Performance Overview

GROUP PERFORMANCE

The results of the Group's operations and financial position are set out on pages 52-64. Page 9 outlines the Group's strategy and pages 10-23 describes in further detail the Group's prospects in terms of future financial position and performance. Discussion of our approach and progress to risk management, including a summary of our key material risks is outlined on pages 44-49.

Statutory profit after tax for the year ended 30 September 2019 decreased 7% on the prior year to $5,953 million. Statutory return on equity is 10% and statutory earnings per share is 210.0 cents, a decrease of 5% on prior year.

GROUP PROFIT RESULTS

	2019		2018	
Income Statement	Statutory $m	Cash $m	Statutory $m	Cash $m
Net Interest Income	14,339	14,339	14,514	14,514
Other operating income	4,446	4,690	5,470	4,853
Operating income	18,785	19,029	19,984	19,367
Operating expenses	(9,071)	(9,071)	(9,401)	(9,401)
Profit before credit impairment and income tax	9,714	9,958	10,583	9,966
Credit impairment charge	(794)	(795)	(688)	(688)
Profit before income tax	8,920	9,163	9,895	9,278
Income tax expense	(2,609)	(2,678)	(2,784)	(2,775)
Non-controlling interests	(15)	(15)	(16)	(16)
Profit after tax from continuing operations	6,296	6,470	7,095	6,487
Profit/(Loss) after tax from discontinued operations	(343)	(309)	(695)	(682)
Profit for the year	5,953	6,161	6,400	5,805

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 53 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 61).

CONTINUING OPERATIONS

We believe cash profit from continuing operations is particularly important as we continue to strategically reposition ourselves to create a simpler, better capitalised, better balanced and more agile bank.

Total Operating Income – cash[1] ($m)

2019 19,029
2018 19,367

Operating Expenses – cash[1] ($m)

2019 9,071
2018 9,401

Credit Impairment Charge – cash[1] ($m)

2019 795
2018 688

Cash profit[1] ($m)

2019 6,470
2018 6,487

Return on Equity– cash[1] (%)

2019 10.9%
2018 11.0%

Earnings per Share – cash[1] (cents)

2019 227.6
2018 223.4

Common Equity Tier 1 (%)

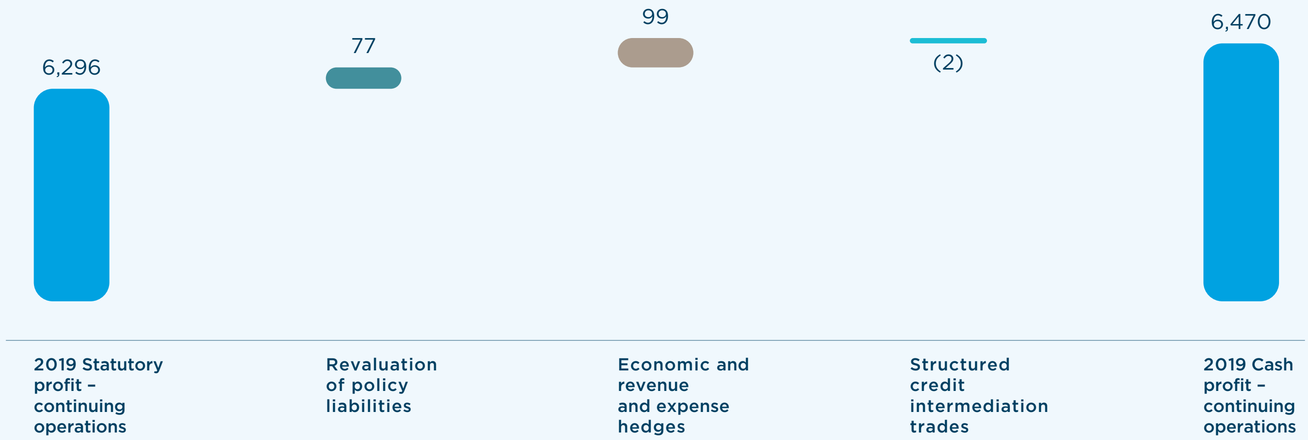
2019 11.4%
2018 11.4%

Dividend per share (cents)

2019 160
2018 160

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.

ADJUSTMENTS BETWEEN STATUTORY AND CASH PROFIT[1]

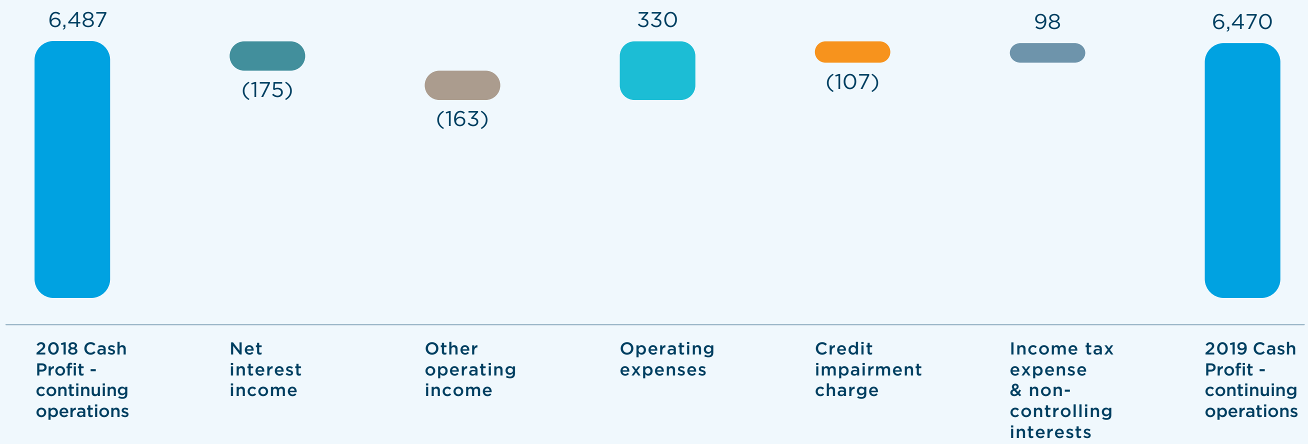


Description of adjustments between continuing operations statutory profit and cash profit:

Adjustment	Reason for the adjustment
Revaluation of policy liabilities – OnePath Life (NZ) 2019: $77 million 2018: ($14) 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, the 2019 financial year includes the reversal of life-to-date cash profit adjustments on the revaluation of policy liabilities sold increasing cash profit by $81 million.
Economic and revenue and expense hedges 2019: $99 million 2018: ($257) 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 approved classes of 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 2019: ($2) million 2018: ($4) 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.
Sale of SRCB 2019: nil 2018: ($333) million	On 3 January 2017, The Group announced that it had agreed to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB). The impact of SRCB has been treated as an adjustment between statutory profit to cash profit. The rationale being the loss on reclassification to held for sale was expected to be largely offset by the release of reserve gains on sale completion within the 2017 year. The transaction was subsequently completed in the 2018 full year, and the entire impact of the transaction was recognised in cash profit.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.

CASH PROFIT PERFORMANCE[1]



GROUP PERFORMANCE – CASH PROFIT

	2019 $m	2018 $m	Movt
Net Interest Income	14,339	14,514	-1%
Other operating income	4,690	4,853	-3%
Operating income	19,029	19,367	-2%
Operating expenses	(9,071)	(9,401)	-4%
Profit before credit impairment and income tax	9,958	9,966	0%
Credit impairment charge	(795)	(688)	16%
Profit before income tax	9,163	9,278	-1%
Income tax expense	(2,678)	(2,775)	-3%
Non-controlling interests	(15)	(16)	-6%
Profit after tax from continuing operations	6,470	6,487	0%

Cash profit from continuing operations decreased $17 million (0%) compared with the 2018 financial year.

- Net interest income decreased $175 million (-1%) largely due to lower interest rates and competitive pressures resulting in a 11 basis point decrease in the net interest margin, partially offset by 5% growth in average interest earning assets. The lower net interest margin reflects growth in lower margin Markets Balance Sheet activities, higher proportionate growth in the lower Institutional business, customer switching to principal and interest in Australia home loans, deposit margin compression and lower earnings on capital, partially offset by the impact of home loans repricing. The increase in average interest earning assets reflects growth in Institutional banking portfolios and home loan growth in the New Zealand division.
- Other operating income decreased $163 million (-3%) largely as the result of net divestment impacts of $198 million, a $120 million decrease in net fee and commission income, and $130 million decrease primarily in other income attributable to realised losses on economic hedges against foreign currency denominated revenue streams (which offset favourable foreign currency translations elsewhere in the Group) and a reduction in income from the lenders mortgage insurance business. This was partially offset by higher Markets other operating income of $154 million, a $79 million increase in share of associate's profit and a $52 million decrease in customer remediation within other operating income.
- Operating expenses decreased $330 million (-4%) primarily due to an accelerated software amortisation charge in the prior period of $251 million, lower restructuring expenses of $150 million, a reduction in expenses following the sale of OnePath Life (NZ) and Asia Retail and Wealth businesses of $60 million, lower Royal Commission legal costs of $40 million and lower FTE. This was partially offset by higher customer remediation of $182 million within operating expenses, inflation, the impact of foreign currency translation and regulatory compliance spend in New Zealand.
- Credit impairment charges increased $107 million (+16%) largely due to higher collectively assessed credit impairment charges, primarily as a result of the prior period benefitting from the release of temporary economic overlays and a greater number of customer upgrades.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.

LARGE/NOTABLE ITEMS INCLUDED IN CASH PROFIT[1]

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:

	2019 $m	2018 $m
Gain/(Loss) on sale of divestments		
Asia Retail and Wealth businesses	-	85
Shanghai Rural Commercial Bank (SRCB)	-	(86)
UDC Finance (UDC)	-	11
Metrobank Card Corporation (MCC)	-	247
OnePath Life NZ Ltd (OPL NZ)	157	(3)
ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	10	(42)
PNG Retail, Commercial and SME	1	(21)
Paymark	37	-
Divested business results		
Asia Retail and Wealth businesses	-	24
MCC	-	10
OnePath Life NZ Ltd (OPL NZ)	10	66
ANZ Royal Bank (Cambodia) Ltd (Cambodia JV)	11	14
PNG Retail, Commercial and SME	7	7
Paymark	4	5
Other large/notable items		
Customer Remediation	(475)	(295)
Accelerated Software Amortisation	-	(206)
Royal Commission Legal Costs	(10)	(38)
Restructuring	(54)	(159)

Description of large/notable items:

Item	Description
Gain/(Loss) on sale of divestments	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. The 2018 financial year included the gain on sale upon completion of the Asia Retail and Wealth businesses and MCC, and the loss on sale from SRCB. The Group recognised a loss on reclassification of assets and liabilities to held for sale for Cambodia JV, OPL NZ, and PNG Retail, Commercial and SME. In addition, a net cost recovery for UDC was recognised in respect of the terminated transaction process.
Divested business results	The 2019 financial year included the divested business results of the Cambodia JV, OPL NZ, PNG Retail, Commercial and SME, and Paymark. The 2018 financial year included the divested business results of the Asia Retail and Wealth businesses and a dividend received from MCC.
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 of certain software assets in the 2018 financial year, predominantly relating to the Institutional division following a review of the International business in light of divestments.
Royal Commission Legal Costs	External legal costs associated with responding to the Royal Commission.
Restructuring	Restructuring to re-shape our workforce and simplify our business. The 2019 financial year largely related to changes in the Group's enablement functions. The 2018 financial year largely related to the move of the Australia Retail and Commercial division and technology function to agile ways of working.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.

ANALYSIS OF CASH PROFIT PERFORMANCE[1]

Net interest income[1]

	2019 $m	2018 $m	Movt
Cash net interest income[2]	14,339	14,514	-1%
Average interest earning assets[3]	813,219	774,883	5%
Average deposits and other borrowings[3,4]	639,144	617,008	4%
Net interest margin (%) - cash[2,3]	1.76	1.87	-11 bps

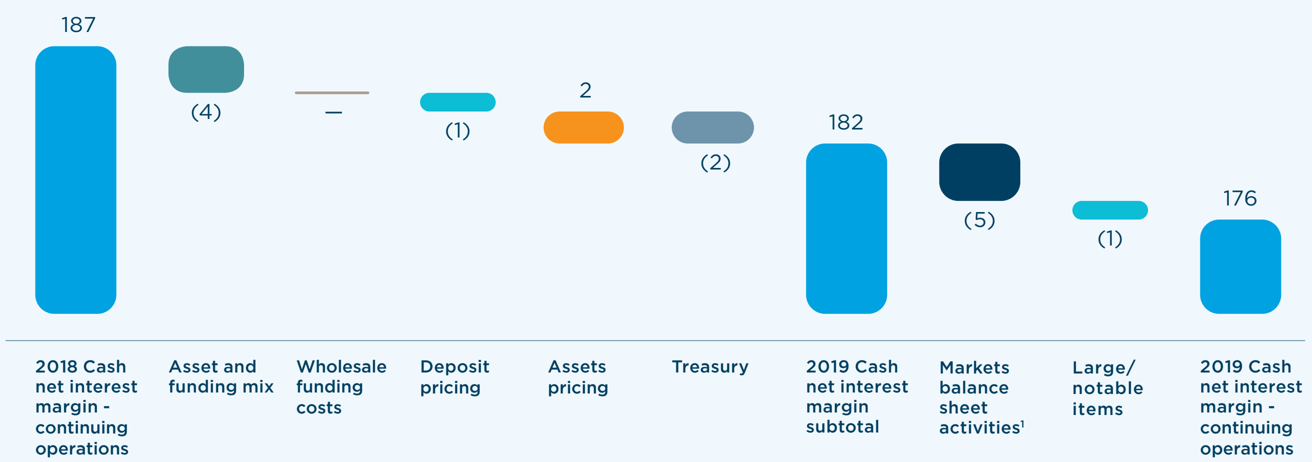
Net interest income decreased $175 million (-1%) largely due to lower interest rates and competitive pressures resulting in a 11 basis point decrease in the net interest margin, partially offset by 5% growth in average interest earning assets.

Net interest margin decreased reflecting growth in lower margin Markets Balance Sheet activities, higher proportionate growth in the lower Institutional business, customer switching to principal and interest in Australia home loans, deposit margin compression and lower earnings on capital, partially offset by the impact of home loans repricing

Average interest earning assets increased $38.3 billion (5%) reflecting growth in Institutional banking portfolios and home loan growth in the New Zealand division.

Average deposits and other borrowings increased $22.1 billion (4%) driven by growth in the Institutional and New Zealand divisions, and the impact of foreign currency movements.

NET INTEREST MARGIN FROM CONTINUING OPERATIONS (BPS)



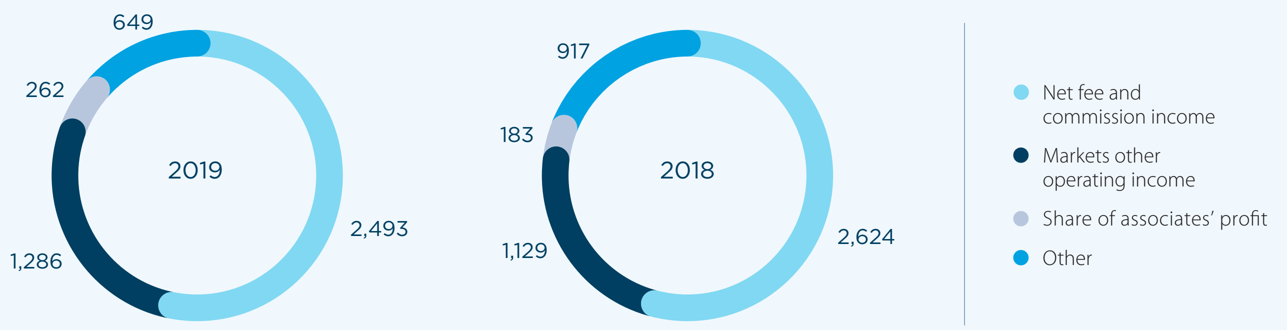
1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.
2. Includes the major bank levy of -$363 million (2018: -$355 million).
3. Average balance sheet amounts include assets and liabilities of continuing operations reclassified as held for sale.

Other operating income[1]

	2019 $m	2018 $m	Movt
Net fee and commission income[2]	2,493	2,624	-5%
Markets other operating income	1,286	1,129	14%
Share of associates' profit[2]	262	183	43%
Other[2]	649	917	-29%
Total cash other operating income	4,690	4,853	-3%

	Total increase/ (decrease) $m	Movt	Explanation
Net fee and commission income[2]	(131)	-5%	Net fee and commission income decreased primarily due to the reduction or removal of commercial and retail fees, lower volumes and the loss of income following the sale of the Asia Retail and Wealth businesses, partially offset by lower customer remediation impacting Net fee and commission income.
Markets other operating income	157	14%	Markets other operating income increased across Franchise Trading, Franchise Sales and Balance Sheet Trading. This was primarily due to tighter credit spreads and Australia and New Zealand rates, partially offset by a challenging international interest rate environment and the lower net impact of derivative valuation adjustments relative to the prior financial year.
Share of associates' profit[2]	79	43%	Share of associates' profit increased by $79m of which $44 million relates to P. T. Bank Pan Indonesia and $36 million relates to AmBank.
Other[2]	(268)	-29%	Other decreased primarily due to the reduction in insurance business income following the sale of OnePath Life NZ, realised losses on economic and revenue hedges against foreign currency revenue streams (which are offset by favourable currency translations elsewhere in the Group) and a reduction in income in the lenders mortgage insurance business.
Total cash other operating income from continuing operations	(163)	-3%	

OTHER OPERATING INCOME FROM CONTINUING OPERATIONS ($M)



1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.
2. Excluding Markets.

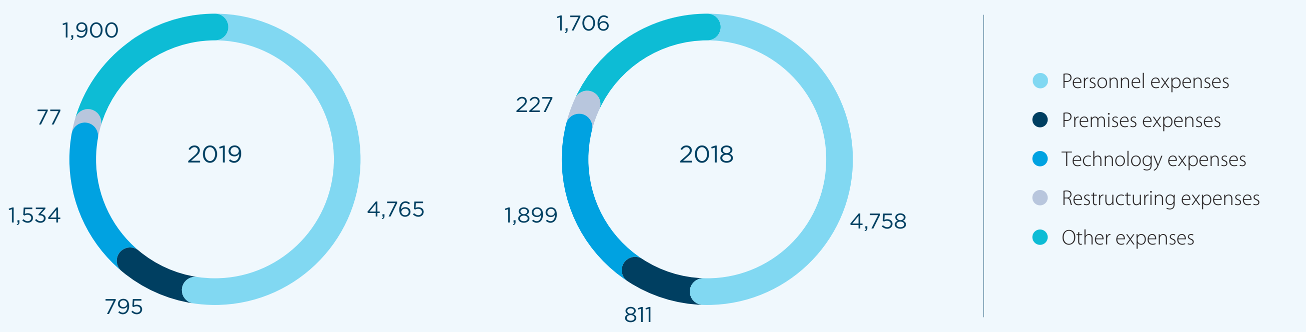
Operating expenses[1]

	2019 $m	2018 $m	Movt
Total cash operating expenses from continuing operations[2]	9,071	9,401	-4%
Full time equivalent staff (FTE) from continuing operations	37,588	37,860	-1%
Average full time equivalent staff (FTE) from continuing operations	37,480	40,016	-6%

Operating expenses decreased by $330 million (-4%). Key drivers:

- Personnel expenses increased $7 million (0%) largely driven by higher regulatory compliance spend in the New Zealand division, higher employee leave provisions, wage inflation and the impact of insourcing technology services. This was offset by lower FTE, lower personnel expenses following the sale of OnePath Life (NZ) and the Asia Retail and Wealth businesses ($33 million) and lower customer remediation ($58 million).
- Premises expenses decreased $16 million (-2%) primarily driven by the consolidation of our property footprint.
- Technology expenses (excluding personnel) decreased $365 million (-19%) largely due to an accelerated amortisation charge in the prior period ($251 million) and the insourcing of technology services.
- Restructuring expenses decreased $150 million (-66%) due to higher spend in the prior period associated with the move to agile ways of working in the Australian Retail and Commercial division and technology function.
- Other expenses increased $194 million (+11%) largely due to higher customer remediation ($240 million), partially offset by lower expenses following the sale of OnePath Life (NZ) and Asia Retail and Wealth businesses ($26 million) and a reduction in Royal Commission legal costs ($40 million).

OPERATING EXPENSES FROM CONTINUING OPERATIONS ($M)



Credit impairment[1]

	2019	2018	Movt
Collectively assessed credit impairment charge/(release) ($m)	17	(85)	large
Individually assessed credit impairment charge ($m)	778	773	1%
Credit impairment charge ($m)	795	688	16%
Gross impaired assets ($m)[2]	2,029	2,139	-5%
Credit risk weighted assets ($b)	358.1	337.6	6%
Total allowance for expected credit losses (ECL) ($m)	4,190	3,443	18%
Individually assessed as % of gross impaired assets	40.1%	43.0%	
Collectively assessed as % of credit risk weighted assets[3]	0.94%	0.75%	

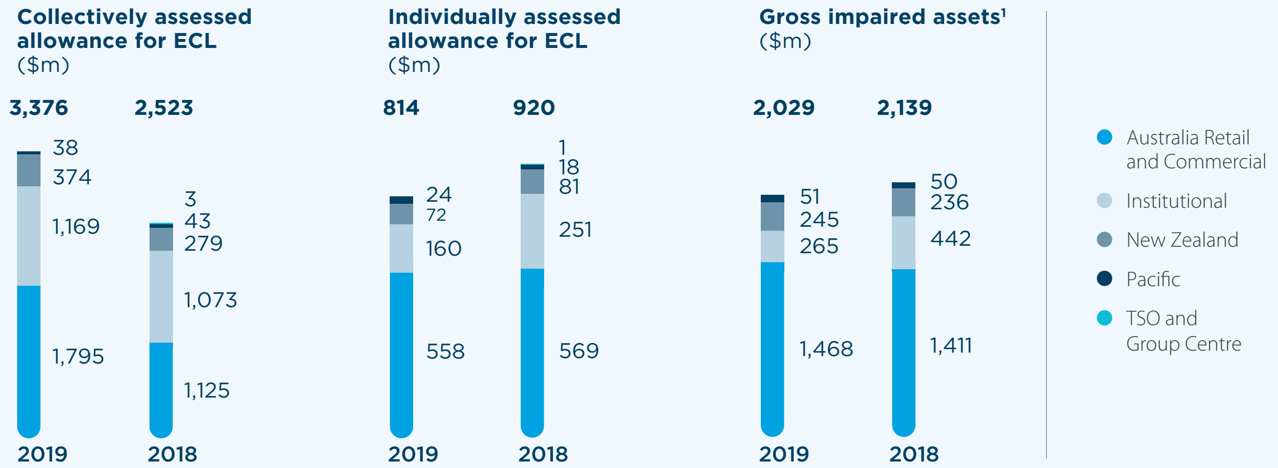
The **collectively assessed credit impairment charge** of $102 million was primarily driven by a $55 million increase in the New Zealand division and a $30 million increase in the Institutional division. The increase in the New Zealand division was primarily due to release of a temporary economic overlay in 2018, followed by a new temporary management overlay in 2019. The increase in the Institutional division was due to a greater number of customer upgrades in the prior period.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.
2. In 2019, ANZ implemented a more market responsive collateral valuation methodology for the home loan portfolio in Australia which increased the number of home loans being classified as impaired rather than past due. Comparative information has not been restated for this change in methodology. Additionally, refinement to underlying data resulted in a transfer from past due and sub-standard into impaired assets. Comparative information has been restated with a transfer of $126 million for 2018.
3. On adoption of AASB 9 on 1 October 2018, the Group increased the collectively assessed allowance for expected credit losses by $813 million, comparative information has not been restated.

The **individually assessed credit impairment charge** increased by $5 million (1%) due to lower write-backs and recoveries in the New Zealand and Institutional divisions, partially offset by higher write-backs and recoveries in the Australia Retail and Commercial division and a decrease due to the sale of the Asia Retail and Wealth businesses in the prior year.

Gross impaired assets decreased $110 million (-5%) driven by the Institutional division (-$177 million) with repayments reducing a number of large impaired assets. This was partially offset by an increase in the Australia Retail and Commercial division ($57 million) primarily driven by a number of single name impaired loans in the Commercial portfolio. The Group's individually assessed coverage ratio on impaired assets was 40.1 % at 30 September 2019 (Sep 18: 43.0%).

CREDIT IMPAIRMENT ($M)



1. During the 2019 financial year, ANZ implemented a more market responsive collateral valuation methodology for the home loan portfolio in Australia which increased the number of home loans being classified as impaired rather than past due. Comparative information has not been restated for the change in methodology. Additionally, refinement to underlying processes and associate data resulted in transfer of loans from past due and sub-standard categories into impaired assets. Comparative information has been restated with transfer of $126 million at September 2018.

DIVISIONAL PERFORMANCE[1]

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[2] ($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

2018	Australia Retail and Commercial	Institutional	New Zealand	Pacific	TSO and Group Centre	Group
Net interest margin	2.69%	0.88%	2.42%	4.11%	n/a	1.87%
Operating expenses to operating income	40.9%	58.3%	36.3%	55.4%	n/a	48.5%
Cash profit from continuing operations ($m)	3,626	1,480	1,521	72	(212)	6,487
Net loans and advances ($b)	341.3	150.1	111.3	2.1	(0.2)	605.5
Customer deposits[2] ($b)	202.7	205.8	79.8	3.5	(4.5)	487.3
Number of FTE	13,731	6,188	6,165	1,125	10,651	37,860

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.
2. TSO and Group Centre includes term deposits, other deposits and an adjustment in Group Centre to eliminate Wealth Australia discontinued operations investments in ANZ deposit products.

DIVISIONAL PERFORMANCE[1]

Australia Retail and Commercial

Lending volumes decreased as a result of lower system growth, asset competition and more conservative home loan origination risk settings. Net interest margin decreased as a result of home loan mix changes and higher discounting, the impact of the official cash rate decreases on low-rate deposits, regulatory impact on credit card pricing and higher customer remediation, partially offset by home loans re-pricing. Other operating income decreased as the result of higher customer remediation, and lower fee income due to the removal of fees and lower volumes. Operating expenses were flat with higher inflation, higher compliance costs and increased technology infrastructure spend offset by productivity initiatives including workforce and branch optimisation. Credit impairment charges increased primarily due to an increase in collectively assessed credit impairment as a result of a weakening Australian economic outlook, partially offset by a higher recoveries and write-backs.

Institutional

Lending volumes grew across all Institutional businesses. Customer deposits grew in Markets and Transaction Banking. Net interest margin decreased due to a reduction in lending margins, partially offset by higher deposit margins. Other operating income increased as a result of higher Markets income across all businesses. Operating expenses decreased due to a reduction in FTE and related costs, and lower ongoing software amortisation charges, partially offset by inflation. Credit impairment charges increased primarily due to an increase in individually assessed impairment charges driven by lower write-backs and recoveries, and an increase in collectively assessed impairment charges as a result of a greater number of customer upgrades in the prior period.

New Zealand

Lending and customer deposit volumes grew across all portfolios and funds under management increased during the period. Net interest margin decreased as a result of compressed deposit margins and home loan mix changes. Operating income decreased primarily due to the loss of income as the result of the OnePath Life (NZ) divestment, and an one-off insurance recovery in the prior period. Operating expenses increased primarily due to higher regulatory compliance spend, partly offset by the OnePath Life (NZ) divestment. Credit impairment charges increased primarily due to an increase in individually assessed impairment charges driven by lower write-backs and recoveries, and increase in collectively assessed impairment charges in Commercial driven by the release of an Agri economic cycle adjustment in 2018 followed by a new temporary overlay in 2019.

Pacific

Operating income for the Pacific division was broadly in line with the prior year. Costs were higher largely due to customer remediation. Credit impairment charges were not significant for the 2019 financial year.

TSO and Group Centre

The 2019 financial year included the gain on sale of OnePath Life (NZ), Paymark, Cambodia JV and PNG Retail, Commercial and SME. The 2018 financial year included the gain on sale of MCC, loss on sale of SRCB, the loss on reclassification of assets and liabilities to held for sale for Cambodia JV, OPL NZ, and PNG Retail, Commercial and SME, Royal Commission legal costs, and higher restructuring costs.

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.

DISCONTINUED OPERATIONS

The financial results of the Wealth Australia businesses being divested and associated Group reclassification and consolidation impacts are treated as discontinued operations from a financial reporting perspective. These businesses qualify as discontinued operations, a subset of assets and liabilities held for sale, as they represent a major line of business.

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. On 17 October 2019 the Group announced it had agreed a revised sale price for its OnePath P&I business and ADG to IOOF of $850 million, being a $125 million reduction from the original sale price of $975 million announced in October 2017. The new price of $850 million, includes approximately $25 million that ANZ has already received for the sale of ADGs in October 2018. The revised terms reflect changing market conditions and include lower overall warranty caps as well as some changes to the strategic alliance arrangements. Subject to APRA approval the Group expects the transaction to complete in the first quarter of calendar year 2020. The impact of the reduction in price has been reflected in the 2019 financial results.

- 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 $23 million loss ($81 million loss after tax) was recognised in the 2019 financial year. This is 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 of gains previously deferred in equity reserves on sale completion. A $632 million loss (pre and post-tax) was recognised on the reclassification of Wealth Australia businesses to held for sale in the 2018 financial year; 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 $241 million pre-tax, $207 million post tax was recognised in the 2019 financial year (2018: $181m pre-tax, $127 million post-tax).

ANZ's lenders mortgage insurance, share investing, general insurance distribution and financial planning businesses which were previously part of the continuing operations of Wealth Australia now form part of the Australia Retail and Commercial division (previously named Australia division) and Wealth Australia ceases to exist as a continuing division.

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 further ANZ shares held by the Group in discontinued operations (2018: 15.5 million shares).

- 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.

	2019 $m	2018 $m
Statutory profit/(loss) from discontinued operations	(343)	(695)
Adjustments between statutory profit and cash profit	34	13
Treasury shares adjustment	(11)	7
Revaluation of policy liabilities	45	6
Cash profit/(loss) from discontinued operations	(309)	(682)

FINANCIAL POSITION OF THE GROUP – INCLUDING DISCONTINUED OPERATIONS

Condensed balance sheet

	As at		
	2019 $b	2018 $b	Movt
Assets			
Cash / Settlement balances owed to ANZ / Collateral paid	**100.3**	98.0	2%
Trading and investment securities/available-for-sale assets[1]	**126.9**	112.0	13%
Derivative financial instruments	**120.7**	68.4	76%
Net loans and advances	**615.3**	604.5	2%
Assets held for sale	**1.8**	45.2	-96%
Other	**16.1**	15.1	7%
Total assets	**981.1**	943.2	4%
Liabilities			
Settlement balances owed by ANZ / Collateral received	**18.8**	18.3	3%
Deposits and other borrowings	**637.7**	618.2	3%
Derivative financial instruments	**121.0**	69.7	74%
Debt Issuances	**129.7**	121.2	7%
Liabilities held for sale	**2.1**	47.2	-96%
Other	**11.0**	9.2	20%
Total liabilities	**920.3**	883.8	4%
Total equity	**60.8**	59.4	2%

1. *On adoption of AASB 9 on 1 October 2018, the classification and measurement of financial assets were revised. Available-for-sale classification used in comparative periods ceases to exist under AASB 9 and a new classification of investment securities was introduced. Refer to Note 1 of the Annual Report for further details. Comparative information has not been restated.*

- Trading and investment securities/available-for-sale assets increased $14.9 billion (+13%) primarily driven by an increase in liquid assets in Markets and the impact of foreign currency translation movements.
- Derivative financial assets and liabilities increased $52.3 billion (+76%) and $51.3 billion (+74%) respectively as interest rate movements resulted in higher derivative volumes and fair values, particularly in interest rate swap products.
- Net loans and advances increased $10.8 billion (+2%) primarily driven by lending growth in the Institutional division (+$10.5 billion), growth in home loans in the New Zealand division (+$4.1 billion) and the impact of foreign currency translation movements, partially offset by the decrease in home loans in the Australia Retail and Commercial division (-$9.4 billion).
- Assets and liabilities held for sale decreased $43.4 billion (-96%) and $45.1 billion (-96%) respectively primarily driven by the sale completion of the life insurance business to Zurich, OPL NZ, Cambodia JV and PNG Retail, Commercial & SME.
- Deposits and other borrowings increased $19.5 billion (+3%) primarily driven by increased deposits from banks and repurchase agreements (+$9.9 billion), growth in customer deposits across the Australia Retail and Commercial (+$5.3 billion) and New Zealand division (+$2.7 billion) and the impact of foreign currency translation movements. This was partially offset by reduction in certificates of deposit and commercial paper issued (-$11.6 billion).
- Debt issuances increased $8.5 billion (+7%) primarily driven by senior debt issuances and the impact of foreign currency translation movements.

Funding

	2019	2018
Net Stable Funding Ratio	116%	115%

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

$23.6 billion of term wholesale debt with a remaining term greater than one year as at 30 September 2019 was issued during the year.

Liquidity

	2019	2018
Total liquid assets ($b) [1]	188.4	191.3
Liquidity Coverage Ratio (LCR) [1]	140%	138%

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 asset portfolio on an ongoing basis in line with regulatory requirements and the risk appetite set by the Board.

Capital management

	2019	2018	Movt
Common Equity Tier 1 (Level 2) - APRA Basel 3	11.4%	11.4%	
Credit risk weighted assets ($b)	358.1	337.6	6%
Total risk weighted assets ($b)	417.0	390.8	7%

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 remained at 11.4% based on APRA Basel 3 standards, exceeding APRA's minimum requirements. Cash earnings and divestments were offset by the impact of dividends and share buybacks during the year.

Dividends

This performance allowed us to propose that a final dividend of 80 cents be paid on each eligible fully paid ANZ ordinary share, bringing the total dividend for the year ended 30 September 2019 to $1.60 per share. This represents a dividend payout ratio of 70.1% of cash profit from continuing operations.

The proposed 2019 final dividend of 80 cents per share will be 70% franked for Australian taxation purposes, and carry a New Zealand (NZ) imputation credits of NZD 9 cents per ordinary share. It will be paid on 18 December 2019 to owners of ordinary shares at close of business on 12 November 2019 (record date).

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP) that will operate in respect of the proposed 2019 final dividend. For the 2019 final dividend, ANZ intends to provide shares under the DRP through an on-market purchase and BOP through the issue of new shares.

Further details on dividends provided for or paid during the year ended 30 September 2019 are set out in Note 5 in the Annual Report.

Shareholder Returns

	Earnings per Share (cents)	Dividends per Share (cents)	Dividends Payout Ratio (%)	Total Shareholder Return (%)
2019	227.6	160	70.1	9.2
2018	223.4	160	71.1	0.6

1. Information has been presented on a cash profit from continuing operations basis. Discontinued operations are detailed on page 61.