

# PURPOSE

2016 SHAREHOLDER REVIEW



# FINANCIAL HIGHLIGHTS



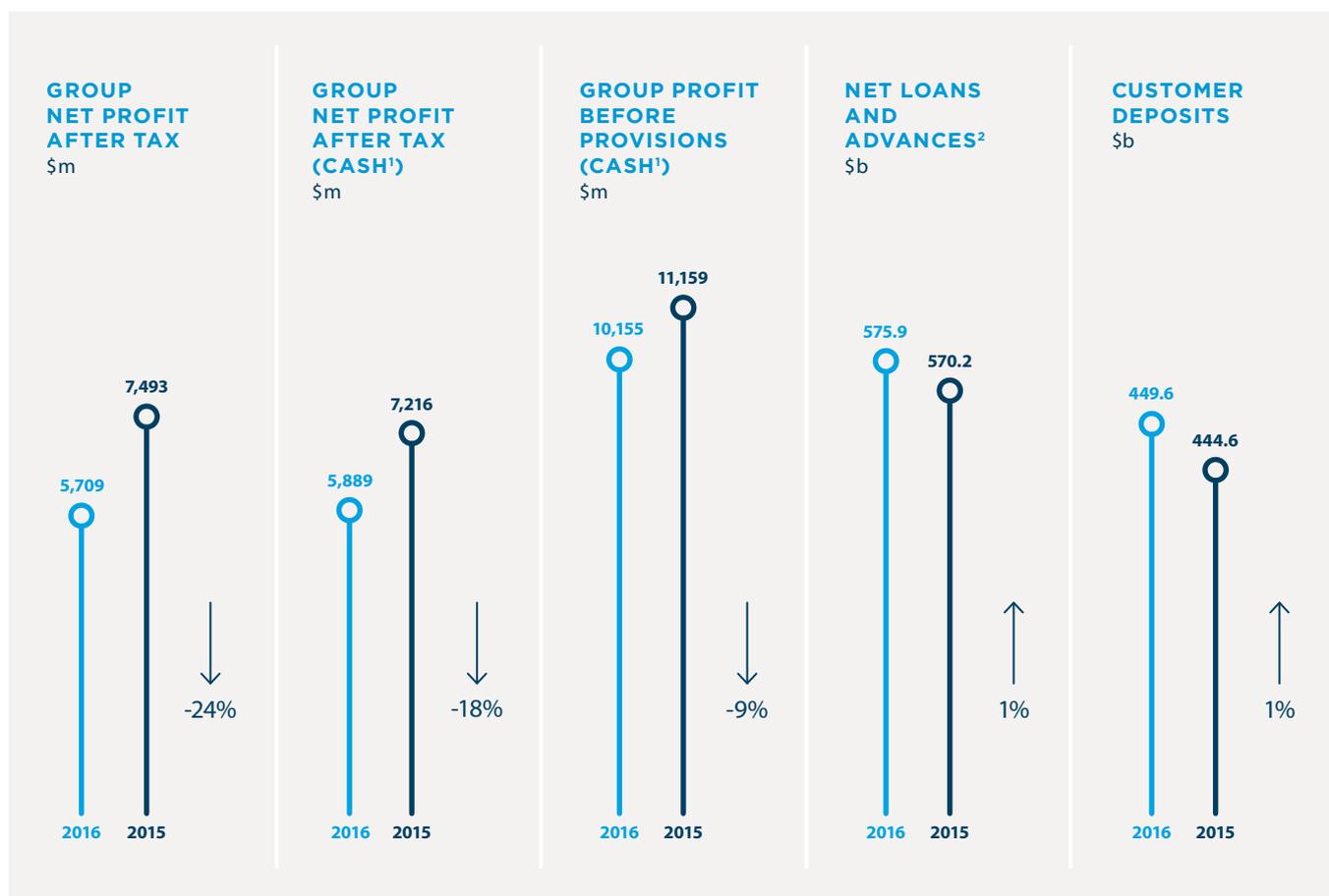
Delivered a cash profit of \$5.9 billion, down 18% on 2015. Statutory profit down 24%.



Return on equity (cash)



Fully franked total dividend for FY16 of 160 cents per share.



1. ANZ adjusts statutory profit for certain non-core items to calculate Cash Profit which measures the results for the ongoing activities of the Group.  
 2. Net loans and advances at 30 September 2015 include Esanda Dealer Finance assets divested to Macquarie Group Limited in March 2016 half.

## ABOUT THIS DOCUMENT

The 2016 Shareholder Review provides an overview of ANZ's strategic direction and financial and non-financial performance for 2016. All information contained within this document is for the year ended 30 September 2016 unless otherwise stated. All figures are in Australian dollars unless otherwise stated.

# SUSTAINABILITY HIGHLIGHTS



**\$2.5B**

funded and facilitated in low carbon investments and sustainable solutions



**113,071**

hours volunteered by employees



**41.5%**

women in management<sup>1</sup>



RANKED  
**1ST**

on the Relationship Strength Index (Institutional customers)<sup>2</sup>



**420,900+**

people reached through our financial education program MoneyMinded<sup>3</sup>



**17%**

reduction in Greenhouse Gas emissions in Australia<sup>4</sup>



**\$89.8M**

in community investment (includes forgone revenue)<sup>5</sup>



**169,300+**

customers registered for ANZ goMoney™ mobile banking in the Pacific<sup>6</sup>



**336**

people employed from under represented groups<sup>7</sup>

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM  
MEMBER OF DJSI WORLD, DJSI ASIA PACIFIC AND DJSI AUSTRALIA



WE ACHIEVED A CDP 2015 CLIMATE DISCLOSURE SCORE OF 100.

1. Includes all employees regardless of leave status but not contractors (which are included in FTE).
2. Peter Lee Associates Large Corporate & Institutional Relationship Banking Survey, Australia/NZ 2016.
3. This is the estimated number of people who have benefited from ANZ's MoneyMinded financial education program since 2003.
4. From premises energy against a 2013 baseline.
5. Figure includes forgone revenue of \$69.3 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.
6. Cumulative total since launch in 2013.
7. Includes Aboriginal and Torres Strait Islander peoples, people with a disability and refugees.

# CHAIRMAN'S REPORT

## DAVID GONSKI, AC



The 2016 financial year has been a year of transition for ANZ with statutory profit after tax of \$5.7 billion, down 24%.

Cash profit (which excludes non-core items from statutory profit) was \$5.9 billion, down 18% due to a \$1,077 million charge primarily related to reshaping the Group to position it for improved performance in future years. Our core business continued to perform well during the year, with solid growth in retail and business lending in Australia and New Zealand and the strategic repositioning of our Institutional business well underway.

The final dividend of 80 cents brought the total dividend for the year to 160 cents per share fully franked, a decrease of 12%. This change reflects a move to gradually consolidate ANZ's dividend payout ratio within its historic range of 60-65% of annual cash profit. Your Board believes this provides a sustainable and fully franked dividend base for the future.

The decision to cut the dividend, while difficult, has assisted ANZ in continuing to strengthen its capital position. Our Common Equity Tier One capital ratio ended the year at 9.6%, well positioned ahead of expected increases in regulatory capital required of Australian banks.

### REPUTATION

For the most part individual customers like and trust their own bank, however this year has seen growing community discontent with big business in Australia and with the banking industry in particular.

There are many reasons for this discontent, for example community concern over the impact of globalisation, income inequality and the effect of disruption by technology on traditional jobs.

However, we also need to accept that much of the fault lies with businesses themselves.

There is no doubt that mistakes have been made within the banking sector. At ANZ this has resulted in regulatory investigations, concerns over the conduct of staff and legal action involving former customers.

While it is easy to rationalise these issues as isolated problems in a very large business, there is more to it than that. Clearly we need to change.

I believe that large institutions, including major banks such as ANZ, have been slower than we should have been to open the windows and to be more transparent, to listen more to the views of the community and to ensure there is greater focus on improving the customer experience.

Realistically, genuine sustained change takes time and even then we will not get everything right. But at ANZ, we have begun the process.

We have formally recognised the Board's focus on the area of sustainability by the renaming of the Governance Committee, which I chair, as the Environmental, Sustainability and Governance Committee.

A key focus of our Corporate Sustainability Framework, revised this year to align with our longer term strategy, is to deliver fair and responsible banking. For example, we are identifying specific areas where we want to do better than just meet our basic obligations by proactively contributing to our customers' and the community's well-being. On farm loans, we have extended a drought relief package in Australia, including a moratorium on farm foreclosures in drought declared areas.

We also believe we need to increase our community engagement by supporting community initiatives where we believe the capabilities of our organisation and people can make a positive difference and give back to the community.

ANZ has strong customer franchises in Retail and Commercial banking in Australia and New Zealand and a leading position in Institutional Banking in 34 markets including a unique presence in Asia.



We have a role to play in enabling the social and economic participation of people in the communities in which we operate by improving their financial health and well-being through our targeted inclusion programs. For example, ANZ's MoneyMinded financial education program has, since 2003, helped more than 420,000 people build their money management skills. As a large employer, we also have the capacity to assist those from under-represented groups, such as people with a disability and Indigenous Australians, to enter the workforce and develop new skills.

I want to assure you though that we do not see this pursuit of better customer and community engagement to be at the expense of shareholders. On the contrary, we think our shareholders will benefit because their bank has a longer term and more sustainable view of the bottom-line benefits. To be frank, it also makes sense for us to respond and re-build our community standing ourselves, rather than to ignore our critics and invite others to attempt to improve our community standing for us.

#### **NEW CHIEF EXECUTIVE**

This year saw Shayne Elliott succeed Mike Smith as ANZ's Chief Executive Officer on 1 January 2016. Shayne joined ANZ in 2009 and has served as CEO of our Institutional Bank and as Chief Financial Officer.

Shayne in the view of the Board epitomises the attributes needed to achieve the goals we have set for our bank. He has brought a shift of priorities at ANZ with a focus on building a simpler, better capitalised, better balanced bank that delivers stronger outcomes for shareholders and for customers.

I take this opportunity of again thanking Mike Smith most sincerely for his service over eight years as chief executive.

#### **BOARD APPOINTMENTS**

We were pleased to announce that Jane Halton AO would join the ANZ Board on 21 October 2016 following a distinguished career in the Australian public service. Until her recent retirement, Jane was Secretary of the Australian Department of Finance. Her experience in finance, insurance, risk management, information technology, health and ageing and public policy will be of significant benefit to the Board.

#### **OUTLOOK**

ANZ has strong customer franchises in Retail and Commercial banking in Australia and New Zealand and a leading position in Institutional Banking in 34 markets including a unique presence in Asia.

The environment for banking is becoming more difficult. The sector is facing lower revenue growth and after many years of improving credit quality the cycle is seeing debt provisioning returning to something closer to the long run average.

Consumer expectations are also rising in part driven by a demand for greater transparency and the uptake of new technology. There is greater competitive intensity as non-banks and technology firms target the most profitable sectors of the industry. And there is increased public and regulatory scrutiny.

However, your Board believes the management team at ANZ is well equipped to achieve ANZ's priority of rapidly adapting to this environment supported by a strong culture of customer and community service. This will position us strongly to deliver improved growth and value to shareholders over the medium term.

David Gonski, AC  
Chairman

# CEO'S REPORT

## SHAYNE ELLIOTT



This year I was honoured to become ANZ's Chief Executive Officer and to begin a process of reshaping ANZ's strategic focus to create a simpler, better capitalised and more balanced bank that produces better outcomes for customers, for shareholders and the community.

### PROGRESS IN 2016

Of course a lot of what ANZ does today is already very successful.

We have great Retail and Commercial businesses in Australia and New Zealand. In 2016, we continued to deliver a strong financial performance based on market share gains and tight cost management with our retail and small business franchises producing particularly strong results.

I am pleased to report that we helped over 168,000 people in Australia buy a home in 2016, which saw ANZ become the nation's third largest home lender. We also increased our support for small business, providing more than \$2 billion in lending to help Australians start new businesses and to grow their existing businesses. In New Zealand, we maintained our position as the largest lender for housing and for businesses.

We stepped up the pace of innovation with new initiatives to compete successfully in the digital age. This included the launch of Apple Pay™ in Australia and New Zealand and the launch of Android Pay™ in Australia. These market-leading initiatives contributed to more customers choosing ANZ for their banking with over 350,000 new customers joining us, the highest number in many years.

In Institutional Banking after a period of international expansion and a focus on revenue growth, there was good progress in improving returns. In doing so we are reshaping Institutional Banking to be a simpler business focused on servicing regional trade and capital flows. This has included a significant and ongoing reduction in low yielding assets, a tightening of our target market and a major improvement in productivity.

We have also simplified our international presence with the recently announced sale of our Retail and Wealth businesses in five Asian countries. This allows us to focus our resources on continuing to provide a unique service to our large business and institutional clients where we are ranked as a top four corporate bank in Asia and equal number one for relationship quality.

### INDUSTRY CHALLENGES

The banking industry however faces very significant challenges. Increasingly technology is redefining our business and customer expectations while political, social and regulatory expectations of banks are also rapidly changing.

Lending demand is now more subdued after a period of high growth and credit costs are increasing both globally and in Australia albeit from a cyclical low. At the same time, the industry faces stubborn cost growth related to higher technology and compliance costs.

Regulators are also requiring us to hold significantly more capital and liquidity to operate our business and to be unquestionably strong.

Left unmanaged, these changes will restrict banks' ability to fulfil their core purpose in society - converting savings into investment and unlocking opportunity for individuals, families, businesses and communities. ANZ is dealing with these challenges decisively and evolving rapidly to ensure we succeed in the new environment that we are facing.

### STRATEGIC PRIORITIES AND LEADERSHIP

While we do have to face challenges, our aim is to build ANZ into a bank that is known for delivering value from innovative and convenient banking services and for being Australia's only truly regional bank: one that delivers consistently strong financial results for our shareholders with a balance between growth and return, and the short and long term.

## ANZ STRATEGIC PRIORITIES

### **Create a simpler, better capitalised, better balanced and more agile bank**

Reduce operating costs and risks by removing product and management complexity, exiting low return and non-core businesses and reducing our reliance on low-returning aspects of Institutional Banking in particular.

### **Focus our efforts on attractive areas where we can carve out a winning position**

Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy, and to be the best bank for customers driven by the movement of goods and capital in our region.

### **Drive a purpose and values led transformation of the Bank**

Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment.

### **Build a superior everyday experience for our people and customers to compete in the digital age**

Build more convenient, engaging banking solutions that simplify the lives of customers and our people.

To help us deliver against these goals, we made changes to ANZ's senior leadership team in January to improve our focus on our Retail, Commercial and Institutional customers and on our four strategic priorities.

The new senior team reflects a diverse mix of experience and new talent from inside and outside ANZ. This included two external appointments. Maile Carnegie joined us after a career at Google and Procter & Gamble to take on a new role as Group Executive Digital Banking, highlighting the critical importance of technology in enabling us to compete effectively in the digital age. Michelle Jablko joined ANZ as our Chief Financial Officer from independent investment bank Greenhill & Co, where she was Managing Director and Co-Head for Australia. She was previously at UBS Australia.

### **COMMUNITY ENGAGEMENT**

The current community discussion about the banking sector, particularly in Australia, shows that we still have much more to do to shift our culture and evolve the way we do business.

ANZ needs to better anticipate changing customer and community expectations of banks based on a stronger sense of our core purpose, ethics and fairness. In doing so we want to be known as an organisation that shapes a future where people and communities thrive by striving to create a balanced, sustainable economy in which everyone can take part and build a better life.

While this is a lofty goal given the starting point of the banking industry today, we are committed to change and we expect to report significant progress in 2017.

Our new Corporate Sustainability Framework will support the delivery of our business strategy. While acknowledging the challenges ahead, it is worth reflecting on the contributions ANZ has made this past year to the communities in which we operate. Our community investment reached approximately

\$90 million and we have met or made good progress towards 85% of our 2016 public sustainability targets. We celebrated our 1000th Aboriginal and Torres Strait Islander recruit in Australia and continued to help refugees gain vital work experience through our support of refugee employment programs. We passed a milestone with 25,000 people successfully completing our Saver Plus matched savings program, which assists low income Australians and New Zealanders to save for their own or their children's education. In addition, almost 100,000 new digital banking customers are now registered for goMoney™ in rural communities across the Pacific, many of whom were previously unable to access banking services.

### **OUTLOOK**

There is a lot to do at ANZ. The environment is challenging and naturally expectations are high. We are pleased with the initial progress that has been made this year in reshaping our strategy and setting ANZ on a path towards a continuous improvement in customer outcomes and shareholder returns.

We have a consistent focus on the simplification of our business and actively rebalancing our portfolio. Importantly, the team at ANZ is aligned and we have a strong sense of urgency about the work that still needs to be done. This sets us up well to increase the pace of execution in 2017 and to deliver a better bank for customers, for shareholders and for the community.

We could not have achieved this without the hard work and commitment of our people, and I thank them all for their contribution.



**Shayne Elliott**  
Chief Executive Officer



# AUSTRALIA<sup>1</sup>

## FRED OHLSSON

### GROUP EXECUTIVE, AUSTRALIA

The Australia division comprises the Retail and Corporate & Commercial Banking (C&CB) business units.

#### STRATEGIC PRIORITIES

##### Create a simpler, better capitalised and better balanced bank:

- Reduce operating costs and risks by removing product and management complexity, exiting lower returning and non-core businesses.

##### Focus our efforts in attractive areas:

- Provide the best home buying, owning and selling experience.
- Make starting, running and growing a small business easier.

##### Build a superior everyday experience for our people and customers:

- Build more intuitive, engaging and secure channels, particularly mobile and digital.
- Automating and digitising to make banking easier for customers and staff.

#### 2016 PROGRESS HIGHLIGHTS

- Completed sale of Esanda Dealer Finance.
- Increased operational efficiencies (volume growth +3%, operations costs down 5% year on year).
- Optimised branch network and head office functions.
- Excluding specified items, cost to income improved from 36.6% to 34.6% year on year.
- No. 3 Market Share in Home Loans.
- Invested in streamlining Home Loan origination, decisioning and fulfilment.
- Launched ANZ Business Ready for start-ups.
- Invested in NSW, which is outperforming other states.
- First Australian bank to launch Apple Pay™ and Android Pay™.
- Rolled out a further 36 digital branches across the network in the year.
- Invested in Banker desktop tools to simplify and reduce processing times for customer account applications.
- Implementation of multi-channel platform for Australian Retail banking to support improved customer experience.

FINANCIAL PERFORMANCE (\$m)	2016	2015	MOVT %
Operating income	9,408	8,912	6
Operating expenses	(3,389)	(3,193)	6
Profit before credit impairment and income tax	6,019	5,719	5
Credit impairment charge	(920)	(852)	8
Profit before income tax	5,099	4,867	5
Income tax expense and non-controlling interest	(1,526)	(1,454)	5
Profit after tax	3,573	3,413	5
Net loans and advances	327,108	315,080	4
Customer deposits	187,640	177,293	6
Contribution to group earnings	61%	47%	

1. All comparisons are Financial Year ended 30 September 2016 compared to Financial Year ended 30 September 2015, not adjusted for FX and on a cash basis unless otherwise noted.



# NEW ZEALAND<sup>1</sup>

## DAVID HISCO

### GROUP EXECUTIVE AND CHIEF EXECUTIVE OFFICER, NEW ZEALAND

The New Zealand division comprises the Retail and Commercial business units.

#### STRATEGIC PRIORITIES

##### Focus our efforts in attractive areas:

- Continue to grow our customer satisfaction and brand consideration.
- Provide the best home buying experience.
- Make starting, running and growing a small business easier.
- Continue to leverage our leading position in migrant banking.

##### Build a superior everyday experience for our people and customers:

- Building a digital bank with a human touch:
  - Customer led digital solutions.
  - Attract, develop and retain the best staff.

#### 2016 PROGRESS HIGHLIGHTS

- Surpassed 2 million Retail customers for the first time in July with strong net customer growth in 2016 (17% higher than in 2015).
- Grew our pipeline of future home and business owners with strong consideration growth in migrants<sup>2</sup> (+9 percentage points) and young adult segments<sup>2</sup> (+8 percentage points).
- Continued to invest in service training, helped drive a 9 percentage point uplift in Net Promoter Score<sup>2</sup>.
- Customers now able to view balances and transfer funds into any of ANZ's KiwiSaver schemes through goMoney<sup>TM</sup>.
- Now delivering digital improvements around every six weeks in goMoney<sup>TM</sup>.
- First bank in NZ to launch Apple Pay<sup>TM</sup> following the success of goMoney<sup>TM</sup> Wallet (first bank in NZ to launch an Android operating system payment solution).
- Modernised our payment processing and are now exchanging payment files every 30 minutes from 9am to 10pm ensuring faster payment and receipt of money for customers.
- Achieved an 83% Employee Engagement score, our highest score to date.

FINANCIAL PERFORMANCE (NZ\$m)	2016	2015	MOVT %
Operating income	3,318	3,219	3
Operating expenses	(1,315)	(1,291)	2
Profit before credit impairment and income tax	2,003	1,928	4
Credit impairment charge	(129)	(59)	large
Profit before income tax	1,874	1,869	0
Income tax expense and non-controlling interest	(514)	(516)	0
Profit after tax	1,360	1,353	0
Net loans and advances	113,145	106,747	6
Customer deposits	76,361	71,395	7
Contribution to group earnings <sup>3</sup>	22%	17%	

1. All comparisons are Financial Year ended 30 September 2016 compared to Financial Year ended 30 September 2015, not adjusted for FX and on a cash basis unless otherwise noted.

2. Camorra Retail Market Monitor (RMM) rolling 6 month score as at September 2016. Young adults are the population between the age 20-34.

3. Calculated on an AUD basis.



# INSTITUTIONAL<sup>1</sup>

## MARK WHELAN

### GROUP EXECUTIVE, INSTITUTIONAL

The Institutional division services global institutional and business customers across three product sets: Transaction Banking, Loans & Specialised Finance and Markets.

#### STRATEGIC PRIORITIES

##### Create a simpler, better capitalised and better balanced bank:

- Simplify and streamline the organisation's structure by delayering and moving decision-making closer to the customer.
- Shift from being "everything in every country" to each country having a clear mission. Align in-country service levels and product capabilities with each market's unique characteristics.
- Reduce RWAs and lift returns by focusing on priority customers and high returning products. Align product offering to the needs of our target customers.

##### Focus our efforts in attractive areas:

- Focus coverage and capital on customers in priority sectors which are linked to regional flows and home markets where we can carve out a winning position.

##### Build a superior everyday experience for our people and customers:

- Enhance customer and staff experience in order to compete in the digital age.
- Consolidate and harmonise our technology platforms.

#### 2016 PROGRESS HIGHLIGHTS

- 14% FTE reduction in 2016, 16% reduction in senior management, as a result of organisational simplification.
- The focus of the geographic footprint has been sharpened, with differentiated roles for each country to support our priority customers and sectors.
- \$30 billion reduction in return dilutive RWAs during 2016.

- Progress made to exit economically unprofitable clients through a combination of asset sales and run-off.
- More efficient coverage model developed to service our priority clients and tailored to each country's role.

- Alignment of Cash Management, Trade and Markets platforms is underway to make it easier and faster for customers to do business with us.
- Digital transformation plan in place to simplify products and systems, focus on where we add the most value, and enhance connectivity with clients' systems and their customers and suppliers.

FINANCIAL PERFORMANCE (\$m)	2016	2015	MOVT %
Operating income	5,175	5,762	-10
Operating expenses	(2,935)	(2,806)	5
Profit before credit impairment and income tax	2,240	2,956	-24
Credit impairment charge	(741)	(198)	large
Profit before income tax	1,499	2,758	-46
Income tax expense and non-controlling interest	(442)	(791)	-44
Profit after tax	1,057	1,967	-46
Net loans and advances	125,940	142,196	-11
Customer deposits	171,122	183,040	-7
Contribution to group earnings	18%	27%	

1. All comparisons are Financial Year ended 30 September 2016 compared to Financial Year ended 30 September 2015, not adjusted for FX and on a cash basis unless otherwise noted.



# WEALTH AUSTRALIA<sup>1</sup>

**ALEXIS GEORGE**  
MANAGING DIRECTOR

The Wealth Australia division comprises the Insurance and Funds Management business units which provide insurance, investment and superannuation solutions to make it easier for customers to connect with, protect and grow their wealth.

## STRATEGIC PRIORITIES

### Create a simpler, better capitalised and better balanced bank:

- Execute our plan to transition super and investment platforms to industry leading solutions.

### Focus our efforts in attractive areas:

- Seamless integration of insurance, super and investment solutions into our bank customers' journeys (e.g. buying a home or owning a business).
- Refresh ANZ's Life Insurance proposition and leverage scale and position in the market to drive value.

### Build a superior everyday experience for our people and customers:

- Provide advisers tools and access to high quality platforms to facilitate financial planning and improve customers' experience.

## 2016 PROGRESS HIGHLIGHTS

- Entered into an outsource agreement for Wrap platform administration services, enabling ANZ to launch Grow Wrap to the market, targeted at aligned and open market advisers.
- Rationalised index fund management solutions for \$15 billion of Funds Under Management.
- Continued to expand the Grow by ANZ™ iPad and iPhone app capability, enabling customers to bring Wealth and banking together in one place.
- Launched direct life insurance on the Grow by ANZ™ app, which allows customers to view, manage and buy all of their insurance needs in one place.
- \$1.6 billion in Life Insurance in-force premiums, with a No. 3 market share in individual in-force with 13% market share<sup>2</sup> and annual growth of 6%.
- Launched Grow for Advice, a digital solution for Financial Planners to improve productivity and automate production of consistent, scalable insurance advice.
- Ranked No. 1 out of the big four banks for ANZ Financial Planning productivity in annualised new sales for individual life risk<sup>3</sup>.

FINANCIAL PERFORMANCE (\$m)	2016	2015	MOVT %
Net Funds management and insurance income	1,156	1,178	-2
Other operating income	98	95	3
Total operating income	1,254	1,273	-1
Operating expenses	(796)	(751)	6
Profit before income tax	458	522	-12
Income tax expense and non-controlling interest	(131)	(94)	39
Profit after tax	327	428	-24
Contribution to group earnings	6%	6%	

1. All comparisons are Financial Year ended 30 September 2016 compared to Financial Year ended 30 September 2015, not adjusted for FX and on a cash basis unless otherwise noted.

2. Source: Plan for Life, Individual & Group Risk Premium Inflows, year ended 30 June 2016.

3. Source: NMG, Q2, 2016 Bank Channel Risk Distribution Monitor - OnePath.

# OUR APPROACH TO SUSTAINABILITY

This year, we revised our Sustainability Framework to ensure it continues to support ANZ's business strategy and is aligned with the bank's Purpose, which is to shape a world where people and communities thrive.

The Framework has three key areas of focus:

- Sustainable growth – create opportunities for all of our customers and enable sustainable growth for individuals, businesses and industry
- Social and economic participation – build strong customer relationships and connect with our communities, supporting a diverse and inclusive society in which everyone can participate
- Fair and responsible banking – earn trust by keeping pace with the changing expectations of our stakeholders, maintaining high standards of conduct and understanding the social and environmental impacts of our business decisions.

ANZ is committed to the United Nations' Sustainable Development Goals, and our Sustainability Framework, together with public sustainability targets which we set annually, supports their achievement. This year we achieved or made good progress against 85% of our targets.



Further detail on ANZ's approach to sustainability and performance against 2016 sustainability targets will be available in the 2016 Corporate Sustainability Review at [anz.com/cs](http://anz.com/cs) in December 2016.

## CASE STUDY

### SAVER PLUS – MAKOURA



Makoura came to Australia from Guinea where she and her four children had been living in a refugee camp. She describes how she “grew up in a poor family in Liberia where my father worked in immigration and my mother looked after the children. There was not much money and my parents always had to be very careful, which also made me more careful with money.”

Despite being careful with money, Makoura found that she would regularly transfer money into a savings account, but then withdraw it again as new costs would always come up. Makoura heard about the MoneyMinded financial education program from a personal banker at her local ANZ branch. She says, “I decided to join because I really wanted to be better with money — to learn how to save and keep it there!”

Makoura credits her new money habits to the MoneyMinded financial education workshops that were run by her local program coordinator from The Smith Family. “The workshops were very interesting — they really changed the way I looked at money. I used to waste a lot of money, but now I think a lot more about what I’m buying and if I really need it or do I just want it.” Makoura has also passed on her learnings to her children. “I talk to the children about how you have to be careful with money and if you really want something you have to save up for it. I give them pocket money for doing jobs and they know not to waste it.”

## SUPPORTING THE TRANSITION TO A LOW CARBON ECONOMY

As part of our actions to address the impacts of climate change, we are supporting our customers to transition to a low carbon economy. In 2015 we set a target to fund and facilitate at least \$10 billion in investment by 2020 in low carbon and sustainable solutions, including renewable energy generation, green buildings and less emissions intensive manufacturing. In the first year of this target, we have funded and facilitated \$2.5 billion in a diverse range of projects, including efficient irrigation, sustainable residential developments and green star buildings in Australia, geothermal energy in Indonesia, a green bond in India and a water treatment plant in the Philippines.

### CASE STUDY

## SUPPORTING RENEWABLE ENERGY IN REMOTE COMMUNITIES

We were approached to provide funding to Energy Developments Pty Ltd ("EDL"), a clean energy company based in Queensland. EDL provides low emission and renewable energy through its network of distributed power generation sites and off-grid energy solutions for remote mine sites, towns and communities not connected to a regional electricity grid.

EDL is developing a renewable energy generation project in the remote town of Coober Pedy in South Australia. The Coober Pedy Renewable Hybrid project will supply reliable and secure energy to the town. Power will be supplied through a combination of wind, solar, battery and other technologies, integrating approximately 70% renewable energy with the existing diesel power supply. Diesel usage will decline by approximately 70%, with an estimated 130,000 tonnes reduction in greenhouse gas emissions over the life of the project. The project provides opportunities for local job creation, community investment and more reliable and secure energy supply.

ANZ is funding the company's existing operations as well as this new project, which is being co-financed by the Australian Renewable Energy Agency. During the credit approval process, EDL's projects were assessed against ANZ's Energy Policy and screening tools to ensure best practice standards and environmental, social and governance elements were considered.

## ENABLING SOCIAL AND ECONOMIC PARTICIPATION THROUGH FINANCIAL EDUCATION

One of the most significant ways in which we contribute to the communities in which we operate is through our long-term investment in financial education programs, assisting people on lower incomes and with low levels of financial literacy to build their money management skills and savings. In 2016, we invested over \$5 million in our financial inclusion programs.

MoneyMinded is delivered in many of the countries in which we operate and in 2016 more than 60,900 people received MoneyMinded training. In addition, over 32,000 lower income Australians have participated in our matched savings program, Saver Plus, since the program started in 2013. Program participants, 86% of whom are women, have saved \$17.4 million to cover their own or their children's education costs.

## IMPROVING CUSTOMER CONFIDENCE

We recognise that we have not always met the standards we set for ourselves or those of our customers and the community. Together with our Australian banking peers, earlier this year we announced a range of initiatives aimed at lifting standards in order to regain customer confidence and trust. We are working with our industry on significant improvements regarding remuneration, whistleblowing, complaints handling, customer hardship and the Banking Code of Practice.

During 2016, we have improved the repayment options available for our customers experiencing financial hardship and trained frontline employees on empathy and identifying issues such as family violence and elder abuse. We have also advocated for a last resort compensation scheme, to be funded by industry, which will assist victims of poor financial advice. Our whistleblowing policy has also been strengthened, making it easier for employees and contractors to raise concerns on issues such as unethical or dishonest conduct.

We will progress these reforms in the coming year, ensuring that our culture, systems and processes are aligned to customer needs and expectations.

# OUR INTERNATIONAL PRESENCE



- **AUSTRALIA**
- **NEW ZEALAND**
- **ASIA**  
Cambodia, China, Hong Kong, India, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam
- **EUROPE**  
France, Germany, United Kingdom
- **PACIFIC**  
American Samoa, Cook Islands, Fiji, Guam, Kiribati, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu
- **MIDDLE EAST**  
U.A.E. (Dubai)
- **UNITED STATES OF AMERICA**

## CASE STUDY

### BRINGING MOBILE BANKING TO RURAL COMMUNITIES IN THE PACIFIC

Partnering with the Australian Government and the Pacific Financial Inclusion Program, ANZ is bringing digital banking services to people working in the coconut industry in the Solomon Islands. Most people in the industry live in rural areas where it is difficult to access banking services.

The almost exclusively cash economy is creating challenges for buyers and sellers as the coconut industry expands. We are engaging local producers as goMoney™ cash merchants and creating mobile banking accounts for individuals in the community.

According to the Acting Deputy Australian High Commissioner and Minister Counsellor Dr. Jasmine Cernovs, “Through this project, thousands of rural Solomon Islanders will find it easier to manage, save and grow their incomes better by having access to simple, fast payments and transfers.”

This partnership builds on our existing financial inclusion initiatives in the Pacific to expand access to banking services to rural communities. More than 169,300 customers in the Pacific are currently registered for goMoney™, with more than 98,000 being new ANZ customers. We have a target to register a total of 240,000 customers in the Pacific for goMoney™ by 2017.



# YOUR EXECUTIVE COMMITTEE



**SHAYNE ELLIOTT**

Chief Executive Officer



**SUSIE BABANI**

Chief Human Resources Officer



**MAILE CARNEGIE**

Group Executive, Digital Banking



**ALISTAIR CURRIE**

Chief Operating Officer



**FARHAN FARUQI**

Group Executive, International



**DAVID HISCO**

Group Executive and Chief Executive Officer, New Zealand



**GRAHAM HODGES**

Deputy Chief Executive Officer



**MICHELLE JABLKO**

Chief Financial Officer



**FRED OHLSSON**

Group Executive, Australia



**MARK WHELAN**

Group Executive, Institutional



**NIGEL WILLIAMS**

Chief Risk Officer

## IMPORTANT DATES FOR SHAREHOLDERS<sup>1</sup>

### MAY 2017

**2nd** Interim Results Announcement

**8th** Interim Dividend Ex-Date

**9th** Interim Dividend Record Date

**10th** DRP/BOP/Foreign Currency Election Date

### JULY 2017

**3rd** Interim Dividend Payment Date

### NOVEMBER 2017

**3rd** Annual Results Announcement

**13th** Final Dividend Ex-Date

**14th** Final Dividend Record Date

**15th** DRP/BOP/Foreign Currency Election Date

### DECEMBER 2017

**18th** Final Dividend Payment Date

**19th** Annual General Meeting (Sydney)

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

# 5 YEAR FINANCIAL SUMMARY

**\$15,095**  
MILLION  
Net Interest Margin  
Up 3%

**\$914,869**  
MILLION  
Total Assets  
Up 3%

**\$80,886**  
MILLION  
Market Capitalisation  
Up 3%

FINANCIAL PERFORMANCE <sup>1</sup>	2016	2015	2014	2013 <sup>2</sup>	2012
Net interest income (\$m)	15,095	14,616	13,797	12,772	12,110
Other operating income (\$m)	5,482	5,921	5,781	5,619	5,738
Operating expenses (\$m)	(10,422)	(9,378)	(8,760)	(8,257)	(8,519)
Profit before provisions and income tax (\$m)	10,155	11,159	10,818	10,134	9,329
Credit impairment charge (\$m)	(1,956)	(1,205)	(989)	(1,197)	(1,258)
Income tax expense and non-controlling interest (\$m)	(2,310)	(2,738)	(2,712)	(2,445)	(2,241)
Cash/Underlying profit <sup>1</sup> (\$m)	5,889	7,216	7,117	6,492	5,830
Adjustments to arrive at statutory profit <sup>1</sup> (\$m)	(180)	277	154	(182)	(169)
Profit attributable to shareholders of the Company (\$m)	5,709	7,493	7,271	6,310	5,661
<b>FINANCIAL POSITION</b>					
Assets (\$m)	914,869	889,900	772,092	702,995	642,127
Total Shareholders' Equity (\$m)	57,927	57,353	49,284	45,603	41,220
Common Equity Tier 1 <sup>2</sup> (%)	9.6	9.6	8.8	8.5	8.0
Common Equity Tier 1 – Internationally Harmonised Basel 3 <sup>3</sup> (%)	14.5	13.2	12.5	12.7	11.6
Return on average ordinary equity <sup>4,5</sup> (%)	10.0	14.5	15.8	15.0	14.6
Return on average assets <sup>5</sup> (%)	0.6	0.9	1.0	0.9	0.9
Cost to income ratio <sup>1</sup> (%)	50.6	45.7	44.7	44.9	47.7
<b>SHAREHOLDER VALUE - ORDINARY SHARES</b>					
Total return to shareholders (%)	9.2	(7.5)	5.9	31.5	35.4
Market capitalisation (\$m)	80,886	78,606	85,235	84,450	67,255
Dividend (cps)	160	181	178	164	145
Share price – 30 September closing price (\$)	27.63	27.08	30.92	30.78	24.75
<b>OTHER INFORMATION</b>					
Points of representation <sup>6</sup>	1,127	1,229	1,220	1,274	1,337
Number of shareholders <sup>7</sup>	545,256	546,558	498,309	468,343	438,958

1. Since 1 October 2012, the Group has used cash profit as a measure of the result of the ongoing business activities of the Group enabling shareholders to assess Group and divisional performance against prior periods and against peer institutions. For 2013-2016 statutory profit has been adjusted for non-core items to arrive at cash profit. 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. 2. Calculated in accordance with APRA Basel 3 requirements for 2012-2016. 3. Internationally Comparable methodology applied for 2016 and 2015 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 1 capital floor requirement. 4. Average ordinary equity excludes non-controlling interests and preference shares. 5. Return on average ordinary equity and average assets have been calculated on a statutory basis, consistent with the last five years. 6. Includes branches, offices, representative offices and agencies. 7. Excludes employees whose only ANZ shares are held in trust under ANZ employee share schemes.

# REMUNERATION OVERVIEW

The following provides a summary of the remuneration for the Non-Executive Directors, Chief Executive Officer (CEO) and Disclosed Executives — key management personnel. A more detailed Remuneration Report is contained in the Annual Report from page 32 onwards. The report can be accessed via the ANZ website [anz.com/annualreport](http://anz.com/annualreport) as well as in hard copy.

## NON-EXECUTIVE DIRECTORS REMUNERATION

The Board is responsible to shareholders for the governance of ANZ. It approves the strategic direction, financial objectives and appropriate risk appetite for the organisation and oversees ANZ's operations and financial performance.

	Financial Year	NED fees and non monetary benefits (\$)	Superannuation Guarantee Contribution (\$)	Total remuneration (\$)
D Gonski	2016	805,615	19,385	825,000
	2015	791,085	18,915	810,000
I Atlas	2016	297,115	19,385	316,500
	2015	270,460	18,915	289,375
P Dwyer	2016	345,615	19,385	365,000
	2015	336,085	18,915	355,000
H Lee	2016	315,615	19,385	335,000
	2015	306,085	18,915	325,000
G Liebelt	2016	338,615	19,385	358,000
	2015	331,085	18,915	350,000
I Macfarlane	2016	330,115	19,385	349,500
	2015	323,585	18,915	342,500
J Macfarlane	2016	299,115	19,385	318,500
	2015	293,585	18,915	312,500

## AWARDED REMUNERATION

The following table provides a summary of the remuneration for the Chief Executive Officer (CEO) and Disclosed Executives.

FINANCIAL YEAR	S Elliott <sup>4</sup> Chief Executive Officer		M Carnegie <sup>5</sup> Group Executive, Digital Banking		A Currie Chief Operating Officer		D Hisco <sup>6</sup> Group Executive and Chief Executive Officer, New Zealand	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>FIXED REMUNERATION</b>								
Remuneration (\$)	1,887,500	1,250,000	260,000		1,100,000	1,100,000	1,186,570	1,181,243
Non monetary benefits <sup>1</sup> (\$)	17,110	17,037	7,072		17,110	16,537	472,574	439,790
<b>VARIABLE REMUNERATION<sup>2</sup></b>								
Cash (\$)	775,000	1,300,000	132,000		495,000	1,000,000	725,969	1,162,631
Deferred shares/ share rights (\$)	775,000	1,200,000	132,000		495,000	900,000	725,969	1,062,631
Deferred performance rights <sup>3,10</sup> (\$)	2,100,000	2,100,000	136,000		510,000	750,000	747,968	699,264
Total variable remuneration (\$)	3,650,000	4,600,000	400,000		1,500,000	2,650,000	2,199,905	2,924,526
<b>TOTAL REMUNERATION</b>								
Total (\$)	5,554,610	5,867,037	667,072		2,617,110	3,766,537	3,859,049	4,545,559
Deferred as equity (\$)	2,875,000	3,300,000	268,000		1,005,000	1,650,000	1,473,936	1,761,895
Received (\$)	<b>2,679,610</b>	<b>2,567,037</b>	<b>399,072</b>		<b>1,612,110</b>	<b>2,116,537</b>	<b>2,385,113</b>	<b>2,783,664</b>
<b>PREVIOUSLY DEFERRED VARIABLE REMUNERATION</b>								
Vested during the year (\$)	1,044,596	1,243,525	-		652,679	1,495,732	942,219	1,095,173
Lapsed/Forfeited during the year (\$)	(3,140,238)	(2,317,820)	-		(1,962,629)	-	(1,308,419)	(1,782,914)

1. Non monetary benefits generally consist of company-funded benefits such as car parking and taxation services.
2. The possible range of Annual Variable Remuneration (AVR)/Variable Remuneration (VR) is between 0 and 1.5 times target AVR/VR. The actual AVR/VR received is dependent on ANZ and individual performance. Anyone who received less than 100% of target forfeited the rest of their AVR/VR entitlement. The minimum value is nil and the maximum value is what was actually paid.
3. Face value at 50% vesting.
4. S Elliott — Concluded in the Chief Financial Officer role on 31 December 2015 and commenced in the Chief Executive Officer role on 1 January 2016 so 2016 remuneration reflects amounts prorated for partial year service in both roles. The 2016 performance rights relate to the proposed LTVR grant, subject to approval by shareholders at the 2016 Annual General Meeting.
5. M Carnegie — Commenced in a Disclosed Executive role on 27 June 2016 so 2016 remuneration reflects partial year service.
6. D Hisco — 2015 and 2016 remuneration value in the table represents his NZD remuneration converted to AUD (and rounded) at the average exchange rate for the 2015 and 2016 financial years respectively. Non monetary benefits include expenses related to his assignment to New Zealand. D Hisco also received shares to the value of \$736 in relation to the Employee Share Offer in December 2015.
7. M Jablko — Commenced in a Disclosed Executive role on 18 July 2016 so 2016 remuneration reflects partial year service.
8. F Ohlsson — Commenced in a Disclosed Executive role on 1 February 2016 so 2016 remuneration reflects amounts prorated for partial year service. Non monetary benefits include expenses related to his relocation back to Australia from assignment in New Zealand.
9. M Whelan — Commenced in a Disclosed Executive role on 3 April 2015, and changed Disclosed Executive roles from 1 February 2016. 2015 remuneration reflects amounts prorated to reflect 6 months service in a Disclosed Executive role.
10. N Williams — As Chief Risk Officer, N Williams receives deferred share rights instead of performance rights as part of his VR.

<b>G Hodges</b> Deputy Chief Executive Officer		<b>M Jablko<sup>7</sup></b> Chief Financial Officer		<b>F Ohlsson<sup>8</sup></b> Group Executive, Australia		<b>M Whelan<sup>9</sup></b> Group Executive, Institutional		<b>N Williams<sup>10</sup></b> Chief Risk Officer	
2016	2015	2016		2016		2016	2015	2016	2015
1,050,000	1,050,000	200,000		660,000		1,166,000	500,000	1,350,000	1,350,000
17,110	18,448	-		30,072		11,610	5,625	19,707	21,441
589,050	800,000	132,000		279,873		750,750	500,000	709,500	1,000,000
589,050	700,000	132,000		279,873		750,750	400,000	709,500	900,000
606,900	500,000	136,000		288,354		773,500	350,000	731,000	750,000
1,785,000	2,000,000	400,000		848,100		2,275,000	1,250,000	2,150,000	2,650,000
2,852,110	3,068,448	600,000		1,538,172		3,452,610	1,755,625	3,519,707	4,021,441
1,195,950	1,200,000	268,000		568,227		1,524,250	750,000	1,440,500	1,650,000
<b>1,656,160</b>	<b>1,868,448</b>	<b>332,000</b>		<b>969,945</b>		<b>1,928,360</b>	<b>1,005,625</b>	<b>2,079,207</b>	<b>2,371,441</b>
554,817	646,299	-		-		1,058,937	-	1,473,322	1,513,324
(1,308,419)	(1,782,914)	-		-		-	-	-	-

## CONTACTS

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Australia and New Zealand Banking Group Limited (ANZ) ABN 11 005 357 522.  
ANZ's colour blue is a trade mark of ANZ.

## MORE INFORMATION

General information on ANZ can be obtained from our website: [anz.com](http://anz.com). Shareholders can visit our Shareholder Centre at [shareholder.anz.com](http://shareholder.anz.com).

ANZ Corporate Governance: For information about ANZ's approach to Corporate Governance and to obtain copies of ANZ's Constitution, Board/Board Committee Charters, Codes of Conduct and Ethics and summaries of other ANZ policies of interest to shareholders and stakeholders, visit [anz.com/governance](http://anz.com/governance).

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

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