

## News Release

For Release: 28 October, 2016

### **ANZ advises of additional FY16 Specified Charges**

ANZ will announce its 2016 Full Year financial results on 3 November 2016. In advance of that announcement, the Group advises it will be recording additional specified charges in relation to the following items.

#### **Derivative Credit Valuation Adjustment (CVA) – Institutional Markets Business**

ANZ has enhanced the methodology for the calculation of CVA, a valuation adjustment made to determine the fair value of derivative instruments. The refined methodology makes greater use of market credit information and more sophisticated exposure modelling and is aligned with leading market practice. A \$168 million<sup>1</sup> charge (net of tax) will be recorded as a reduction to Institutional Markets revenue and will appear in the Specified Items table for comparative purposes. Of this, \$25m relates to movements in CVA in the 2016 financial year with the remainder related to a once off adjustment for prior periods to mark to market the current derivative portfolio.

#### **Restructuring Charge**

ANZ will be recording a further \$100 million (net of tax) in restructuring charges to support the evolution of the Group's strategy, underpinning further productivity through reshaping the workforce, reducing complexity and duplication. The Group will outline the use of this charge in more detail in the FY16 results materials, and it will appear in the Specified Items table as per the restructuring charge taken in the First Half.

#### **Total Second Half Specified Items Charges**

Total Specified Items in the Second Half will be \$360m (net of tax). In addition to the items outlined above this includes the second half impact of changes in the application of the Group's software capitalisation policy and pro forma adjustments for the Esanda Dealer Finance divestment announced in ANZ Interim Results.

Tables were provided in the Consolidated Financial Report and Dividend Announcement at the First Half Result to identify the impact of Specified Items on Cash Profit in order to allow comparison with prior periods. A template in the same format, updated to include the Second Half Specified Items is included with this News Release to assist the market with its preparations ahead of the FY16 results release.

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#### **FOR NOTING**

A specified items analysis pack was lodged with the ASX as part of the 1H16 results materials and is available on the ANZ website in the Shareholder Centre within the 1H16 Results materials section <http://www.shareholder.anz.com/results-announcement> and also in the Analysts Toolkit.

<sup>1</sup> All amounts are in Australian Dollars (AUD)  
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**Cash Profit Results - Adjusted Pro-forma**
**September 2016 Full Year**

Cash profit	Software capitalisation changes	Asian minority investment adjustment	Restructuring	Esanda Dealer Finance divestment	CVA methodology change	Total specified items	Adjusted pro-forma
<b>Cash Profit</b>							
Net interest income	-	-	-	(31)	-	(31)	
Other operating income	-	231	-	(78)	237	390	
Operating income	-	231	-	(109)	237	359	
Operating expenses	743	-	278	17	-	1,038	
Profit before credit impairment and income tax	743	231	278	(92)	237	1,397	
Credit impairment charge	-	-	-	23	-	23	
Profit before income tax	743	231	278	(69)	237	1,420	
Income tax expense	(221)	-	(77)	24	(69)	(343)	
Non-controlling interests	-	-	-	-	-	-	
<b>Cash profit</b>	<b>522</b>	<b>231</b>	<b>201</b>	<b>(45)</b>	<b>168</b>	<b>1,077</b>	

**September 2015 Full Year**

Cash profit	Restructuring	Esanda Dealer Finance divestment	Total specified items	Adjusted pro-forma
<b>Cash Profit</b>				
14,616	-	(255)	(255)	14,361
5,921	-	(51)	(51)	5,870
20,537	-	(306)	(306)	20,231
(9,378)	31	43	74	(9,304)
11,159	31	(263)	(232)	10,927
(1,205)	-	130	130	(1,075)
9,954	31	(133)	(102)	9,852
(2,724)	(9)	40	31	(2,693)
(14)	-	-	-	(14)
7,216	22	(93)	(71)	7,145

**September 2016 Half Year**

Cash profit	Software capitalisation changes	Restructuring	Esanda Dealer Finance divestment	CVA methodology change	Total specified items	Adjusted pro-forma
<b>Cash Profit</b>						
Net interest income	-	-	-	-	-	
Other operating income	-	-	-	237	237	
Operating income	-	-	-	237	237	
Operating expenses	114	140	6	-	260	
Profit before credit impairment and income tax	114	140	6	237	497	
Credit impairment charge	-	-	10	-	10	
Profit before income tax	114	140	16	237	507	
Income tax expense	(33)	(40)	(5)	(69)	(147)	
Non-controlling interests	-	-	-	-	-	
<b>Cash profit</b>	<b>81</b>	<b>100</b>	<b>11</b>	<b>168</b>	<b>360</b>	

**March 2016 Half Year**

Cash profit	Software capitalisation changes	Asian minority investment adjustment	Restructuring	Esanda Dealer Finance divestment	Total specified items	Adjusted pro-forma
<b>Cash Profit</b>						
7,568	-	-	-	(31)	(31)	7,537
2,748	-	231	-	(78)	153	2,901
10,316	-	231	-	(109)	122	10,438
(5,479)	629	-	138	11	778	(4,701)
4,837	629	231	138	(98)	900	5,737
(918)	-	-	-	13	13	(905)
3,919	629	231	138	(85)	913	4,832
(1,133)	(188)	-	(37)	29	(196)	(1,329)
(4)	-	-	-	-	-	(4)
2,782	441	231	101	(56)	717	3,499