

News Release

For release: 23 April 2018

ANZ Half Year 2018 Results - A Guide to the Result including Large / Notable Items -

On Tuesday 1 May, ANZ will announce its Half Year financial results to 31 March 2018. In advance of that announcement, the Group is releasing information to assist market participants preparing to analyse the Group's financial performance.

Classification of sold Wealth Australia businesses as Discontinued Operations

ANZ announced two separate Wealth business transactions in 2017.

- Sale of the OnePath pensions and investments (OnePath P&I) and aligned dealer groups (ADG) business to IOOF Holdings Limited on 17 October.
- Sale of the life insurance business to Zurich Financial Services Australia on 12 December.

In ANZ's 1H18 Results Announcement the results of these businesses will be classified as 'Discontinued Operations' in accordance with accounting standards, and shown separately from the 'Continuing Operations' of ANZ. Prior period comparative results will be restated to reflect this.

Discontinued Operations' assets and liabilities have been reclassified as at 31 March 2018 as held for sale and measured at the lower of their carrying value and fair value less costs to sell. Consequently, a \$632 million loss has been recognised, comprising a \$277 million net loss on measuring the assets and liabilities at fair value (including a treasury shares adjustment of \$396 million) and future separation and transaction costs to complete both transactions of \$355 million.

This loss, together with the operating results of the held for sale businesses and separation costs incurred to date, form the 'profit from Discontinued Operations' in ANZ's 1H18 Results Announcement. A template providing the ANZ Financial Year 2017 Group Profit and Loss on a continuing basis is in the support pack released with this announcement.

Disclosure of Retained Wealth Australia Businesses

The retained Wealth businesses - ANZ Lenders Mortgage Insurance, ANZ Share Investing, distribution of General Insurance products and ANZ Financial Planning - will be disclosed separately within 'profit from Continuing Operations'. The profit for these retained businesses in FY17 was \$95 million before group elimination adjustments.

Restructuring Charge

The Group has incurred ~\$80 million in restructuring charges within Cash Profit in 1H18; this compares to charges of \$26 million and \$36 million in 2H17 and 1H17, respectively. In large part, the 1H18 charges relate to the implementation of agile ways of working in the Australia Division.

Royal Commission

Legal and other costs relating to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry are currently expected to be in the range of \$50 million for the year ending 30 September 2018 and were \$16 million in 1H18. ANZ is committed to engaging with the Inquiry in an open, constructive and transparent manner. ANZ is unable to predict the outcome of the Inquiry or its impact on the bank or broader industry.

Corporate Business moved to Institutional Division

The Corporate business, formerly part of the Corporate and Commercial Banking business within the Australia Division, is now part of Institutional Australia. A template showing the restated comparative Profit and Loss for the Australia Division and Institutional Division is in today's pack.

Large / Notable items within continuing operations

Consistent with the Group's practice in FY17, ANZ will disclose a summary of large/notable items, which are included within the cash profit of its continuing operations.

The large/notable items for 1H18 relate to the impact of divestments on continuing operations, including any gains or losses on sale and the operating results of businesses that will no longer form part of future cash profit results.

The total net gain on sale from divestments in 1H18 is \$138 million comprising:

- An \$85 million net gain on sale for the Asia Retail and Wealth businesses, including a gain on sale for Vietnam retail.
- A loss on sale of SRCB in the current period of \$86 million. This includes the offset to equity accounted earnings of \$58 million (recognised in cash profit in 1H17 and identified as a large/notable item) which increased the carrying value. Allowing for this, the total net loss is \$28 million reflecting additional hedging and tax costs associated with the extended completion.
- A \$121 million net gain on sale for the first tranche of MCC. The sale of the second tranche is subject to a put option exercisable in the fourth quarter of FY18.
- An \$18 million cost recovery related to UDC.

The derivative valuation adjustment charge for the Institutional Markets business is not material in 1H18. The charges for 1H17 and 2H17 are shown in the large/notable items template.

The materials lodged today with the ASX, including supporting templates are all available on shareholder.anz.com

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Large/notable items - continuing operations

Within continuing cash profit, the Group has recognised some large/notable items. These items are shown in the tables below.

	March 2018 Half Year			March 2017 Half Year				
	Large/notable items included in continuing cash profit			Large/notable items included in continuing cash profit				
	Continuing cash profit \$M	Gain/(Loss) on sale from divestments \$M	Divested business results \$M	Continuing cash profit \$M	Gain/(Loss) on sale from divestments \$M	Divested business results \$M	Derivative valuation adjustments \$M	Gain on sale of 100 Queen St, Melbourne \$M
Cash Profit								
Net interest income		-	53	7,419	-	249	-	-
Other operating income		238	38	2,557	(324)	194	162	114
Operating income		238	91	9,976	(324)	443	162	114
Operating expenses		-	(35)	(4,487)	-	(120)	-	-
Profit before credit impairment and income tax		238	56	5,489	(324)	323	162	114
Credit impairment charge		-	(26)	(720)	-	(71)	-	-
Profit before income tax		238	30	4,769	(324)	252	162	114
Income tax expense		(100)	(6)	(1,406)	40	(34)	(49)	(2)
Non-controlling interests		-	-	(8)	-	-	-	-
Cash profit from continuing operations		138	24	3,355	(284)	218	113	112

	March 2018 Half Year			September 2017 Half Year				
	Large/notable items included in continuing cash profit			Large/notable items included in continuing cash profit				
	Continuing cash profit \$M	Gain/(Loss) on sale from divestments \$M	Divested business results \$M	Continuing cash profit \$M	Gain/(Loss) on sale from divestments \$M	Divested business results \$M	Derivative valuation adjustments \$M	Gain on sale of 100 Queen St, Melbourne \$M
Cash Profit								
Net interest income		-	53	7,456	-	193	-	-
Other operating income		238	38	2,384	14	127	67	-
Operating income		238	91	9,840	14	320	67	-
Operating expenses		-	(35)	(4,480)	-	(97)	-	-
Profit before credit impairment and income tax		238	56	5,360	14	223	67	-
Credit impairment charge		-	(26)	(479)	-	(53)	-	-
Profit before income tax		238	30	4,881	14	170	67	-
Income tax expense		(100)	(6)	(1,420)	-	(29)	(20)	-
Non-controlling interests		-	-	(7)	-	-	-	-
Cash profit from continuing operations		138	24	3,454	14	141	47	-

Cash Profit Results - including discontinued operations

	Half Year ¹			Movement	
	Mar 18 \$M	Sep 17 \$M	Mar 17 \$M	Mar 18 v. Sep 17	Mar 18 v. Mar 17
Net interest income		7,456	7,419		
Other operating income		2,384	2,557		
Operating income		9,840	9,976		
Operating expenses		(4,480)	(4,487)		
Profit before credit impairment and income tax		5,360	5,489		
Credit impairment charge		(479)	(720)		
Profit before income tax		4,881	4,769		
Income tax expense		(1,420)	(1,406)		
Non-controlling interests		(7)	(8)		
Cash profit from continuing operations		3,454	3,355		
Cash profit from discontinued operations		73	56		
Cash profit		3,527	3,411		

¹ Information has been restated and presented on a continuing operations basis. Discontinued operations include the financial results of the Wealth Australia businesses sold to IOOF and Zurich and associated Group reclassification and consolidation impacts.

Structural changes - impacting prior period comparatives

As part of the broader simplification strategy, there have been several structural changes during the March 2018 half. Prior period comparatives have been aligned with these changes, which include:

- The Corporate business, formerly part of the Corporate and Commercial Banking business within the Australia division, was transferred to the Institutional division.
- The residual Asia Retail and Wealth businesses in Philippines, Japan and Cambodia not sold as part of the Asia Retail and Wealth divestments now sit within the Institutional division.
- Divisional specific operations within Group operational hubs (part of TSO and Group Centre) were re-pointed to the respective divisions. As these costs were previously recharged, there is no change to previously reported divisional cash profit. Divisional full time equivalents have been restated to reflect this change.

The structural changes affected the prior period comparatives of the Australia and Institutional divisions with changes reflected in the table below.

	Australia division				Institutional division			
	Current structure		Old structure		Current structure		Old structure	
	Sep 17 \$M	Mar 17 \$M	Sep 17 \$M	Mar 17 \$M	Sep 17 \$M	Mar 17 \$M	Sep 17 \$M	Mar 17 \$M
Net interest income	4,169	4,049	4,251	4,133	1,577	1,687	1,480	1,588
Other operating income	615	602	616	602	998	1,368	989	1,357
Operating income	4,784	4,651	4,867	4,735	2,575	3,055	2,469	2,945
Operating expenses	(1,713)	(1,669)	(1,730)	(1,693)	(1,392)	(1,422)	(1,357)	(1,379)
Profit before credit impairment and income tax	3,071	2,982	3,137	3,042	1,183	1,633	1,112	1,566
Credit impairment charge	(417)	(468)	(425)	(472)	37	(129)	45	(125)
Profit before income tax	2,654	2,514	2,712	2,570	1,220	1,504	1,157	1,441
Income tax expense and non-controlling interest	(797)	(755)	(815)	(772)	(361)	(439)	(342)	(420)
Cash profit	1,857	1,759	1,897	1,798	859	1,065	815	1,021

ANZ ANNOUNCED DIVESTMENTS

GAIN/LOSS ON SALE SUMMARY

Asset	1H17 (\$m) Actual	2H17 (\$m) Actual	1H18 (\$m) Actual	2H18 (\$m) Expected	TOTAL GAIN / LOSS
Sale of Asia Retail & Wealth businesses (Cash Profit continuing)					
• Reclassification of Asia Retail & Wealth to held for sale	(284)				
• Net gain / loss on sale ¹		14	85		(185)
SRCB (net impact through Cash Profit continuing)					
<u>Adjustments to statutory profit (full offsets)</u>					
• Reclassification of SRCB to Held For Sale ²	(316)	(17)			
• Release of reserves partly offset by net foreign exchange and tax costs ²			333		
<u>Net impact through cash profit</u>					
• Equity accounted earnings 1Q17	58				
• Offset to equity accounted earnings 1Q17 (via increase in carrying value)			(58)		
• Additional hedging and tax costs (due to extended completion)			(28)		(28)
MCC (Cash Profit continuing)					
• Gain on sale (first tranche)			121		
• Gain on sale (second tranche, subject to exercise of put option)				~124	~245
UDC (Cash Profit continuing)					
Cost recovery			18		18
P&I and ADG, OPL (Cash Profit Discontinued)					
Gain / Loss on sale ³			(632)		(632)

1. China, Singapore, Hong Kong completed in 2H17; Taiwan, Indonesia, Vietnam completed in 1H18

2. FY17 impacts comprise the write-down on reclassification as Held For Sale and additional tax and hedging costs consequent to the delay in completion. In the March 2018 half, the Group recognised the release of foreign currency and available for sale reserves on completion, partly offset by further hedging and tax costs

3. Total loss on sale expected to be ~\$600m at completion