



## 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")<sup>1</sup>. The total proceeds under the two transactions is \$2.85 billion, including a \$1 billion upfront reinsurance commission<sup>2</sup>.
- 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 NPAT<sup>3</sup> basis of 16.8x
  - Expected to increase ANZ's consolidated CET1 capital position by ~80 basis points<sup>4</sup>
  - Estimated accounting loss on sale of ~\$640 million<sup>5</sup>
- 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 million<sup>1</sup> 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)<sup>2</sup>
- 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 ~65bp<sup>3</sup> (~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

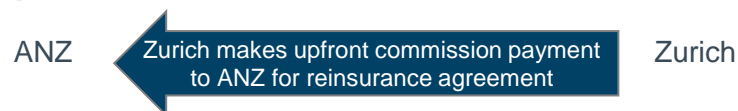
## REINSURANCE ARRANGEMENT

### Overview

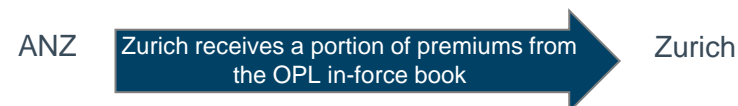
- To gain early exposure to a portion of OPL earnings, Zurich will enter into a quota share reinsurance agreement via a \$1 billion upfront commission payment
- In effect, Zurich acquires the rights to a portion of the profits from OPL's in-force insurance book
- Arrangement is expected to be in place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

### Structure

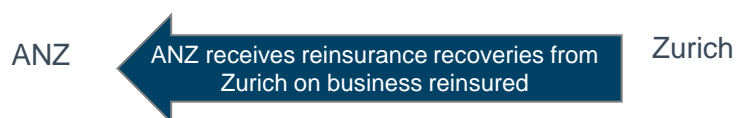
#### Upfront reinsurance commission



#### 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)
<b>Products</b>	<p>Insurance products include:</p> <ul style="list-style-type: none"> <li>• Advised Life (OneCare and closed products)</li> <li>• Direct Life (upgraded suite and closed products)</li> <li>• Group Insurance</li> <li>• Mastertrust Insurance</li> <li>• Consumer Credit Insurance (Credit Card Insurance, Loan Protection Insurance and Mortgage Protection Insurance)</li> <li>• Small legacy run-off portfolio of pension and investment products</li> </ul>	<p>P&amp;I Platforms &amp; Products include:</p> <ul style="list-style-type: none"> <li>• Advised (Retail) including OneAnswer Mastertrust</li> <li>• Advised (Wrap) including ANZ Grow wrap &amp; Oasis badged wrap</li> <li>• Employer Super (ANZ Smart Choice Employer)</li> <li>• Direct Products (ANZ Smart Choice Retail)</li> <li>• Other closed superannuation products issued by OnePath P&amp;I.</li> </ul> <p>ADGs &amp; ADG Brands: Millennium3, RI Advice, Elders Financial Planning, Financial Services Partners.</p>
<b>Total proceeds</b>	\$2,850m	\$975m
<b>PE Multiple</b>	15.1x 2017 pro forma Cash NPAT	~25x FY17 NPAT (~17x after separation & transaction costs)
<b>Price/EV</b>	1.0x excluding franking credits (0.9x including franking credits)	
<b>Gain/Loss (est.)</b>	Accounting loss on sale of ~\$520m <sup>1</sup>	Accounting loss on sale of ~\$120m <sup>1</sup> ,
<b>Separation &amp; transaction costs</b>	~\$75m post tax	~\$300m post tax
<b>APRA CET1</b>	Expected to increase ANZ's CET1 by ~65bp	Expected to increase ANZ's CET1 by ~15bp
<b>ROE &amp; EPS</b>	Impacts are not material to ANZ	Impacts are not material to ANZ
<b>ANZ FY17 Financial contribution</b>	<p>Pro forma Cash NPAT \$189m<sup>2</sup></p> <p>Insurance in-force book ~\$1.7b<sup>3</sup></p>	<p>Pro forma Cash NPAT \$39m<sup>2</sup></p> <p>OnePath P&amp;I business FUM \$48b</p> <p>ADG FUA \$19.5b</p>
<b>FTE<sup>4</sup></b>	ANZ: ~900	ANZ: ~1,200 & ADG: 717 aligned advisors
<b>Combined position</b>	<ul style="list-style-type: none"> <li>• Total proceeds of \$3,825m for combined sales</li> <li>• Equates to 16.8x PE multiple on a pro forma cash NPAT basis</li> <li>• Combined sales to increase ANZ's consolidated CET1 capital ratio by ~80 basis points</li> </ul>	

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 <sup>1</sup> )	FY17 (Retained businesses)
Operating income	1,086	694	392
Operating expenses	(743)	(482)	(261)
Profit before income tax	343	212	131
<b>Cash profit after tax</b>	<b>238</b>	<b>143</b>	<b>95</b>
Group adjustments		85	Mostly internal funding costs & amortisation of acquisition related intangibles, to cease upon completion of divestment
<b>Cash profit pro forma<sup>2</sup></b>		<b>228</b>	

### FY18 considerations

#### Divested businesses<sup>1</sup>

- 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 Investing<sup>3</sup>
- 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)<sup>1</sup>

\$m	Asia Retail	SRCB	MCC	UDC	OnePath P&I	OPL <sup>6</sup>	FY18 Total (lower earnings)
Revenue	~-570	-58	-39	~-80		~-32	~-779
Expenses – Direct	~-185			~-25			~-210
Expenses – Indirect	~-85						~-85
Provisions	~-85			~-5			~-90
<b>Cash Profit</b> (pre gain / loss on sale)	<b>~-175</b>	<b>-58</b>	<b>-39</b>	<b>~-40</b>		<b>~-22</b>	<b>~-334</b>
<b>Gain / (Loss) on sale</b>	<b>~60</b>	Nominal	<b>~245</b>	<b>~100</b>	<b>~-190<sup>3</sup></b>		<b>~215<sup>4</sup></b>
<b>CET1 impact</b>	<b>~6+ bp</b>	<b>~40bp</b>	<b>~9bp</b>	<b>~10bp</b>	-	<b>~25<sup>5</sup></b>	<b>~90+ bp</b>
<b>Basis for lower earnings</b>	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 ~\$120m<sup>2</sup>
- CET1 impact ~15bp

#### OPL

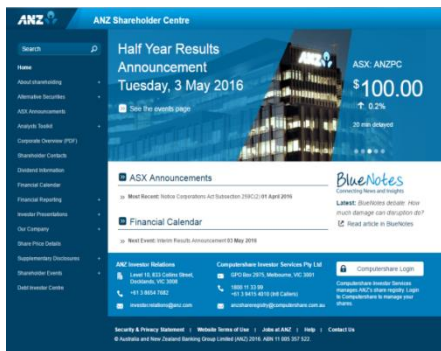
- Completion est. FY19
- Loss on sale ~\$520m<sup>2</sup>
- CET1 impact ~65bp<sup>5</sup>

### 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](http://shareholder.anz.com)

**DISCLAIMER & IMPORTANT NOTICE:** The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to ANZ's business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. When used in this presentation, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to ANZ and its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

## Equity Investors

**Jill Campbell**  
Group General Manager Investor Relations  
+61 3 8654 7749  
+61 412 047 448  
[jill.campbell@anz.com](mailto:jill.campbell@anz.com)

**Cameron Davis**  
Executive Manager Investor Relations  
+61 3 8654 7716  
+61 421 613 819  
[cameron.davis@anz.com](mailto:cameron.davis@anz.com)

**Katherine Hird**  
Senior Manager Investor Relations  
+61 3 8655 3261  
+61 435 965 899  
[katherine.hird@anz.com](mailto:katherine.hird@anz.com)

## Retail Investors

**Michelle Weerakoon**  
Manager Shareholder Services & Events  
+61 3 8654 7682  
+61 411 143 090  
[michelle.weerakoon@anz.com](mailto:michelle.weerakoon@anz.com)

## Debt Investors

**Scott Gifford**  
Head of Debt Investor Relations  
+61 3 8655 5683  
+61 434 076 876  
[scott.gifford@anz.com](mailto:scott.gifford@anz.com)