAL BANK OF NEW ZEALAND

ANZ Bank Limited acquires National Bank of New Zealand from Lloyds TSB.

2010

ANZ GOMONEY™ LAUNCHES

ANZ is the first bank in Australia to offer customers a mobile-to-mobile payment application.

2012

BRINGING IT ALL TOGETHER

National Bank of New Zealand integrates into the ANZ brand.

2016

APPLE PAY AND ANDROID PAY

With the launch of Apple Pay and Android Pay, ANZ customers in Australia now able to make tap and go payments wherever contactless payments accepted.

2020

COVID-19 SUPPORT PACKAGE

ANZ launches an unprecedented support package for small business and home loan customers with the potential to inject $6 billion into the Australian economy and assist in the recovery from the COVID-19 crisis.

The evolution of the ANZ brand

We are adapting to the changing environment, protecting our people, customers and shareholders, engaging proactively with our stakeholders and, together, preparing for the future.

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