

News Release

For Release: 8 October 2018

Update on Customer Compensation and Software Amortisation

ANZ today announced that its Full Year 2018 Cash Profit will be impacted by additional charges for customer compensation, accelerated amortisation of software and other notable items.

Customer compensation

Charges of \$374 million¹ have been recognised in 2H18 for refunds to customers and related remediation costs. These relate to issues that have been identified from reviews to date. These reviews remain ongoing.

Approximately 57% relates to customer refunds impacting revenue, with the balance relating to remediation costs recorded as an expense. The total remediation charge is split approximately 66%/34% between Continuing and Discontinued operations.

Key items of customer remediation include:

- Compensating customers for issues arising from product reviews in the Australia Division.
- Compensation for customers receiving inappropriate advice or for services not provided within ANZ's former aligned dealer groups².

Software amortisation

ANZ has accelerated the amortisation of certain software assets, predominantly relating to its International business. This follows a recent review of the International business along with a number of divestments announced or completed this year. Accelerated amortisation expense of \$206¹ million will be recorded in 2H18.

Other notable items

Along with announced divestments and the matters above, the following notable items will be highlighted in the FY18 Results Announcement:

- Restructuring charges of \$104¹ million in 2H18, largely relating to the previously announced move of the Australia and Technology Divisions to agile ways of working.
- External legal costs associated with responding to the Royal Commission which will total \$55 million (pre-tax) for FY18.

The impact of these additional charges on ANZ's Common Equity Tier 1 capital position compared to 1H18 is expected to be less than 10 basis points.

ANZ's FY18 Results Announcement will be released on 31 October 2018, with a results template to be issued in late October.

The following tables are provided to illustrate the impacts of the above items.

¹ All items are approximates on an unaudited after tax basis (in the applicable tax jurisdiction) unless otherwise stated

² ANZ completed the sale of its Aligned Dealer Groups to IOOF on 1 October 2018
Australia and New Zealand Banking Group Limited ABN 11 005 357 522

Estimated Impact to Continuing Operations profit after tax (versus prior comparable period):

Item	Full Year 2018 (\$m)	Full Year 2017 (\$m)	Movement (\$m)
Customer Remediation	294	109	185
Accelerated software amortisation	206	-	206
Restructuring	159	43	116
Royal Commission legal costs	38	-	38
Total Continuing	697	152	545

Item	2H 2018 (\$m)	1H 2018 (\$m)	Movement (\$m)
Customer Remediation	247	48	199
Accelerated software amortisation	206	-	206
Restructuring	104	55	49
Royal Commission legal costs	27	11	16
Total Continuing	584	114	470

Estimated Impact to Discontinued Operations profit after tax (versus prior comparable period):

Item	Full Year 2018 (\$m)	Full Year 2017 (\$m)	Movement (\$m)
Customer Remediation	127	-	127

Item	2H 2018 (\$m)	1H 2018 (\$m)	Movement (\$m)
Customer Remediation	127	-	127

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