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UPDATE ON WEALTH AUSTRALIA DIVESTMENTS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
12 DECEMBER 2017



OVERVIEW

- ANZ today announced the sale of its Wealth Australia life insurance business to Zurich Financial Services Australia (Zurich).
- The sale of Wealth Australia's life insurance business comprises a sale of 100% of One Path Life Australia Holdings Pty Limited and a reinsurance arrangement ("OPL")¹. The total proceeds under the two transactions is \$2.85 billion, including a \$1 billion upfront reinsurance commission².
- As part of the sale agreement, ANZ will enter into a 20 year strategic alliance with Zurich to offer life insurance solutions through ANZ's distribution channels.
- This follows the 17 October 2017 announced sale of ANZ's OnePath Pensions and Investments and Aligned Dealer Groups businesses ("OnePath P&I") to IOOF Holdings Limited for \$975 million.
- Combined outcome (OPL and OnePath P&I):
 - Total proceeds \$3.83 billion
 - 2017 Price/Earnings multiple on a pro forma cash NPAT³ basis of 16.8x
 - Expected to increase ANZ's consolidated CET1 capital position by ~80 basis points⁴
 - Estimated accounting loss on sale of ~\$640 million⁵
- ANZ expects completion of transactions to occur in late calendar year 2018. The transactions, including the reinsurance, remain subject to regulatory approval.

1. Also includes 100% of OnePath General Insurance – OPGI has in-force premiums of \$69m and currently only underwrites the general insurance component of credit insurance policies

2. Refer page 5 for further details of the reinsurance arrangement

3. Pro forma basis: Pensions and Investments includes DAC amortisation but is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles, Life insurance and general insurance is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles

4. Based on 30 September 2017 Group consolidated total Risk Weighted Assets

5. The final gain/loss on sale will be determined at completion and will be impacted by transaction and separation costs, final determination of goodwill to be disposed, other balances (including AFS reserve) and final taxation impacts

ANNOUNCED SALE OF LIFE INSURANCE BUSINESS

TRANSACTION SUMMARY

Transaction

Sale of Wealth Australia Life Insurance business to Zurich Financial Services Australia

Transaction metrics

- Total proceeds of \$2.85 billion across two transactions:
 - \$1 billion of upfront reinsurance commission from Zurich (expected to occur in May 2018)
 - \$1.85 billion for 100% of OPL
- 2017 P/EV multiple excluding franking credits of 1.0x (0.9x including franking credits).
- 2017 P/E multiple on a pro forma cash NPAT basis of 15.1x
- Estimated accounting loss on sale of ~\$520 million¹ includes:
 - separation and transaction costs of ~\$75 million post-tax
 - release of Available For Sale reserve
 - carrying value ~\$3.38b (~\$2.45 billion NTA, ~\$810 million goodwill, ~\$120 million VIF & DAC intangibles)²
- Embedded value of OPL at 30 September 2017 \$3.31 billion (including franking credits).
- Expected to increase ANZ's consolidated CET1 capital ratio by a total of ~65bp³ (~25bp upon completion of the reinsurance arrangement and a further ~40bp on completion).
- EPS and RoE impacts broadly neutral if capital released is returned to shareholders

1. The final gain/loss on sale will be determined at completion and will be impacted by transaction and separation costs, final determination of goodwill to be disposed, other balances (including AFS reserve) and final taxation impacts.
2. As at 30 September 2017
3. Based on 30 September 2017 Group consolidated total Risk Weighted Assets

ANNOUNCED SALE OF LIFE INSURANCE BUSINESS

STRATEGIC ALLIANCE & CUSTOMER OUTCOME

Strategic alliance

- As part of the sale agreement, ANZ will enter into a 20 year strategic alliance to offer life insurance solutions through ANZ's distribution channels.
- ANZ's Australia Division distribution income for Life Insurance products is expected to be broadly similar to distribution income received from OPL.
- The strategic alliance will commence upon completion of the sale of OPL.

Customer outcome

- A good outcome for customers and shareholders:
 - Zurich has a long history in Australia and a presence in more than 210 countries and territories with global capability in providing life insurance solutions
 - Zurich is experienced in working with banks around the world to provide insurance solutions to more than 60 million customers in 17 countries through over 70 bank agreements including Santander, Citibank, HSBC and ING
- There are no changes to any current insurance policies as a result of today's announcement, including general insurance products provided via QBE.
- ANZ will retain the Lenders Mortgage Insurance, ANZFP and ANZ Share Investing businesses within the Australia Division post completion.

ANNOUNCED SALE OF LIFE INSURANCE BUSINESS

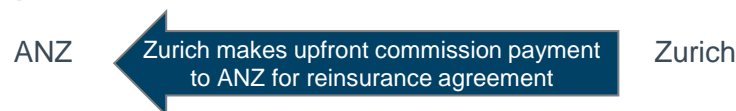
REINSURANCE ARRANGEMENT

Overview

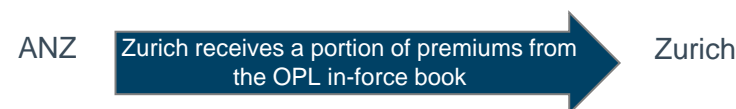
- To gain early exposure to a portion of OPL earnings, Zurich will enter into a quota share reinsurance agreement via a \$1 billion upfront commission payment
- In effect, Zurich acquires the rights to a portion of the profits from OPL's in-force insurance book
- Arrangement is expected to be in place in May 2018, subject to regulatory approval¹

Structure

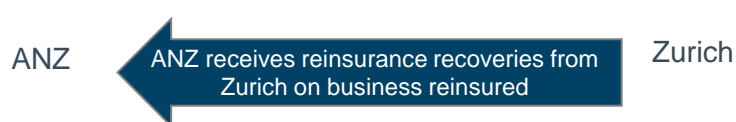
Upfront reinsurance commission



Portion of in-force insurance book



Ongoing reinsurance recoveries



Profit & Loss impacts for ANZ

Upfront reinsurance payment of \$1 billion

- No profit & loss impact
- Arrangement has a balance sheet impact, wherein ANZ replaces an asset (Deferred Acquisition Costs) with cash.
- In turn ANZ recognises a capital benefit to CET1 of ~25bp

PRE Reinsurance Treaty

- ANZ's coverage remains unchanged and full profits will be earned up to the date of the Reinsurance Treaty.

POST Reinsurance Treaty

- ANZ forgoes a portion of the profits of OPLs in-force book (estimated ~\$22 million post tax in FY18, ~\$54 million on an annualised basis).
- Substantial portion of portfolio will be reinsured however cost of administering portfolio is fully covered.

1. In the event of the reinsurance arrangement not proceeding, sale of OPL would proceed as a single transaction with total proceeds of \$2.85 billion. Transaction would remain subject to regulatory approval

WEALTH AUSTRALIA DIVESTMENTS - 2017

| Transactions | OPL (Announced today) | OnePath P&I (Announced 17 October 2017) |
|---|--|---|
| Products | <p>Insurance products include:</p> <ul style="list-style-type: none"> • Advised Life (OneCare and closed products) • Direct Life (upgraded suite and closed products) • Group Insurance • Mastertrust Insurance • Consumer Credit Insurance (Credit Card Insurance, Loan Protection Insurance and Mortgage Protection Insurance) • Small legacy run-off portfolio of pension and investment products | <p>P&I Platforms & Products include:</p> <ul style="list-style-type: none"> • Advised (Retail) including OneAnswer Mastertrust • Advised (Wrap) including ANZ Grow wrap & Oasis badged wrap • Employer Super (ANZ Smart Choice Employer) • Direct Products (ANZ Smart Choice Retail) • Other closed superannuation products issued by OnePath P&I. <p>ADGs & ADG Brands: Millennium3, RI Advice, Elders Financial Planning, Financial Services Partners.</p> |
| Total proceeds | \$2,850m | \$975m |
| PE Multiple | 15.1x 2017 pro forma Cash NPAT | ~25x FY17 NPAT (~17x after separation & transaction costs) |
| Price/EV | 1.0x excluding franking credits (0.9x including franking credits) | |
| Gain/Loss (est.) | Accounting loss on sale of ~\$520m ¹ | Accounting loss on sale of ~\$120m ¹ , |
| Separation & transaction costs | ~\$75m post tax | ~\$300m post tax |
| APRA CET1 | Expected to increase ANZ's CET1 by ~65bp | Expected to increase ANZ's CET1 by ~15bp |
| ROE & EPS | Impacts are not material to ANZ | Impacts are not material to ANZ |
| ANZ FY17 Financial contribution | <p>Pro forma Cash NPAT \$189m²</p> <p>Insurance in-force book ~\$1.7b³</p> | <p>Pro forma Cash NPAT \$39m²</p> <p>OnePath P&I business FUM \$48b</p> <p>ADG FUA \$19.5b</p> |
| FTE⁴ | ANZ: ~900 | ANZ: ~1,200 & ADG: 717 aligned advisors |
| Combined position | <ul style="list-style-type: none"> • Total proceeds of \$3,825m for combined sales • Equates to 16.8x PE multiple on a pro forma cash NPAT basis • Combined sales to increase ANZ's consolidated CET1 capital ratio by ~80 basis points | |

1. The final gain/loss on sale will be determined at completion and will be impacted by transaction and separation costs, final determination of goodwill to be disposed, other balances and final taxation impacts
2. Pro forma basis: Pensions and Investments includes DAC amortisation but is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles, Life insurance and general insurance is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles
3. Includes Life Insurance, and OnePath General insurance in-force premiums of \$69m
4. FTE as at 30 June 2017. ADG aligned advisors are sourced from ASIC (as at 3 October 2017)

WEALTH AUSTRALIA DIVESTMENTS - 2017

FINANCIAL CONSIDERATIONS

FY17 Cash Profit

| \$m | FY17 (Wealth Aus. Total) | FY17 (Divested businesses ¹) | FY17 (Retained businesses) |
|--|-----------------------------|---|-------------------------------|
| Operating income | 1,086 | 694 | 392 |
| Operating expenses | (743) | (482) | (261) |
| Profit before income tax | 343 | 212 | 131 |
| Cash profit after tax | 238 | 143 | 95 |
| Group adjustments | | 85 | |
| Cash profit pro forma² | | 228 | |

Mostly internal funding costs & amortisation of acquisition related intangibles, to cease upon completion of divestment

FY18 considerations

Divested businesses¹

- Completion expected in FY19. Impact on FY18 financials is expected to be limited to:
 - Foregone profit on a portion of the in-force insurance book upon commencement of the reinsurance agreement (refer slide 8)
 - Some separation costs to be incurred in FY18 (refer slide 8)

Retained businesses

- ANZ to retain Lenders Mortgage Insurance, ANZFP, General Insurance distribution & ANZ Share Investing³
- Australia Division currently generates income from the distribution of Life Insurance products and will continue to earn distribution income

1. OnePath P&I and OPL

2. Pro forma basis OnePath P&I includes DAC amortisation but is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles, OPL is pre ANZ consolidation adjustments and amortisation of acquisition related intangibles

3. On 8 March 2017 ANZ announced an agreement with CMC Markets to provide a market leading share trading solution to customers under the ANZ Share Investing brand

IMPACT OF ALL ANNOUNCED DIVESTMENTS

ANZ 2018 FINANCIAL IMPACT

INDICATIVE CHANGE IN CONTRIBUTION FROM DIVESTMENTS (FY18 vs FY17)¹

| \$m | Asia Retail | SRCB | MCC | UDC | OnePath P&I | OPL ⁶ | FY18 Total (lower earnings) |
|---|---|---|---|---------------------------|-------------|---|-----------------------------|
| Revenue | ~-570 | -58 | -39 | ~-80 | | ~-32 | ~-779 |
| Expenses – Direct | ~-185 | | | ~-25 | | | ~-210 |
| Expenses – Indirect | ~-85 | | | | | | ~-85 |
| Provisions | ~-85 | | | ~-5 | | | ~-90 |
| Cash Profit (pre gain / loss on sale) | ~-175 | -58 | -39 | ~-40 | | ~-22 | ~-334 |
| Gain / (Loss) on sale | ~60 | Nominal | ~245 | ~100 | | ~-190³ | ~215⁴ |
| CET1 impact | ~6+ bp | ~40bp | ~9bp | ~10bp | - | ~25⁵ | ~90+ bp |
| Basis for lower earnings | 3 divestments in 2H17, 3 in 1H18: Revenue --85%, Direct exp. --85% Indirect exp. --30% Provisions --70% | Cessation of equity accounting earnings | Cessation of equity accounting earnings | ~9 months earnings impact | | Cessation of insurance income under reinsurance arrangement | |

OnePath P&I

- Completion est. FY19
- Loss on sale ~\$120m²
- CET1 impact ~15bp

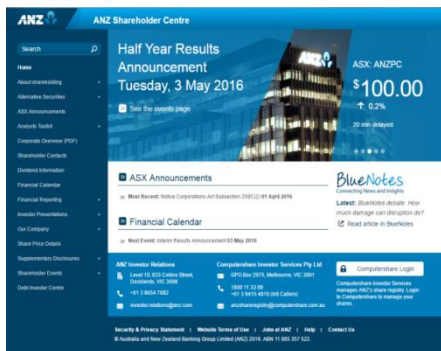
OPL

- Completion est. FY19
- Loss on sale ~\$520m²
- CET1 impact ~65bp⁵

All divestments are indicative and subject to regulatory approvals

1. Indicative only based on anticipated timing and FY17 earnings as a basis for FY18. FY17 not necessarily representative of future earnings
2. Total estimated accounting loss on sale at completion
3. Portion of separation costs expected to be incurred in FY18. Refer to OnePath P&I and OPL call out boxes for total estimated accounting loss on sale
4. Includes MCC ~245m, UDC ~100m, Asia Retail ~60m, OnePath P&I and OPL separation costs of ~\$(190)m
5. ~25bp upon commencement of the reinsurance arrangement, further ~40bp upon completion of sale
6. Indicative change is based on estimated FY18 earnings after allowing for the impact of the reinsurance arrangement

Further Information



Our Shareholder information

shareholder.anz.com

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